

# ANNUAL REPORT

2018/19



**Strong communities, growing together**

### **Traditional Owner acknowledgement**

Western Water proudly acknowledges Aboriginal people as Australia's first peoples and the local Traditional Owners as the original custodians of the land and water on which we rely. We pay our deepest respects to their Elders, past, present and emerging.

We acknowledge the continued cultural, social and spiritual connections that Aboriginal people have with the lands and waters, and recognise and value that the Traditional Owner groups have cared for and protected them for thousands of generations.

In the spirit of reconciliation, we remain committed to working in partnership with local Traditional Owners to ensure their ongoing contribution to the future of the water management landscape while maintaining their cultural and spiritual connections.

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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 2018 to 30 June 2019, was the Hon Lisa Neville MP, Minister for Water. Western Water is accountable 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 2018/19 financial year.

## Nature and range of services provided

In 2018/19, Western Water provided water, sewerage and recycled water services to 72,825 serviced properties across a region of 3,000 square kilometres to the north-west of Melbourne.

Serviced properties grew by 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 25 years. The service area's population is currently estimated at 172,500.

Western Water's strategic intent reflects its focus on working with the community and partnering with stakeholders 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.






# Strategic Framework

## Vision

*Strong communities, growing together*

## Strategic themes

Western Water's Strategic Plan is structured around four strategic themes supported by capabilities and enablers:

THEME	ASPIRATION	GOAL
<b>Customers</b> 	Delivering Value for Customers	C1 Highly satisfied and empowered customers C2 Secure and fit-for-purpose service C3 Customers are at the centre of what we do
<b>Liveability</b> 	Contributing to a Highly Liveable, Viable Region	L1 Assets and operations that meet climate change impacts L2 Regional economic growth through enhanced and reliable water services L3 Integrate planning solutions to meet growth and community needs
<b>Environment</b> 	Caring for the Environment	E1 Supporting healthy waterways E2 Community and agency collaboration to deliver sustainable environmental and social outcomes E3 Reducing our environmental impact
<b>Innovation</b> 	Leveraging Partnerships and Technology to Create Future Opportunities	I1 Value-added, innovative services and products for the community I2 Expand renewable resources I3 Establish new commercial business models and partnerships
<b>Capabilities and Enablers</b> 	Engaged Community, Stakeholders and Workforce Highly Skilled People and Agile Teams Intelligent and Responsive Information Systems Think Health and Safety First	K1 Recognised for excellence and collaborative teamwork in stakeholder and customer relationships K2 Attract and retain talent and build a high performing culture, enabled by transformational leadership K3 Improve decisions and performance through high quality, timely data K4 Build a safety culture and reduce key risks

# Values

At Western Water, we value:



## People

We care for our people, and we think health and safety first. We seek to foster a collaborative working environment where our people are engaged, empowered, recognised and continuously learning and developing to reach their potential.



## Integrity

We approach our work in an honest, transparent, ethical, fair and environmentally sensitive manner. We are accountable for our decisions, behaviours and performance.



## Respect

We respect each other, value diversity of opinion and seek to foster an inclusive and trusting working environment.



## Teamwork

We work together in a committed, collaborative and unified manner to achieve excellent outcomes for the business and our customers.



## Excellence

We are committed to innovation and learning. We seek feedback and aim to continuously improve in all that we do to ensure our ongoing success is sustainable.

## United Nations Sustainable Development Goals

In 2018/19 Western Water resolved to become a signatory of the United Nations Sustainable Development Goals. By becoming a signatory to the global compact, we are committed to supporting each of the 17 Sustainable Development Goals (SDGs). Our core business closely aligns with Goal 6 of the SDGs: *Ensure availability and sustainable management of water and sanitation for all.*

We also acknowledge that we can all play a role at an organisational and individual level, in assisting to achieve all 17 goals. As an organisation, Western Water can have a direct impact on Goal 11: *Make*

*cities and human settlements inclusive, safe, resilient and sustainable.* Western Water is involved in initiatives and undertaking projects that support sustainable development including:

- Western Irrigation Network Project
- Western Water Grid Expansion
- Waste to Energy: Melton Recycled Water Plant
- Sunbury's Water Future

Western Water indirectly contributes to achieving the other SDGs through internal strategic activities. For instance, our Diversity and Inclusion action plan supports UN SDG 5. *Gender equality.* Western Water will continue to monitor and report on its activities as they relate to the advancement of the SDGs.

# SUSTAINABLE DEVELOPMENT GOALS



# 1. Year in review

## Strategic highlights

### Key Figures

**3,050**

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NEW CONNECTED  
WATER CUSTOMERS

**72 Km**

---

OF NEW WATER MAINS  
THIS YEAR

**9,410 ML**

---

OF RECYCLED  
WATER PRODUCED

**\$70m**

---

NEW INVESTMENT IN CAPITAL  
PROJECTS TO SERVICE OUR  
GROWING REGION

**72%**

---

RECYCLED WATER REUSED

**402**

---

PARTICIPANTS IN SUNBURY'S  
WATER FUTURE COMMUNITY  
ENGAGEMENT

**1,343**

---

CHILDREN INVOLVED IN  
SAMMY'S WATERWISE CLUB

**\$1bn**

---

WE MANAGE OVER **\$1BN** IN  
INFRASTRUCTURE ACROSS  
OUR SERVICE AREA OF **3,000**  
SQUARE KILOMETRES

**43**

---

LAUNCHED NEW SAFETY  
PROGRAM WITH **43** KEY  
SAFETY INITIATIVES



## Major Projects

At Western Water our year has been focused on delivering outcomes that support our strategic priorities. We have focused on:

- engaging with the community to understand their expectations of Western Water
- funding major infrastructure projects to supply water and sewage services to existing and future customers
- providing sustainable solutions that will support the significant forecasted urban growth, and
- providing our people with the skills and expertise to better service our customers.

The following major projects demonstrate our commitment to our vision: *Strong Communities, Growing Together*.

### EVOLVING AND TRANSFORMING OUR BUSINESS

At Western Water we are passionate about what we do. Western Water's significant population growth forecasts, coupled with the need to deliver affordable services, requires us to continually focus on evolving and transforming our business. We achieve this by focusing on the following strategic initiatives:

- building the capability of our people
- enhancing our business processes
- optimising our assets, and
- adopting innovative technologies.

Implementing projects within these strategic initiatives, enables Western Water to position our business for the future growth and continue to deliver great outcomes for our communities. In 2018/19 we undertook the following projects:

**Building Our People Capability** – A strategic workforce planning project was established. This project will define our 'future of work' enabling us to identify the workforce capabilities and its composition to support our evolving business and customer needs.

**Process Excellence Program** – Through the use of LEAN Process Excellence, we have been reviewing several of our key business processes to drive efficiency and produce more effective business outcomes.

**Innovative Technologies** – Western Water continues to look at ways to use innovative

technologies and analytics to drive a range of improvements and enhancements. A refresh of our Information Technology strategy is also underway which explores better use of business intelligence, analytics and modelling.

**Optimised Asset Management Project** – Our infrastructure assets play a vital role in delivering affordable services and benefits to Western Water's customers. Our business is delivering this transformational project to assist us with managing our growing asset base. This project involves expanding the use of asset performance data to create fully automated networks that enable prediction of events and alerts when operating outside normal optimal performance.

**Building on our Culture of Safety** – Western Water has continued its significant commitment and investment in our people's health and safety. This year we launched our new Health and Safety Program that will run over the next two years, incorporating 43 Key projects that will further build on our organisations safety culture and enhance our overall safety practice and performance.

Further information on these projects and other major projects within Western Water is provided below.

### WESTERN IRRIGATION NETWORK

The Western Irrigation Network (WIN) project is a proposed network of more than 50 km of pipelines to transport large volumes of recycled water to agricultural precincts for irrigation. Western Water has been working with stakeholders and potential customers to understand potential agricultural demand for recycled water in the Balliang-Parwan region, south of Bacchus Marsh. Western Water already supplies recycled water to irrigators from our Sunbury, Melton, Gisborne, Riddells Creek, Woodend, Romsey and Bacchus Marsh Recycled Water Plants. With the significant increase in recycled water production resulting from urban growth in a number of these towns, the capacity of the irrigation systems also needs to grow significantly to accommodate these additional volumes and ensure the recycled water produced is being effectively managed. The WIN project will see a valuable resource used for economic growth, protect the environment and ensure sewage management services remain affordable for customers without wasting the recycled water through a major discharge outfall to rivers and streams. A comprehensive business case for the project is presently being finalised.

## WESTERN WATER GRID EXPANSION

Western Water faces a major challenge in balancing water demand and supply within our region due to urban growth and climate change impacts.

To ensure the security of supply for our growing community, Western Water is currently undertaking a feasibility study to expand the drinking water supply and grid, which will lead to a strategic business case for the Water Grid Expansion project.

This project is being undertaken in partnership with DELWP.

The feasibility study is exploring options to:

- secure additional water resources for the Western Water region,
- ensure sufficient capacity for transferring water into and across the region to where it is needed, and
- include capacity in the water grid expansion to provide water to the Maribyrnong river to improve environmental conditions.

The comprehensive feasibility study and strategic business case will inform the costs, benefits and risks of a range of supply options and recommend the preferred strategy for long term water security of our region.

The feasibility study and strategic business case will be submitted to the Victorian Government in September 2019.

## SUNBURY'S WATER FUTURE

The Sunbury area is set to double in population in the next 20 years. This, combined with climate change, has created unique challenges for the region in terms of securing sufficient water supplies, managing increased quantities of wastewater and stormwater, and minimising impacts on the environment including local waterways. Sunbury's Water Future is a collaborative initiative under the auspices of the Maribyrnong IWM Forum, and led by Western Water and Melbourne Water, in partnership with Hume City Council and Department of Environment, Land, Water and Planning (DELWP), to plan for water servicing solutions across Sunbury's new development areas.

To better understand how the community values water supply and waterways across the region, an online survey was conducted, which received close to 300 responses. This survey demonstrated

that the community values highly the ecological health of waterways and the security of the region's water supplies. A community deliberative panel was established in May 2019 to respond to the question: *What water management options are best for our community and the environment?* The panel prepared a report with the following nine recommendations:

- Sustainable Energy use for any new infrastructure in the Sunbury growth area
- utilising varying water sources by collecting and treating stormwater and recycled water to create potable water
- cost and pricing incentives for customers using less than the recommended daily water consumption levels
- strategic water storage utilising current and future infrastructure
- adaptable stormwater and wastewater storage and treatment infrastructure
- management of stormwater flow in new developments
- keep water sourced locally for use in the Sunbury region
- more efficient use of recycled water, and
- Permeable road and paths

Western Water and Melbourne Water will provide a formal response to these recommendations by September 2019. The response will outline the next steps in the Sunbury's Water Future project.

## CUSTOMER ONLINE PORTAL

In 2018/19 Western Water commenced development of its first customer portal. This portal will provide customers with self-service options, using the device of their choice at the time of their choice.

The portal will allow customers to register, pay, change their name, address or email as well as set up payment arrangements including direct debit. Western Water has sought customer input on the opportunity for a portal over several years and its launch in 2019 will deliver a contemporary customer offering for our growing community.

It is expected that at least 10% of customers will register for the portal in its first year of operation, with 30% of customers signing up by June 2023. Most importantly, the portal delivers on our Price

Submission 2018 commitment to have a fully developed solution, tested with customers, for the provision of online services and information.

The portal will also allow Western Water to optimise its e-billing service for customers, enabling customers to access more information about their water usage, accounts and history. This service has already encouraged 16% of customers to switch to the more environmentally sustainable way to receive their accounts electronically.

### **OPTIMISED ASSET MANAGEMENT PROGRAM**

This transformative business project includes the review of our Strategic Asset Management Plan. The new plan will apply best practice and ISO55000 principles to effectively managing our assets to support our region's growth and maintain high service levels.

This project will deliver nine key work packages:

- Asset Data Collection, Validation and Capture
- Asset Information and Planning
- Asset Management Information System (AMIS) Integration
- Field Mobility Tool
- Business Intelligence Reporting
- Asset Management System
- Organisation and People
- Strategy and Planning
- Risk & Review

Upon completion of all work packages in FY2019/20, the project will deliver electronic work orders, real time data, business intelligent reporting and the ability to make more informed decisions.

### **WASTE TO ENERGY: MELTON RECYCLED WATER PLANT**

Western Water is committed to reducing greenhouse gas emissions and reducing the overall amount of waste to landfill. The inclusion of food waste into the anaerobic digestion process for sewage treatment adds to the generation of biogas. This extra biogas can then be used as a renewable energy. The Waste to Energy project at Melton's recycled water plant aims to benefit the community through:

- additional biogas for energy
- decreased greenhouse gas emissions
- reduced food waste to landfill, and
- an alternative option for the disposal of local food waste.

In 2018/19 a new anaerobic digester was constructed at the Melton recycled water plant to meet the long-term needs of the growing population. The waste-to-energy project will complement this new digestion capacity.

## Business at a glance

Table 1: Business at a glance - 2018/19

Properties	2018/19
Serviced assessments (including vacant land)	72,825
Serviced assessments (vacant land)	4,794
<b>Water Supply</b>	
Connected water customers	68,031
Residential	64,786
Non-residential	3,245
Water consumption (ML)	16,478
Residential consumption (ML)	12,255
Non-residential consumption (ML)	2,463
Non-revenue water (ML)	1,760
<b>Sewer Service</b>	
Serviced sewer customers	66,485
Connected sewer customers	62,005
Sewage treated (ML)	10,548
<b>Recycled Water Supply</b>	
Recycled water customers	2,938
Residential users (Class A)	2,821
Rural Property users (Class B)	48
Non-residential users (Classes A, B or C)	69
Recycled water produced (ML)	9,410
Percentage reused	72%

Table 2: Assets - 2018/19

Water supply	2018/19
Reservoirs and service basins	17
Bulk water entitlements	10
Groundwater bores	6
Water filtration plants	7
Chlorination plants	14
Water storage tanks	35
Water pump stations	38
Water mains (km)	2,043
<b>Sewerage treatment and recycled water supply</b>	
Recycled water plants	7
Recycled water winter storages	4
Sewer pump stations	63
Sewer mains (km)	1,402
Recycled water mains (km)	260

## Financial performance

Western Water delivered a profit before tax result of \$48.9 million for 2018/19 compared to our Corporate Plan budget of \$19 million, and 46% 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 contributions, and our continued focus on cost management.

During 2018/19, Western Water made income tax equivalent payments to the Victorian Government of \$14.3 million, 109% higher than the previous year.

Our capital works investments, predominantly related to servicing connections for growth, totalled \$70 million – being \$8 million higher than the amount invested in the previous financial year.





Funding of investments was achieved through a combination of mainly developer cash contribution fees received and an increase in debt funding of \$45.3 million during the year.

Table 3: Financial Summary 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Revenue	148,608	123,229	100,758	101,916	81,735	77,090	82,261
Expenses	99,664	89,874	85,767	83,378	70,058	75,444	78,132
Net profit before tax	48,944	33,355	14,991	18,538	11,677	1,646	4,129

# Service Area



-  Waterway, reservoir or dam
-  Water Filtration Plant
-  Western Water service area
-  Recycled Water Plant





## Foreword from the Chair and Managing Director

Western Water's 2018/19 Annual Report details our business performance for the reporting year and contains audited financial statements, statutory disclosures and other information.

Our vision is *Strong Communities, Growing Together*, and we are committed to providing essential water and sewerage services that meet the current and future needs of a thriving region to the north-west of Melbourne, which is growing at an unprecedented rate.

We play an important role in enabling the capacity and prosperity of our growing communities, so that our region can take advantage of future opportunities. Our vision inspires and motivates us to deliver high quality services that our customers value and contribute to the wellbeing of the communities in which we operate.

It has been a year of positive progress and significant achievement for Western Water on multiple fronts, as we ensure our business is sustainable and the services we deliver can be relied on with predicted impacts from climate change and growth in demand for our services.

We have maintained our sound financial performance and ended the 2018/19 year in a secure financial position, achieving an operating result before tax of \$48.9 million. This operating surplus was generated largely through cash and asset contributions received from land developers servicing the urban growth within our region. Our underlying result with the effect of excluding asset contributions was a \$8.4 million surplus before tax.

During the year, we invested \$70 million in works and procurement of assets through our asset expansion program to service our growing region, with our asset base now worth in excess of \$1.0 billion. Our long-range infrastructure plans will see us investing at similar record levels over the coming years.

Two particular achievements this year are worthy of note.

Firstly, in April 2019, the Victorian Government announced the Zero Emissions Water consortium initiative, where Western Water, with 12 other Victorian water corporations, will source renewable energy and reduce carbon emissions. As a first, this sector-level initiative comes into operation next year and is part of a portfolio approach to sourcing energy for our business and progressively reducing our carbon footprint to achieve our pledged target by 2025.

Secondly, as part of delivering the Victorian Government's water policy, *Water for Victoria*, during 2019 we facilitated jointly with Melbourne Water a deliberative community panel that examined Sunbury's Water Future. We received and are presently considering the recommendations of the panel that will inform an innovative and integrated water management plan for Sunbury.

In March 2019, Jeff Rigby joined the corporation as our Managing Director, and we acknowledge and thank Rob Murphy for acting in the role since August 2018.

We thank the Board, Executive and staff for their dedication and contribution to Western Water during the reporting period.

### 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 2019. The report is compliant with all statutory reporting requirements.



**Andrew Cairns**  
Chair



**Jeff Rigby**  
Managing Director

## 2. 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 most of 2018/19, the team, which was accountable to the Board, was led by Acting Managing Director Robert Murphy, until the appointment of Managing Director, Jeff Rigby, on 4 March 2019 and consisted of General Managers in five areas:

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



**Jeff Rigby, Managing Director**  
**BEng Civil, MEng Sc, MBA, CPEng, FIEAust,**  
**EngExec, NER, FAICD, FGIA, FCIS, MIPAA**  
Appointed March 2019

Responsible for leading and managing the organisation, Jeff was appointed Managing Director by the Board and commenced at Western Water in March 2019.

Prior to his appointment Jeff was the Managing Director at Coliban Water, a position he held since December 2011.

Jeff has 34 years of experience working in the water industry in regional Victoria. He was the Managing Director of Grampians Wimmera Mallee Water from 2007 prior to joining Coliban Water.

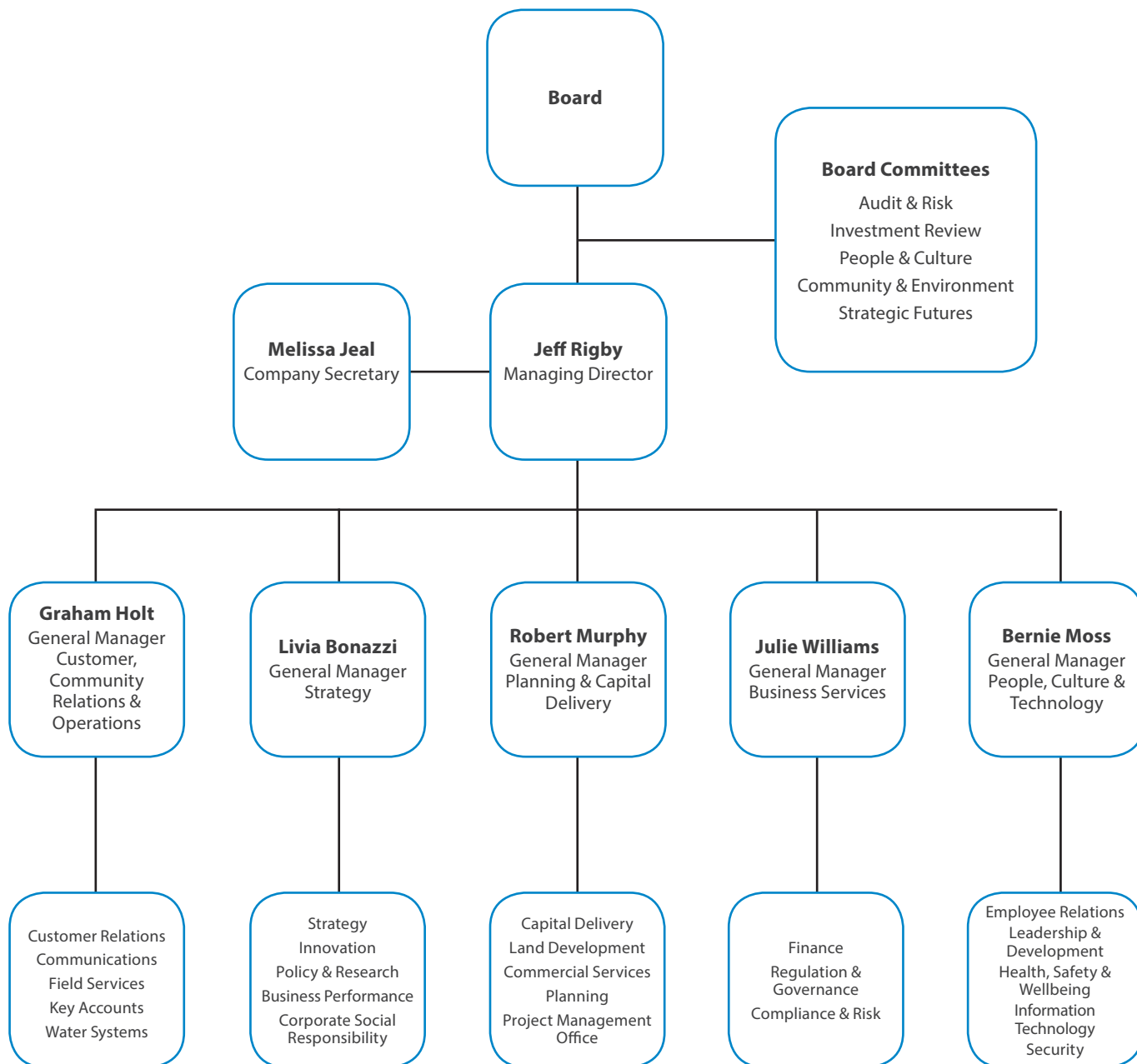
Since 2017, he has been a Board Director of VicWater, the State association for the water utility sector. Jeff also serves as a Board Director of Castlemaine Health, a regional public hospital.

Jeff is a chartered professional engineering executive and chartered secretary.



# Organisational chart

Chart 1: Organisational chart as at 30 June 2019



# Board and committees

## BOARD OF DIRECTORS

The Board of Directors is responsible for the overall governance and strategic direction of Western Water and for delivering accountable corporate performance in accordance with the organisation's goals and objectives.

Non-executive Directors are appointed by the Minister for Water, in consultation with the Treasurer, and the State Government sets their remuneration. The Managing Director is appointed by the Board. Directors are eligible for reappointment for subsequent terms. Board Directors are appointed with an appropriate mix of skills, experience and expertise, and a range of backgrounds, to meet our objectives.

The board conducts an annual assessment of its performance and effectiveness and reports to the Minister for Water on the outcomes of these reviews.

As at 30 June 2019 the Board comprised of seven non-executive Directors (including the Chair) and a Managing Director:

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

The Board of Directors met eleven times during 2018/19.

### **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.

### **Committee Membership:**

People & Culture (Chair)

Strategic Futures (Chair)

### **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.

### **Committee Membership:**

Investment Review

People & Culture

Strategic Futures

### **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 Deputy Chair of Murray Irrigation Limited, Port of Hastings Development Authority and the Portable Long Service Benefits Authority and a director of 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.

### **Committee Membership:**

Investment Review (Chair)

Audit & Risk

## 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 (the 2019 Victorian Community Organisation of the Year), a Not-for-profit 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.

### **Committee Membership:**

Community & Environment (Chair)  
Investment Review

## Michael McGarvie

**LLB, BA, GAICD**

Appointed October 2015

Michael is a Senior Project Adviser to Jesuit Social Services in ecological responses to community disadvantage, Adjunct Professor at Monash University Law School and for 8 years until 2017 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 landscape gardener and registered apiarist as well as 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.

### **Committee Membership:**

Audit & Risk Committee  
Community & Environment

## 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. She is an associate of the Nous Group and provides consulting services in public policy, diversity and inclusion.

Llewellyn also the Chair of Western Water's Community Engagement Reference Group.

### **Committee Membership:**

Community & Environment

## 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 Deputy Chair of the Gisborne and District Bowling Club.

### **Committee Membership:**

Audit & Risk (Chair)  
Strategic Futures

## COMMITTEES OF THE BOARD

The Board has established five Board committees to assist in carrying out its corporate governance functions. 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.

<b>Audit &amp; Risk Committee</b>	<p>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.</p> <p>All members of the Committee are independent.</p>
<b>Community &amp; Environment Committee</b>	<p>Assists 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.</p>
<b>Investment Review Committee</b>	<p>Assists the Board with the strategic and governance oversight of Western Water’s Capital Program to ensure optimisation of investment in infrastructure, assets and systems.</p>
<b>People &amp; Culture Committee</b>	<p>Assists the Board with oversight of OH&amp;S, culture, leadership development, succession planning, continuous improvement and induction, as well as remuneration.</p>
<b>Strategic Futures Committee</b>	<p>Assists the Board to examine how Western Water efficiently services growth and supports liveability in the West in an affordable manner for customers and the community that ensures quality, safety, value and certainty while improving economic, social, environmental, cultural and prosperity outcomes in the western region.</p>

Table 4: Board meeting and committee meeting attendance

Board Directors	Board		Audit & Risk Committee		People & Culture Committee		Community & Environment Committee		Strategic Futures Review Committee		Investment Review Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
A. Cairns	9 (v)	11	-	-	5	5	-	-	1	1	-	-
J. Doolan	11	11	-	-	5	5	-	-	1	1	4	4
L. Prain	11	11	-	-	-	-	3	3	-	-	-	-
M. McGarvie	10 (v)	11	4 (v)	5	-	-	2 (v)	3	-	-	-	-
R. Walker OAM	10 (v)	11	5	5	-	-	-	-	1	1	-	-
J. Duncan (ii)	3	5	-	-	2	3	1	1	-	-	-	-
C. Filson	10 (v)	11	5	5	-	-	-	-	-	-	4	4
I. Higgins	10 (v)	11	-	-	-	-	3	3	-	-	4	4
J. Rigby (iv) (vi)	4	4	-	-	-	-	-	-	-	-	-	-
R. Murphy (iii) (vi)	6	6	-	-	-	-	-	-	-	-	-	-
N. Brennan (i) (vi)	1	1	-	-	-	-	-	-	-	-	-	-

(i) Resigned 3 August 2018

(ii) Resigned 6 December 2018

(iii) Acting Appointment 4 August 2018 to 4 March 2019

(iv) Appointed 4 March 2019

(v) Leave approved by the Board

(vi) Standing invite to attend Committee meetings, however is not a member of the Board Committees

## Our People

Western Water values a culture of excellence. Our people are passionate about what they do, they embrace innovation and are truly focused on delivering great outcomes for our growing community.

As the population in our service region grows, we want to continue to support and enable our people to do great things. By providing challenging and interesting work, developing our leaders, building our talent pipeline and identifying our workforce needs for the future, we enable a highly capable and engaged workforce, who strive to provide high quality services to our customers and deliver enhanced community and environmental outcomes.

Our values of *People, Integrity, Respect, Teamwork & Excellence*, are embedded into how we work, and what we do. We aim to retain and attract the best people. We embrace diversity and our culture is one that strongly promotes inclusiveness.

### DEVELOPING OUR PEOPLE

During 2018/19 we have continued to build a culture of excellence and strengthen our leadership capability across the business. Our commitment to developing our people is strong, be it through new on-the-job opportunities, interesting projects or training - we are always considering how we grow our people for the future.

This year we have taken a more targeted approach to talent management, ensuring we better appreciate the individual performance, potential and development needs of our people. Taking this more targeted approach will help us drive good performance outcomes by tailoring new development opportunities and programs to individual needs.

As the population of our service region grows, customer expectations and new technology will change how we work and deliver our services. To better prepare our people for the future, we have commenced our new strategic workforce planning initiative. This initiative will help identify the core workforce capabilities and the workforce composition required for our future. Developing the strategic workforce plan will then lead to the creation of a new people and culture strategy, aimed at enabling our workforce to adapt and change.

## DIVERSITY AND INCLUSION

Our approach to diversity and inclusion affirms that embracing differences enriches group thinking, creativity, and enables a more productive work environment, which ultimately leads to everyone feeling valued and able to contribute their best.

This year we developed and published our new Diversity & Inclusion Plan for 2019 which outlined our actions, initiatives and targets. Some of our key achievements for 2018/19 include:

- the Women in Water Leadership Program and offering corporate subscription to Women on Boards
- Aboriginal Cultural Awareness training for our Executive Team and Board Directors, enriching their understanding of our local Aboriginal communities
- improved our workforce understanding of Aboriginal and Torres Strait Islander cultural competence and relationships with Traditional Owners
- updated our Procurement Procedure to include social value procurement requirements and to address perceived barriers to Aboriginal enterprises
- provided economic and social procurement opportunities for Aboriginal-owned businesses, and
- developed a 'Reasonable Adjustment' Policy to provide opportunity for people with disability to more easily access our employment opportunities.

Diversity and inclusion are an important part of who we are at Western Water. We support the diversity targets as set out in the Minister's Letter of Expectations. Western Water achieved the target of 40% females and 40% males in senior leadership positions in 2018/19. At Western Water 4% of our workforce identify as Aboriginal, this exceeds the stretch target set in DELWP Aboriginal Inclusion Plan 2016-2020, of 3% of Aboriginal people in the business by 2020. We will continue to explore new opportunities where we can further enhance and build on our diverse and inclusive culture, building greater awareness and acceptance of differences within our workforce, and better connections and appreciation of the diverse people within our community.

## EXECUTIVE OFFICER DISCLOSURES

At 30 June 2019, Western Water's executive officers\* comprised:

- five General Managers, and
- one Senior Manager.

There were no positions vacant at 30 June 2019.

Over the course of the financial year, remuneration received, or due and receivable from Western Water, by seven\* executive officers (6 FTE) in connection with the management of Western Water, totalled \$1,464,467.58

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.

\* This includes one Executive Officer that ceased employment with Western Water during the financial year.

## COMPARATIVE WORKFORCE DATA

Western Water aims to attract, engage, develop and retain talented and committed people. At 30 June 2019, 169 full-time equivalent (FTE) people were employed in a variety of roles including professional, technical, trade and administration. Employees have been correctly classified in workforce data collections as shown in tables 5 and 6.

The employee base includes all permanent, casual and temporary employees, excluding Board Directors. Not taking vacancies into account, the total employee base has increased by 7 FTE from the previous financial year.

Table 5: Workforce composition by function

	2018/19		
	Men	Women	Self-described
Board Directors	3	4	0
Managing Director/ General Managers	4	2	0
Managers	11	7	0
Operational, administration and field staff	91	62	0
Total employees*	109	75	0
Full time equivalent employees	104	64.5	0

\* total includes Board Directors



Table 6: Workforce demographic data - 2018/19

	Jun-19	All employees		Ongoing			Fixed term and casual	
		Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	Gender							
	Women	71	64.5	42	19	55.3	11	9.2
	Men	106	104.0	90	4	92.2	12	11.8
	Self-described	0	0.0	0	0	0	0	0.0
	Age							
	15-24	10	9.5	9	1	9.47	0	0.0
	25-34	36	33.6	25	4	27.5	7	6.1
	35-44	44	41.6	33	6	36.7	5	4.9
	45-54	50	48.6	37	6	41.6	7	7.0
	55-64	32	31.2	26	4	29.2	2	2.0
65+	5	4.1	2	2	3.1	1	1.0	
Classification data	Western Water Bands 2-8							
	Band 2	0	0.0	0	0	0	0	0.0
	Band 3	10	9.5	8	1	8.5	1	1.0
	Band 4	49	44.2	33	11	40.1	5	4.1
	Band 5	25	24.8	21	1	21.8	3	3.0
	Band 6	35	33.8	30	5	33.8	0	0.0
	Band 7	19	18.6	16	1	16.6	2	2.0
	Band 8	11	10.5	10	1	10.5	0	0.0
	Senior employees							
	SEO	21	20.1	14	3	16.2	4	3.9
	OPSER	7	7.0	0	0	0.0	7	7.0
Total employees	177	168.5	132	23	147.5	22	21	



Table 7: Workforce demographic data - 2017/18

	Jun-18	All employees		Ongoing			Fixed term and casual	
		Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	Gender							
	Women	69	62.7	42	20	56.6	7	6.1
	Men	99	98.3	87	1	87.6	11	10.6
	Self-described	0	0.0	0	0	0.0	0	0.0
	Age							
	15-24	6	6.0	6	0	6.0	0	0.0
	25-34	33	31.0	25	4	27.7	4	3.3
	35-44	41	39.2	32	5	35.5	4	3.6
	45-54	52	49.9	37	8	43.0	7	6.9
	55-64	30	29.5	25	2	26.5	3	3.0
65+	6	5.5	4	2	5.5	0	0.0	
Classification data	Western Water Bands 2-8							
	Band 2	0	0.0	0	0	0	0	0.0
	Band 3	5	4.9	4	0	4	1	0.9
	Band 4	52	47.8	38	11	45.6	3	2.3
	Band 5	28	27.3	24	3	26.3	1	1.0
	Band 6	31	30.5	27	3	29.5	1	1.0
	Band 7	18	17.6	16	0	16.0	2	1.6
	Band 8	8	7.8	7	1	7.8	0	0.0
	Senior employees							
	SEO	19	18.0	13	3	15.0	3	3.0
	OPSER	7	7.0	0	0	0.0	7	7.0
	Total employees	168	161.0	129	21	144.2	18	16.8

## Our Health, Safety & Wellbeing

The Health, Safety and Wellbeing of our people is paramount: we want our people to be free from harm and go home safe each day. Western Water's recent 'Our People' Survey has confirmed that we have a strong culture of safety and a great foundation to build on.

To further enhance our safety culture, in March 2019 we launched our new Health & Safety Program. We are passionate about building our culture of safety beyond the workday and workplace, by instilling a culture of safety in all that we do, all of the time. We

have asked our people to always have the courage to intervene when safety is at risk, in a broader context than just the workplace.

In launching our new program, we aim to enhance our existing work practices, improve our safe systems of work and continue to build on our culture of caring, with a 7-day, 24-hour safety mindset. Through extensive workforce consultation, qualitative hazard data, incidents reported, procedure reviews and outcomes from proactive audits, we have been able to clearly define a program of 43 individual projects, to be delivered over a two-year period.

In addition to the launch of our new program, key positive health, safety and wellbeing outcomes during 2018/19 include:

- co-ordination and delivery of the Risk Discovery Project to identify as many of the peripheral tasks which may pose a significant risk to health and safety and assess the adequacy of controls for the known safety risks to provide the safest possible work environment and ensure continued compliance with regulatory obligations
- completion of the 'Our People' Survey which included key health, safety and wellbeing measures that have provided a snapshot of the current state of our safety culture
- an AS4801 re-certification audit which only found one non-conformance
- training for our Executive team and several Senior Managers on the Occupational Health & Safety Act 2004 highlighting the roles and accountabilities that exist under the Act
- the launch of our refreshed Wellbeing Program for 2019 with initiatives such as skin checks, health monitoring, fatigue management, mental health peer support, various initiatives raising funds for charities, blood donation and lunch and learn sessions, and
- a new site safety induction process was rolled out across all works sites to ensure a standard approach to safety inductions.

## WORKPLACE INCIDENTS

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

There were 21 incidents and 20 hazards reported in 2018/19. Of the 21 incidents:

- 3 were lost time injuries
- 9 were minor injuries requiring first aid or medical treatment, and
- 9 required no treatment or were near miss reports.

The number of workplace incidents per 100 FTE improved from 22 in 2017/18 to 12 in 2018/19.

The Total Recordable Injury Frequency Rate (TRIFR) has continued to improve from 40 in 2016/17, 22 in 2017/18 to 19 in 2018/19.

## WORKCOVER CLAIMS

Standard WorkCover claims increased to nine this year compared to seven in the previous financial year. The number of minor claims decreased from three in the previous financial year to two this financial year. The total number of new standard claims for 2018/19 is three more than the five-year average.

The number of Lost Time standard claims has increased from two in 2017/18 to four in 2018/19. Three of these were new claims and one was associated with an old claim in a prior period.

## WORKCOVER LOST DAYS

During the reporting period, the number of lost time injuries remained steady when compared to the previous financial year with three lost time injuries reported. Two of the three employees have returned to work.

The number of WorkCover lost days has increased to 382 days compared to 87 days in the previous financial year. Most of these 382 days were as a result of injuries that occurred during previous financial years but during 2018/19 required time off for medical intervention. The remaining days were as a result of a mental health condition.

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

	2018/19	2017/18	2016/17	2015/16	2014/15
Workplace incidents - total	21	36	31	18	30
FTE staff	169	161	161	151	152
Workplace incidents - per 100 FTE	12	22	19	12	20

## WORKCOVER PREMIUMS

WorkCover premium increased by \$40,592 or 34% in 2018/19 from the prior financial year. Premiums are based on the application of industry rates, wages and claims history.

## WORKCOVER AVERAGE COST PER CLAIM

The actual claim cost in 2018/19 was \$148,587, up by \$39,958 in 2017/18. The nature of the claims also results in an increase in the outstanding claim estimates from \$30,270 last financial year to \$313,513 this reporting period.

The average cost per claim in 2018/19 was \$51,344 compared to the previous financial year of \$10,033. This increase in can be attributed to the fact that some of the injuries/illness require costly operations and extensive medical intervention along with associated time off from work to recover.

Table 10: WorkCover claims - 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15
New standard* claims	9	8	5	2	5
New standard claims per 100 FTE	5	5	3	1	3
New minor claims	2	3	5	6	2

Table 11: WorkCover lost days - 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15
Lost time injuries	3	3	4	5	3
Lost time injury days	382	87	75	81	33

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

	2018/19	2017/18	2016/17	2015/16	2014/15
Premiums	*158,336	*117,744	*72,081	*95,404	*172,395

Table 13: Average Cost Per Claim (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe)

	2018/19	2017/18	2016/17
Average cost per claim	51,344	10,033	9,800

# 3. Operations Report

## Capital projects

Servicing the rapidly growing residential precincts in the region requires significant investment by Western Water. Serviced properties in the region grew by 5%. Investment in core infrastructure aims to meet the current and future development needs, while maintaining standards of service for existing customers and protecting the environment.

The business delivered \$69.6 million of capital infrastructure in 2018/19, building on the \$62.2 million investment in the previous financial year. This investment ensures the service region has efficient, modern and innovative water, sewage and recycled water services to meet customers' present and future needs.

Major capital works projects undertaken during the reporting period included \$5.2 million for the finalisation of the upgrade of the Sunbury Recycled Water Plant, undertaken by Downer through a design, build and operate contract. The upgrade provides improved infrastructure for the fast-growing Sunbury region with the plant's treatment capacity increased by over 50% from 5.9 million litres to 9.2 million litres per day. Despite the significant increase in the plant's treatment capacity, the facility will operate within the same environmental footprint, due to innovative technology.

Other major capital works during 2018/19 included:

- \$9.2 million on construction of large sewer mains in new developments
- \$5.0 million on Rockbank Water Main for Mt Atkinson
- \$3.9 million on construction of large water mains in new developments
- \$3.0 million on the Aintree Sewer Pump Station Rising Main Stage 1. This project will service the local community near the Western Freeway, which has a population of over 3,000 residents, and is growing steadily. The investment is needed to meet the ongoing demand for essential water and sewer services.
- \$2.3 million on the Thornhill Park sewer pump station
- \$1.9 million on the Ferris Road water main Western Freeway crossing

- \$1.6 million on the Diggers Rest outfall sewer project, involving the construction of two kilometres of sewer pipe to connect Diggers Rest's new housing estates to Western Water's sewer network, and
- \$1.5 million on development of the Western Irrigation Network business case. This project recently reached an important milestone with the establishment of the preferred project pathway option.

With a rapidly growing population in the service region, Western Water expects to invest as much as \$80 million annually in capital works over the next decade.

Major capital works planned for 2019/20 include:

- \$5.0 million on Melton and Bacchus Marsh Interconnection. With the projected growth in Western Water's southern region, in the catchments of both Melton and Bacchus Marsh Recycled Water Plants (RWP), Western Water has been investigating options for reuse of the additional volumes of recycled water that are becoming available
- \$4.9 million on Grant Street, Bacchus Marsh Sewer Pump Station (SPS) upgrade– this project involved increasing the capacity of the Grant Street SPS and, significantly, diverting sewage from the Avenue of Honour SPS to the ungraded Grant Street SPS. This reduces the load on the Avenue of Honour SPS by about one-third and over the current 50 year planning horizon avoids the need to upgrade the capacity of that pump station, the upstream sewers and the rising main
- \$3.1 million on Bacchus Marsh Northern Trunk Sewer Duplication. The growth of Bacchus Marsh has triggered the need to review existing infrastructure and ensure capacity to service the future population. The Bacchus Marsh Sewer Master Plan, completed in 2015, identified required infrastructure upgrades to duplicate the Northern Trunk Sewer. The existing Northern Trunk Sewer will remain in service
- \$3.0 million on the sewer spill prevention program
- \$2.2 million on the Attwell Sewer, and
- \$1.0 million on development of the Western Irrigation Network -a major project designed to provide a more resilient management system for recycled water, the design of which uses adaptive planning principles.

Table 14: Capital works investment (\$M) - 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15
Capital Works Investment \$M	69.6	62.2	65.1	35.5	19.5

## Water consumption & drought response

### Reservoir levels

The majority of Western Water's water supply is from three major sources: Rosslynne Reservoir near Gisborne, Merrimu Reservoir near Bacchus Marsh and the Melbourne supply system.

Local reservoirs supplied 28% of all the drinking water demand in the region in 2018/19, which was down from 35% in the previous financial year. The decrease in the volume of local supply used compared to the previous year is due to local supply levels being 11% lower than at the beginning of the previous financial year as a result of very low rainfall and resulting low levels of inflows to the local catchments. The balance of supplied drinking water was sourced from the Melbourne system.

## Total drinking water consumption

Water consumption in Western Water's service region increased by 7.8% to 16,478 million litres during 2018/19 compared to 15,284 million litres in the previous financial year.

The service region population is estimated to be 172,506, based on an average household density 2.67 people per household. The estimated service region population increased by 12,167 from the previous reporting period.

Total residential drinking water consumption across the region is shown in Table 16.

### 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.

Utilisation of recycled water is also monitored and included in Table 19.

Table 15: Major reservoir levels (% capacity) - 10 years

	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Rosslynne Reservoir	19%	24%	38%	15%	44%	76%	85%	72%	66%	5%
Merrimu Reservoir	31%	37%	50%	10%	29%	63%	76%	78%	85%	9%

Table 16: Regional water consumption (ML) and population - 10 years

	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
Consumption (ML)	16,478	15,284	13,775	14,357	13,101	12,648	12,830	11,260	10,251	10,592
Population	172,506	160,339	153,358*	163,401	161,447	159,813	158,290	155,431	150,664	144,948

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

Table 17: Total residential drinking water consumption - 2018/19

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Daily consumption (average ML)	25	25	30	32	33	34	46	45	41	37	30	30
Monthly consumption (ML)	773	766	903	1,004	988	1,048	1,413	1,258	1,284	1,124	922	898

Table 18: Rolling 5 Year Average Drinking Water Consumption (ML)

	2018/19	2017/18	2016/17	2015/16	2014/15
Rolling 5 Year Average Drinking Water Consumption (ML)	14,599	13,833	13,342	12,839	12,018

Table 19: Water consumption by district - 2018/19

	Bacchus Marsh	Sunbury/Macedon Ranges	Melton/Eynesbury	Romsey/Lancefield	Total
Residential water customers	8,759	25,857	27,440	2,730	64,786
Residential water consumption (ML)	1,839	4,633	5,310	473	12,255
Residential per capita consumption (litres/person/day)	216	185	199	178	195
Non-residential water customers	498	1,612	964	171	3,245
Non-residential water consumption (ML)	370	931	1,067	95	2,463
Non-revenue water (ML)	264	665	763	68	1,760
Total annual consumption (ML)	2,473	6,229	7,140	636	16,478
Average annual consumption (7 years) (ML)	2,192	5,795	6,016	596	3,650
Recycled water utilisation (ML)	352	1,655	4,501	285	6,793

## Non-revenue water and real water losses

Western Water reports the Non-Revenue Water – including Real Water Losses – three times a year, to align with the customer billing cycles. This is

undertaken according to the guidelines stipulated in the National Performance Framework. A summary of water supplied and consumption – including water supply network losses for 2018/19 – is shown in Table 1: Business at a glance. Table 20: Non-Revenue Water (ML) compares the make up of non-revenue water for the current report period with that in 2017/18.

Table 20: Non-Revenue Water (ML) - 2018/19

	2018/19	2017/18
Bursts and leaks	1,277	770
Firefighting	4	95
Other	479	879
Total	1,760	1,744



Addressing water losses is a key component of Western Water's efficiency drive to reduce costs and safeguard future water supply. The total estimated Non-Revenue Water for the supply system in 2018/19 was 10.7%, a decrease from the previous Financial Year of 11.4%. The estimated Real Water Losses (i.e. bursts and leaks from the supply systems) increased from 5.0% in 2017/18 to 7.8% in 2018/19. The rolling five-year averages for Non-Revenue Water and Real

Water Losses are 10.3% and 6.3% respectively.

Table 21 (Non-Revenue Water and Real Water Losses (% of Total Consumption) shows annual values for Non-Revenue Water and Real Water Losses over the past five years as a proportion of drinking water consumption. The variations over the five years are associated with demand, climate impacts, particularly hot dry climate, and leakage reduction efforts including asset replacement and new infrastructure.

Table 21: Non-Revenue Water and Real Water Losses (% of Total Consumption)

Non-Revenue Water and Real Water Losses (% of Total Consumption)	2018/19	2017/18	2016/17	2015/16	2014/15	5 Year Performance Average
Non-Revenue Water	10.7%	11.4%	8.9%	9.1%	11.2%	10.3%
Real Water Losses	7.8%	5.0%	5.3%	5.6%	7.8%	6.3%

## Corporate water consumption

In 2017/18, Western Water's corporate water consumption decreased from 827,000 litres to 783,000 litres. 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 water meter at the Sunbury office with other tenants in the building and our share is calculated on the proportion of FTE staff in the office. Usage per FTE at Western Water may not reflect actual staff consumption as it can be

influenced by other tenants' usage, as well as the number of visitors, contractors and consultants, who are not included in the corporation's FTE figure.

To gain a better understanding of office water usage, Western Water has installed a digital meter at their Sunbury office as part of the Schools Water Efficiency Program (SWEP). Digital metering provides improved granularity of water consumption data to better understand usage patterns.

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.

Table 22: Office-based water consumption (kL) - 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15
Water consumption (kL)	783	827	604	529	488
Full time equivalent (FTE) staff	121	124	118	104	100
KL per FTE	6.5	6.7	5.1	5.1	4.9

\* Western Water's Sunbury administration office

## Water quality

With the exception of one event, all areas of the drinking water distribution network were compliant with the requirements of the Safe Drinking Water Act 2003 and the drinking water quality standards specified in the Safe Drinking Water Regulations 2015 (SDWR). The exception was one E.coli detection event in Darley, which did not meet the SDWR requirement. In February 2019, Western Water passed an external hazard analysis and critical control points (HACCP) audit for drinking water quality.

Water quality improvements and customer service actions taken during 2018/19 include:

- customer notifications of any supply source changes
- treatment plant improvements including activities to optimise and reduce chemical usage
- enhancements to network performance including water turnover and booster chlorinators
- tank integrity reviews and maintenance, and
- increased quality monitoring.

To address identified future water quality issues, including additional monitoring of untreated reservoirs for the impending Health Based Targets implementation, plant improvements were assessed for implementation during 2019/20.

## Bulk entitlements, transfers, groundwater and water shares

Western Water has ten bulk entitlements providing rights to use and supply of 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 that we own and operate around the Macedon Ranges region.

In addition, Western Water has an entitlement to access water from the Melbourne Headworks system. With demand increasing due to growth and water availability from local sources declining, Western Water will be more reliant on supplying major towns in our service region from the Melbourne system in the future.

The Bulk Entitlements Report in Appendix 3 provides details about water sourced by Western Water and compliance with the 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 aquifer. Western Water updates surrounding users of the aquifer on its activities each year through an annual fact sheet.

## Water efficiency

### MAJOR NON-RESIDENTIAL WATER USERS

Non-residential customers make up 4.8% of Western Water's customer base and account for 15.0% 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 2018/19.

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

Table 23: Number of customers by volume range (ML per year) 2018/19

Volumetric range - ML per year	2018/19	2017/18
Equal to or greater than 100ML and less than 200ML	1	1
Equal to or greater than 200ML and less than 300ML	0	0
Equal to or greater than 300ML and less than 400ML	0	0
Equal to or greater than 400ML and less than 500ML	0	0
Equal to or greater than 500ML and less than 750ML	0	0
Equal to or greater than 750ML and less than 1000ML	0	0
Greater than 1000ML	0	0
Total no. customers	1	1

Table 24: 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 Australia Pty Ltd continues the implementation of its of water management plan with particular focus on cleaner production minimising waste and water consumption.



## OTHER WATER EFFICIENCY ACTIVITIES

The following key activities were undertaken during 2018/19 to address water efficiency:

- Continued to take a lead with the Intelligent Water Networks (IWN) program investigating innovative leak detection technology and pipe condition assessment tools on behalf of the Victorian water industry. The IWN trials new innovative technology on behalf of the Victorian water corporations, Vic Water and DELWP with a focus is on delivering services safely and efficiently with minimal impact to customers. Collaboration with other corporations allows technologies to be trialed in a variety of circumstances
- Continued to trial network devices and digital meters as part of our Network Intelligent Strategy (NIS), as we head towards being a digital utility. This also included the sewer nodal monitoring program to establish real-time monitoring of the sewer network
- As part of engaging the community on IWM, a panel of around 30 community members met to discuss Sunbury's Water Future. This deliberative panel gathered over multiple sessions to draft and finally present a recommendation to Melbourne Water and Western Water on which water management solutions are best for the community and the environment. The report is the result of extensive engagement with the community in and around Sunbury and is available on the Sunbury's Water Future webpage <https://yoursay.melbournewater.com.au/Sunburys-Water-Future>, and
- 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 with and facilitating economic development and job creation.

## 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 ensure our customers have secure water resources in an uncertain future. The strategies provide a platform to collaborate with regional partners and implement actions that provide value to customers, the community and the environment.

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 continue to explore alternative future options.

Significant sustainable achievements in sustainable water management during 2018/19 include:

- completing the options identification phase of the water grid connection feasibility project
- review of our drought preparedness plan
- active participation in Water for Victoria projects and, where relevant, advocacy for beneficial Western Water and community outcomes, and
- completion of engagement initiatives exploring community values for water cycle servicing through Sunbury's Water Future.

### Drought Preparedness Plan

Western Water updated the Drought Preparedness Plan in December 2018. To inform this update, engagement with local council was completed identifying critical public open spaces within the Western Water region. Many of these sites already have access to an alternate water supply via recycled water or raw water. Western Water will continue to investigate the potential to add resilience to identified open spaces via the IWM forums, IWM developer guidelines and focus planning during water shortages.

While the drought response plan was not enacted during 2018/19, Western Water placed a successful bid for 5GL of allocation in the Greater Yarra – Thomson River system and acquired water shares in Pykes Creek Reservoir for greater water security to connected towns.

## Recycled water

Western Water's seven recycled water plants converted 10,548 million litres of sewage into 9,410 million litres of recycled water, of which 6,793 million litres (72%) were reused by customers. An estimated 1,026 million litres of drinking water were saved when recycled water was substituted for non-potable purposes.

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. The following recycled water related initiatives were progressed during 2018/19:

- increased Recycled Water Contractors carting by 50%, Class A & B recycled water within Western Water Networks
- commenced organising the irrigation expansion at the Romsey Recycled Water Plant to better manage recycled water
- completed the preliminary business case for the Western Irrigation Network project
- scoped automation of digital metering Western Water Class A & B standpipe usage
- scoped Smart Meter (digital) trial for real-time onsite customer usage monitoring within recycled water networks
- established of Recycled Water Adviser role within Western Water enhancing direct relationships with all class B & C recycled water users

- renegotiated reduced customer network energy costs for one of our largest recycled water users
- continued the detailed design for the new winter storage at the Melton Recycled Water Plant to manage increasing recycled water volumes
- commenced the detailed 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
- developed the Western Irrigation Network (WIN) detailed business case and commenced the design phase aimed at extending recycled water customer supply schemes supporting agriculture and liveability
- completed the construction of a waterborne gypsum dosing facility to improve water quality for sustainable recycled water use at the Melton recycled water scheme, and
- continued 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.

Table 25: Recycled water volume produced and used - 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15
Recycled water (ML)	9,410	7,826	12,166	10,848	7,500
Recycled water used (ML)	6,793	5,235	8,815	8,956	5,569
Recycled water used (%)	72%	67%	72%	83%	74%

### SUNBURY RECYCLED WATER PLANT

The upgraded Sunbury Recycled Water Plant was officially opened on 25 June 2019, will provide class B recycled water to local sporting fields, golf course and wineries for irrigation. Approximately 800 ML of water will be irrigated to these facilities per year. The upgrade provides improved infrastructure for the fast-growing Sunbury region with the plant's treatment capacity increased by over 50%, from 5.9 million litres to 9.2 million litres per day.

# Sustainable and resilient water services systems

## WORKING WITH CUSTOMERS AND COMMUNITY

Western Water has a comprehensive customer and community engagement framework, 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 Western Water's connection with and understanding of its communities, customers and preferences, an enhanced local understanding about our business, while guiding interaction with customers, boosting community input into decision making, and gathering feedback from customers and the wider community.

Over the past year, Western Water has undertaken detailed engagement to inform the development of the Sunbury Integrated Water Management plan in collaboration with Melbourne Water, City of Hume and DELWP. Wider engagement for the Sunbury's Water Future project included an online survey and a range of community meetings and targeted discussions with residents and community organisations across Sunbury and nearby towns. Over May and June, a citizens' deliberative panel on Sunbury's Water Future, making recommendations for integrated water management solutions that they considered fair for the community and environment. Their report is available on our website <https://www.westernwater.com.au/Network-Upgrades/Sunbury-Diggers-Rest-and-Bulla/Sunbury-Integrated-Water-Management-Project>

At the same time, extensive engagement activity has focused on the preparation of Western Water's Price Submission for 2020-23. Customers, community organisations and stakeholders have been involved in discussions around our services, pricing, tariff structure and customer outcomes - as well as the challenges facing the organisation and the region. In response to customer feedback from the previous price submission, another citizens' deliberative panel was formed in June 2019 to make recommendations on the tariff structure with a focus on fixed charges, water usage tariffs, vacant land charges and how we charge for Class A recycled water. Western Water's efficiency rebate is also being considered by this community panel.

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).

## ABORIGINAL ENGAGEMENT

Western Water recognises and supports Aboriginal cultural values and economic inclusion in the water sector. Over the past twelve months we have commenced our reconciliation journey and drafted a Reflect Reconciliation Action Plan, we have undertaken cultural awareness training and we have continued our collaboration with Traditional Owners through Integrated Water Management Forum projects. Through these activities we endeavour to build lasting relationships with our Aboriginal and Torres Strait Islander partners.

We have increased our engagement with Aboriginal communities and have been constructively engaging with Traditional Owners through ongoing, regular discussions and meetings.

Western Water has also been constructively engaging with Traditional Owners on our strategic infrastructure planning projects including the Western Irrigation Network project, the Western Water Grid Expansion and Sunbury's Water Future, supported by the Integrated Water Management Forums. Through these projects, and others, Western Water is working to identify opportunities to provide water for Aboriginal cultural, spiritual and economic values.

As in previous financial years, we continue to work with the Aboriginal Family Violence Prevention Legal Service, local Aboriginal housing support services and the Kirrip Aboriginal Community House in Melton South as part of our customer support and community education programs.

## ONLINE ENGAGEMENT

More than 55,000 people are digitally connected with Western Water through online groups, including social media and online panel members.

These channels allow Western Water to engage with customers and stakeholders on a variety of topics. Our Water Matters consultation site, and various project-specific portals, have enhanced our online engagement capability by providing greater opportunities for two-way communication with customers.

## **EDUCATION AND COMMUNITY RELATIONS**

More than 14,500 pre-school, primary and secondary school students, Victorian Certificate of Applied Learning groups, Culturally and Linguistically Diverse community groups, Scouts and Guides took part in Western Water's educational presentations during the past year. This brings our total reach, since the program started in 2004, to just over 102,000 participants.

Over the past financial year, we have provided educational presentations to children in 93% of our region's pre-schools and primary schools.

We also offer primary school aged children the opportunity to participate in our Sammy's Waterwise Club, that encourages children to help save water. Current membership stands at 1,343 children, a figure that is growing every month.

The organisation's trained educators shared information about Western Water's role in the community, water conservation and sustainability, the importance of drinking water for our health, the journey of water through our treatment and purification plants and the water cycle process – all as part of our longstanding commitment to water education.

In 2018/19, Western Water retained its strong support of the Schools Water Efficiency Program (SWEPE) and we proudly boast one of the highest participant rates for SWEPE across Victoria.

Outside of the education space, the program also enables Western Water to reach households through a variety of communications that provide additional information about Western Water, our education program and payment options. Take home flyers and other educational materials have allowed us to engage with over 10,000 families with important messaging they might not otherwise have had visibility of.

### **CHOOSE TAP**

Choose Tap is an initiative encouraging the community to drink tap water instead of bottled water. Western Water promotes this message in cafes, businesses, local government and sporting clubs in our service region. We are also working with councils and local schools to provide drinking fountains in parks, shopping strips and playgrounds.

In 2018/19 Western Water granted two drinking fountains to a council in our service region and a local sporting club. A key initiative has been the development of "Water Only Schools" in the local area, which we promote through our successful education program. We support the ongoing education of pre-school and primary-school age children, as well as those in adult education, through this program, which delivers presentations to schools in our service region, encouraging students to consider the importance of this precious, essential resource.

We also regularly provide reusable, Choose Tap-branded water bottles free of charge to local community events, schools and sports teams – in the last financial year we have provided over 2,500 of these bottles. Our sponsorship program also helps convey the Choose Tap message by providing water tankers, carts and bubblers to not-for profit organisations at multiple events in our service region.

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, collaborative water efficiency initiatives. An internal strategy for achieving Target 155 by 2035 was developed during 2017/18 and continued to be implemented during 2018/19. We have a Water Resource Management strategic portfolio group which, among other tasks, aligns the T155 campaign with customer usage.

Our T155 strategy includes community campaigns targeting voluntary reduction of shower times, sustainable gardening, checking for leaks, and building water source/journey awareness. We do this through a variety of promotional channels, including advertising, social media and regularly updated video content. Our website includes a tracker for average residential water use, updated once a month to provide our customers with a visual tool to measure their water use against the T155 target. Similarly, a regularly updated chart displays reservoir levels, to remind customers of fluctuating water availability.

Western Water will continue to support the promotion of the T155 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 through the Development IWM Plans
- providing details on bills about water use and how it compares to the T155 goal
- promoting the Schools Water Efficiency Program, and
- working with industry, local Government and community groups about using water wisely.

## SUSTAINABLE GARDENING

The hot, dry summers of recent years have been a key factor in higher levels of water use by some customers, who have increased garden watering as a result.

Western Water provides a seasonal, electronic gardening newsletter including local advice on

sustainable gardening practices and an expert advice column on maximising plant growth in different seasons and climates – it is distributed to a growing subscriber list of over 1,700 gardening enthusiasts. Western Water also hosts workshops and provides related giveaways at community events designed to help encourage targeting of water use, including sustainable gardening booklets and trigger nozzles. Along with other critical messages, sustainable gardening is a focus of engagement at community events. In the last financial year, Western Water was the key sponsor of a gardening event, Friends of Melton Botanic Gardens, and intends to continue supporting the local community to promote sustainable gardening practices across our service region.

## 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 2018/19, we continued to promote the Choose Tap message in the local community, providing funds to purchase drinking water fountains. In 2018/19 Western Water awarded two grants across our service region totalling \$14,120.

Table 26: Choose Tap grants - FY 2018/19

Recipient	Project description	Grant amount
Melton City Council	Drinking water fountain for Melton Indoor Recreation Centre	\$7,060
Melton City Council	Drinking water fountain for Melton Botanic Garden	\$7,060
Total Target 155 grants		\$14,120



# Working with industry and local government

## INTEGRATED WATER MANAGEMENT FORUMS

A collaborative, integrated water management planning approach has the potential to realise significantly better outcomes for the environment and community than would be realised if Western Water planned our assets and services in isolation. Western Water is participating in the DELWP facilitated Integrated Water Management Forums (IWM) initiative, and are working collaboratively with DELWP, other water corporations, local government councils, catchment management authorities and Traditional Owners on a range of projects. Western Water sees these projects as not just delivering enhanced outcomes to customers through water supply and sewerage management initiatives, but also enhancing liveability and environmental sustainability through improving flood management, waterway health, urban landscapes, economic outcomes, and incorporating Traditional Owner values into our planning.

Western Water is a key participant in the Maribyrnong, Werribee and Coliban IWM forums, and is leading or participating in several projects that will support the region's growth while protecting the environment

## DEVELOPMENT SCALE INTEGRATED WATER MANAGEMENT PLANS

Urban development continues at an unprecedented 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 with local councils and Melbourne Water in working with developers to produce Development Scale 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 enhancing liveability outcomes. 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 Victorian Government's Water for Victoria Water Plan and local government planning schemes including Green Wedge Management Plans.

## LIVEABLE CITIES

Established and driven by Western Water, 'Liveable Cities' is a concept designed to unite several utility providers into a forum where they can discuss working collaboratively to deliver improved customer outcomes and business efficiencies in our region. Since signing the terms of reference document, the group has now been working together for around 18 months. The panel has recently increased in size from 10 to 13 participants, including two councils and another water corporation.

A key focus has been to coordinate capital works programs over the next three years. Currently being trialled is a tool which allows each participant to input the details of their capital programs, to be accessed by other members. This enables work timelines to be pushed back or brought forward to align the different organisations' scheduling – the participants also have the option of shared trenching.

This is a significant step forward for utility providers, working together to provide customers with a more holistic, coordinated service. The commitment of all participants to this innovative approach is to their credit.

Western Water views this as phase one of a longer journey - once the concept is proven to be viable and effective, there are many other potential opportunities for utilities to work together.

## 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. The Regional Catchment Management Strategy was developed by the Port Philip Catchment Management Authority (PPCMA). Western Water has enhanced its partnership with PPCMA and implemented a number of joint projects consistent with the intent of the strategy.

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. In 2018/19, programs 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 1,100 trees at the Sunbury Recycled Water Plant and at the Melton Recycled Water Plant
- signing of a Memorandum of Understanding (MOU) with PPCMA for an investigation to revegetate Jacksons Creek catchment with a view of offsetting discharge of recycled water, and
- implementing a management program at offset sites as per the requirements of planning permits.

### Victorian Biodiversity Strategy

Western Water updated its biodiversity management plan to reflect the Victorian Biodiversity Strategy. The revised plan includes actions to enhance existing biodiversity values over the next five years.

Under the Victorian Biodiversity Strategy, Western Water must conduct weed and pest control programs at its landholdings. During the reporting period, we continued to meet regulatory obligations by undertaking these works across our properties. Weed clearing also included willow removal at the Woodend Recycled Water Plant. In addition to this, a revegetation program was undertaken along Five Mile Creek along the stream frontage of the Woodend recycled Water Plant.

Western Water continues to participate in Melbourne Water's stream frontage program and during the reporting period, the trees planted in previous years were watered over the dry period to increase the survival rates.

### 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 State Environment Protection Policy (Waters) provides relevant stakeholders with an outline of specific management issues required for waterways. Although there are no specific actions for Western Water, the strategy implies that Water Corporations including Western Water can play a role in the management of waterways.

Western Water is committed to minimising any potential impacts on surface water quality from the discharge of recycled water into streams. This commitment is demonstrated by the significant water quality improvement to the discharge from Sunbury Recycled Water Plant achieved during the reporting period.

We also aim to achieve the objectives specified for the protection of the river segments in the State Environment Protection Policy (Waters).

## Waterway management obligations

Although Western Water has no direct control over river health, we recognise that our 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. Work underway to minimise our impact on waterway health include:

- An on-going update of master plans to identify timely upgrades to continue to comply with EPA licence conditions
- Completing a mixing zone study of Five Mile Creek at Woodend and commencing engagement with the community and EPA to establish a mixing zone
- Signing of Memorandum of Understanding with local community groups to facilitate a discharge of recycled water from Riddells Creek Recycled Water Plant to achieve a net positive environmental outcome
- Upgrading the biosolids storage area at Melton Recycled Water Plant by providing an improved base liner to minimise groundwater impacts;
- Expanding the irrigation area at Romsey Recycled Water Plant to increase re-use of recycled water and prevent any discharges to Deep Creek beyond 2021
- Assessing the risk of adverse effects on waterways from any seepage from recycled water plant activities and implementation of rectification works, and
- Undertaking a desktop risk assessment of emerging pollutants in the recycled water discharges to assist EPA in its endeavor to review the existing EPA licences.

## State Environment Protection Policy (Waters)

A core activity for Western Water is the collection of domestic wastewater and trade waste, and treating that waste to a standard that protects the environment. These standards are stipulated by State Environment Protection Policy (Waters) and 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.

One of the objectives of the policy is to progressively reduce the mixing zones below the discharge points. Western Water meets this objective by continually reviewing and updating its master plans with options for future planned upgrades to the recycled water plants to achieve a reduction in the extent of the mixing zone.

## Discharge to waterways

The majority of Western Water's recycled water plants are licensed to discharge recycled water to adjacent waterways. The recycled water plants at Sunbury, Riddells Creek and Gisborne are licensed to discharge to Jacksons Creek. The Woodend Recycled Water Plant is licensed to discharge to Five Mile Creek and the Melton Recycled Water Plant is licensed to discharge to the 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). 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. Except for the Woodend RWP, all the other RWPs licensed to discharge to waterways are provided with a designated mixing zone in the EPA licence. Western Water conducts regular monitoring of waterways to demonstrate compliance with mixing zones.

The EPA licences, which allow discharges to waterways, specify various limits and parameters to be complied with. 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 licensed 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 ensure there are minimal adverse effects.

During 2018/19, all water quality parameters (except for pH at Riddells Creek, Romsey and Woodend) complied with EPA guidelines. The instances of pH exceedances were attributed to the presence of the large algae population and Western Water is aiming to implement measures to rectify the pH by the latter part of 2019.

As Western Water operates several lagoon-based treatment plants, minor groundwater impacts were detected which resulted in EPA issuing a Pollution Abatement Notice on 2 August 2017. EPA revoked the Notice on 27 May 2019 as it was satisfied that Western Water met all the conditions of the notice to investigate remedial measures to reduce the impact on groundwater. As the groundwater impacts are considered historical, Western Water is working with EPA to identify future cost-effective actions to manage the risks associated with groundwater impacts.

## Environmental flows

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

The monitoring infrastructure 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 one new metering site completed, and four of its existing sites upgraded. Western Water was not fully compliant with one bulk entitlement during 2018/19.

Daily compliance under the Macedon Bulk Entitlement is challenging to meet, due to the varying nature of the associated stream flows. In the past, Western Water has sufficient environmental

flows to meet or exceed the minimum volume requirements, however in 2018/19, a 16.5ML shortfall in passing flows was recorded, by 30 June 2019 with the remainder of the volume released after the 30 June date. Automated monitoring devices are being investigated to facilitate more timely future intervention at the relevant locations.

More details on passing flows, environmental releases and compliance can be found in Western Water's Bulk Entitlements Report, contained in Appendix 3.

## Biosolids

In 2018/19, Western Water produced 2,371 tonnes of biosolids - the organic by-product of sewage treatment. Out of the total biosolids produced, 2,110 tonnes were composted along with green waste, at a facility located in Ballan, and converted to a landscaping product. Whilst Western Water aims to achieve 100% re-use of biosolids, only 89% of re-use was achieved during the reporting period due to the inability to dry some of the biosolids during the colder weather. The remaining biosolids have been stored at the treatment facility to dry before being composted in the coming financial year.

## Greenhouse gas emissions

Western Water's Greenhouse Gas Reduction and Energy Management Strategy provides direction for meeting Western Water's greenhouse gas reduction pledge, which was developed in consultation with the Department of Environment, Land, Water and Planning during 2017. 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.

During 2018/19, Western Water implemented the following range of actions to manage its greenhouse gas emissions:

- Commencement of construction of a 500-kilowatt solar array at the Melton Recycled Water Plant.
- Western Water has joined with 13 other Victorian water corporations on the Intelligent Water Network, and entered into an innovative electricity procurement contract called a Power Purchase

Agreement (PPA). Through the PPA, the group (collectively titled Zero Emissions Water or ZEW) will purchase renewable electricity from a new solar farm called the Kiamal Solar Farm, which will be the largest solar farm in Victoria. ZEW will receive greenhouse gas offsets from the contract, which can be used to offset emissions from our operations and help us meet our emissions reduction targets

- Commenced the development of a Strategic Energy Framework that will guide the management of Large-scale Generation Certificates acquired from the Intelligent Water Network’s large-scale renewable energy project
- Progressed greenhouse gas emission mitigation projects that have been 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, and
- Collaborated with industry bodies, electricity network providers, technology providers, community groups and local government to identify mutually beneficial projects.

Net greenhouse gas emissions for 2018/19 totalled 37,965 tonnes of CO<sub>2</sub>e, which is 7% higher than our 2018/19 target of 35,637 tonnes of CO<sub>2</sub>e.

The faster population growth and higher per person usage have increased the demand for water and sewage services, which has increased Western Water’s overall electricity consumption. Furthermore, the low rainfall, in addition to increasing demand, has reduced water levels in local storages. This means that more water has needed to be transferred from the Melbourne system to meet the increased demand. Transfer of this water, particularly into Rosslynne Reservoir, is very energy intensive.

Table 27 shows Western Water’s greenhouse emissions by activity.

Sewage Management and Treatment in all cases is the main contributor to Western Water’s greenhouse gas emissions at 60%; Water Treatment and Supply is the next largest contributor, at 33%, while Recycled Water Distribution accounts for 4.3% of total emissions.

Table 28 below displays the electricity consumption associated with four of the five activities that contribute to Western Water’s greenhouse gas emissions.

A total of 24,690 megawatt hours of electricity was used by Western Water in 2018/19. This is a 19% increase on electricity consumption in 2017/18. Electricity use by Water Treatment and Supply

Table 27: Significant activities generating greenhouse gas emissions (tonnes CO<sub>2</sub>e) - 2018/19

	2018/19 Tonnes
Water treatment and supply	12,607
Sewage Management and Treatment	22,629
Transport	620
Other - recycled water distribution	1,615
Other – office	494
Total tonnes	37,965
2018/19 Projected tonnes	35,637
Variance (%)	7%

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

Table 28: Total Electricity Use (MWh) - 2 year comparison

	2017–18 MWh	2018–19 MWh	Variance (%)
Water treatment and supply	8,610	11,757	37%
Sewage Management and Treatment	10,123	10,962	8%
Other (office, workshops, depots)	1,612	1,509	-6%
Other (recycled water distribution)	462	462	0.03%
Total	20,807	24,690	19%

alone increased by 37%. This was predominantly due to drier weather conditions, low local storage levels and increased potable water use, necessitating an increase in the volume of water transferred from the Melbourne system, which is very energy intensive.

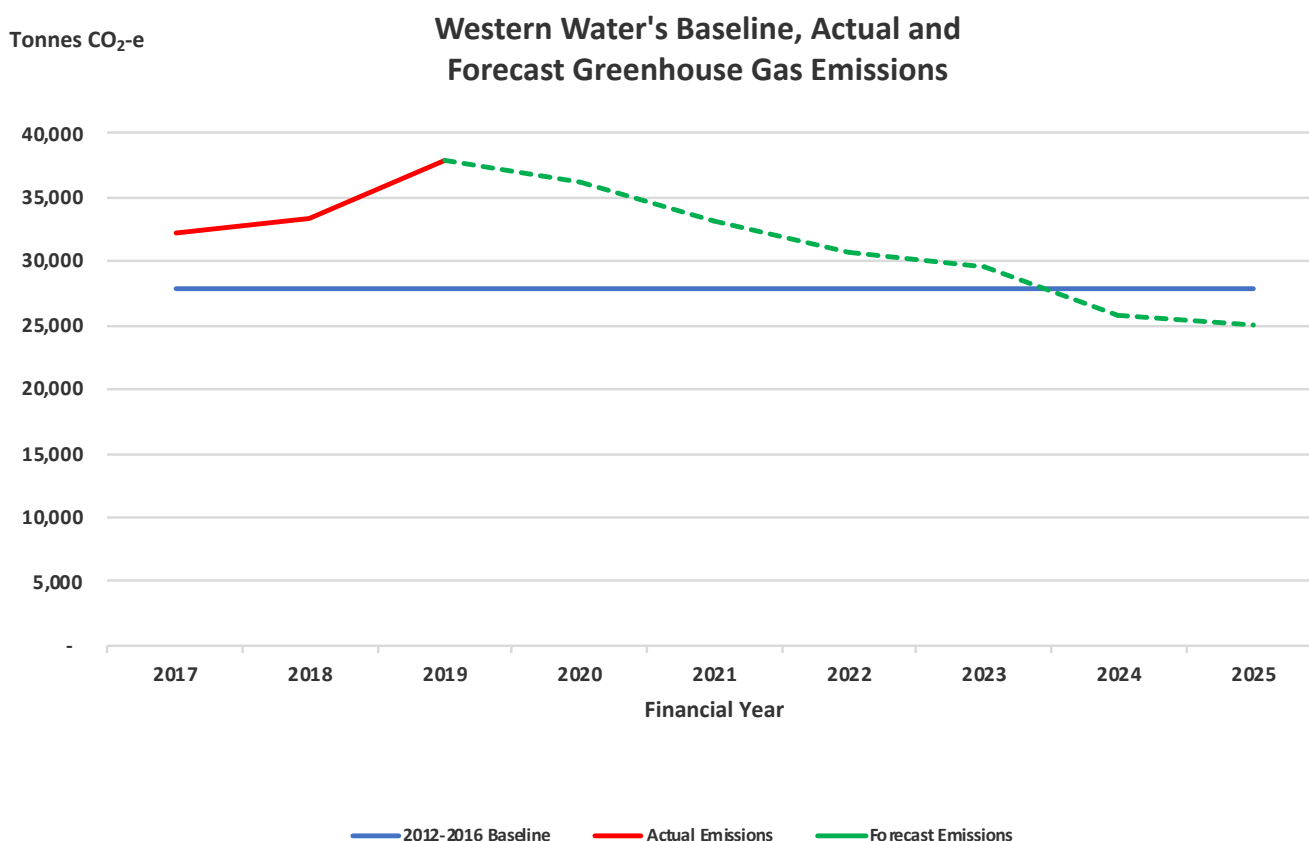
The table above shows that 4.0% (996 megawatt hours) of Western Water’s electricity consumption

was sourced from renewable sources, a 63% increase from that achieved in 2017/18.

Most of the renewable energy was generated and consumed at the Melton Recycled Water Plant, resulting in a 29% renewable energy mix for that site, which is Western Water’s highest electricity consuming site. Small solar panel arrays provided Melton and Sunbury depots with a proportion

Table 29 below shows how renewable energy consumption has changed from 2017-18 to 2018-19.

Renewable Energy Source	2017-18 Renewable electricity used (MWh)	2018-19 Renewable electricity used (MWh)
1. Solar	5.4	5.4
2. Hydroelectric		
3. Wind		
4. Biogas	607	991
5. Greenpower		
6. Other		
<b>TOTAL</b>	<b>612</b>	<b>996</b>
% Renewable	2.9%	4.0%



of their electricity consumption (0.5% of all renewable energy production).

The above graph shows Western Water's greenhouse gas emissions trajectory to achieve our Pledge Target of 25,115 tonnes of CO<sub>2</sub>-e in 2025.

This figure shows that Western Water's greenhouse gas emissions have increased over the last three years. Net greenhouse gas emissions are forecast to reduce from 2019/20 until the Pledge target is achieved in 2024/25. This reduction will be achieved through a combination of:

- substitution of grid electricity with behind-the-meter renewable energy installations
- generating more biogas at the Melton Recycled Water Plant
- introducing energy efficiency opportunities, and
- offsetting emissions with Large-scale Generation Certificates when required.

## Climate change adaptation

Western Water is working with the Department of Environment, Land, Water and Planning on the implementation of the actions under the Pilot Water Sector Climate Change Adaptation Action Plan. While the department is continuing to formalise the actions in the Pilot plan, Western Water has commenced work to deliver the actions. Consistent with Action 18 of the Pilot Plan, Western Water is contributing to the development of a framework to estimate the cost of climate change to Victoria Water Corporations. We are also working with the department on the development of a guidance document to support the delivery of Actions 13, 14 and 15 of the Pilot Plan.

At an operational level, our water and sewerage 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 climate change resilience and adaptation capabilities.

### 2019 MERIT IAWARD: PREDICTIVE ANALYTICS FOR WATER PIPE MAINTENANCE

Western Water, together with CSIRO and University of Technology Sydney, was nominated as a finalist in the Australian Information Industry Association 2019 iAWARDS and received a Merit award for the jointly developed Predictive Analytics Model for Water Pipe Maintenance.

Predicting and prioritising water main renewals and pipe performance can be a complex process due to the low failure rate of mains and the high marginal inspection costs. However, a burst water main can cause costly and inconvenient disruptions to customers and the community, not to mention the loss of a precious resource.

The model uses machine learning, predictive analytics and complex algorithms to forecast pipe performance based on historical failure data paired with pipe characteristics and environmental conditions. Based on this information, the model is able to predict pipe performance to a high level of accuracy. As more data is entered into the model, the machine learning tool increases the accuracy of its predictions.

This project enables Western Water to reduce the pipe renewal costs, the number of pipe failures, water losses and interruptions to customers.

# Social sustainability

## Service delivery

Serviced properties grew by 5% in 2018/19 and strong growth is expected to continue over the next 25 years.

### WATER SUPPLY SYSTEM

During the reporting period, Western Water supplied water to 72,825 connected properties via 2,043km of water mains. The extensive reticulation system is maintained through renewals, repairs and operational activities such as valve maintenance, mains flushing, flow, 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 2018/19 was 12.7 - slightly higher than the previous year figure of 12.2 (see Table 30).

### COMMUNITY ENGAGEMENT

Western Water has an ongoing interactive relationship between its customers and community to ensure they are kept informed and, where practical, involved in planning and policy decisions. This is particularly demonstrated in the community engagement for Sunbury's Water Future, in conjunction with Melbourne Water, with nine face-to-face community discussions being held between October 2018 and March 2019.

## Sewer system

In 2018–19, Western Water supplied 62,005 connected properties with sewage and trade waste collection services via 1,401.9 km of sewer mains.

Our Sewer Spill Prevention Strategy continually evolves to deal with our ageing infrastructure and growing network. While there has been a significant trending overall decline in sewer blockages and spills since the strategy commenced in 2010, there has been an increase from 12.7 blockages per 100km in FY2017/18 to 18 in FY2018/19 (see Table 31).

Table 30: Water main bursts per 100km - 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15
Bursts per 100km of water main	12.7	12.2	12.3	13.3	12.1

Table 31: Sewer main blockages per 100km - 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15
Sewer blockages per 100km of sewer main	18.0	12.7	11.5	14.1	15.5

Table 32: Customer service - 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15
Customer service calls received	64,678	66,632	66,059	63,273	63,005
Calls answered within 30 seconds (%)*	80%	79%	86%	90%	95%
Average wait time (seconds)**	17	17	17	21	20
Correspondence requiring a response	4,336	4,411	3,714	2,762	2,792

\* Includes 51,504 calls to accounts and faults lines and 13,174 number to reception line.

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

Table 33: Customer complaints - 2 years

	2018/19	2017/18
Water quality	130	170
Water supply reliability	2	1
Sewerage service reliability	3	4
Payment issue	28	21
Flow rate	1	1
Sewerage odour	6	6
Other	7	13
Total	177	216

## Customer service

There continues to be an increased focus on first-call resolution as the more transactional enquiries move to the website. Customer service calls decreased slightly in 2018/19 from 66,632 in the previous financial year to 64,678, while customers seeking information from Western Water's website continued to grow by more than 48%. Of the customer service calls received, 80% of calls were answered within 30 seconds (slightly up from 79% in the prior financial year).

### MANAGING COMPLAINTS

There was a notable decrease in water quality complaints during the reporting period compared to the previous financial year. This was due to a temporary spike of water quality complaints in the prior year as a result of an incident from a town-wide mains cleaning program in Sunbury. Overall, customer complaints decreased by 18% to 177 in 2018/19.

Payment issue complaints increased to 28 from 21 in the previous financial year.

Dissatisfied customers can refer complaints to the Energy and Water Ombudsman Victoria (EWOV). During 2018-19, EWOV handled 44 referrals on behalf of Western Water customers. The majority were handled as enquiries, requiring no further action with a further investigated 11 complaints investigated in detail.

## AFFORDABILITY

During the financial year, Western Water's residential customers continued to benefit from receiving one of the most affordable bills in comparison to water customers across Victoria, based on a nominal average household usage of 150 kilolitres per year. In line with our Price Submission 2018, customer prices were fixed at 2017/18 levels (plus CPI) over the past financial year. To assist our 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 hosted a 3-month community presence at Melton's Woodgrove Shopping mall. Our Mobile Information Kiosk has given us a chance to engage face-to-face with our customers to inform them of our range of support services including EasyPay, assistance with Utility Relief Grant Scheme (URGS) applications, and early identification of 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 2018/19, 259 customers entered our Customer Support Program while 97 customers were able to move out of the program. A total of 436 customers received financial assistance totalling \$236,733, an increase of 23% from 2017/18.

In addition, a total of 60 hardship assessment visits were conducted to support customers requiring financial assistance and plans to reintroduce a home visit program required under the Reasonable Endeavours process were finalised.

## COMMUNITY SERVICE OBLIGATIONS

Almost one in four (24.5%) 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 \$320.90) amounting to more than \$4.4million.

The number of not-for-profit organisations receiving rebates on their annual water and sewer charges increased slightly to 457 groups. These organisations received a combined total of \$165,332 in rebates. Customers can also receive payments from the Hardship Relief Grant Scheme (Sewerage Connection Scheme) and Non-Mains Water Concession directly from Department of Health and Services.

Table 34: Community service obligations - 2 years

Concession Type	2018/19		2017/18	
	No.	\$	No.	\$
Pensioners, Healthcare, Veterans Affairs	15,938	4,414,800	15,854	4,270,160
Not for profit rebates	457	165,332	452	161,671
Utility Relief Grant Scheme	281	158,051	219	101,323
Water concession on life support machines – haemodialysis	9	2,655	5	1,711

Table 35: Water and sewerage charges (\$) - 2018/19

	2018/19	
	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	
441–880 litres	2.4328	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



## CUSTOMER PORTAL

In 2018/19 Western Water commenced development of a customer online portal. This channel will provide customers with self-service options, using the device of their choice, accessible at anytime. The portal will allow customers to register, pay, change their name, address or email as well as set up payment arrangements including direct debit.

Western Water is forecasting at least 10% of customers to register for the portal in its first year of operation, with 30% of customers expected to have signed up by June 2023.

Most importantly the portal delivers on our Price Submission 2018 commitment to have a fully developed solution, tested with customers, for the provision of online services and information.

The portal will also allow Western Water to optimise its e-billing service for customers, allowing customers to access more information about their water usage, accounts and history. This service has already encouraged 16% of customers to switch to the more environmentally sustainable way to receive their accounts

### UTILITY RELIEF GRANT SCHEME

The number of customers receiving Utility Relief Grants provided by DHHS increased from 219 in the previous financial year to 281 in 2018/19 (from a total of 438 applications from customers). Grants totalling \$158,051 were paid to customers.

### SERVICE CHARGES

Western Water's tariffs for 2018–19 were based on Western Water's 2018–2020 Price Determination by the ESC. Details are outlined in Table 35.

### AVERAGE CUSTOMER BILL (ANNUAL)

During 2018/19, Western Water's typical customer bill was \$1,019. The typical Western Water customer used 189,000 litres over the reporting period.

The Bureau of Meteorology (BOM) uses 200,000 litres (200KL) per customer as the annual consumption base line. Based on 200KL Western Water customers' bill would be \$1,064 (including a deduction of the Western Water's Efficiency Rebate which was indexed in 2018/19 to \$101.90). This compares favourably against the national average bill based on 200KL of \$1372.40 for the previous year (BOM National Annual Performance Report 2017/18). This demonstrates that Western Water's services continue to be very affordable.

## Other disclosures

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

#### IMPLEMENTATION OF THE LOCAL JOBS FIRST – VICTORIAN INDUSTRY PARTICIPATION POLICY

The Local Jobs First Act 2003, introduced in August 2018, brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for statewide projects, or \$1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20 million or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG applicable and VIPP applicable projects respectively where contracts have been entered prior into 15 August 2018.

#### Projects Commenced – Local Jobs First Standard

During 2018/19, Western Water commenced four Local Jobs First Standard projects totaling \$16 million. Of those projects, one was located in regional Victoria, with a commitment of 96% of local content, and three in metropolitan Melbourne, with an average commitment of 95% local content. No statewide projects were commenced. The MSPG applied to none of these projects.

The outcomes expected from the implementation of the Local Jobs First policy to these projects are as follows:

- an average of 96 % of local content commitment was made
- a total of 24 jobs (annualised employee equivalent (AEE)) were committed, including the creation of four new jobs and the retention of 20 existing jobs (AEE)
- of the four new jobs committed they related to apprentices, trainees and cadets, and

- of the retention of 20 existing jobs, four related to apprenticeships, traineeships and cadets.

#### Projects completed – Local Jobs First Standard

During 2018/19, Western Water completed three Local Jobs First Standard projects, totaling \$42.32 million. None of those projects were in regional Victoria. The three projects were in metropolitan Melbourne and had an average commitment of 79% local content. No state-wide projects were completed. The MSPG applied to none of these projects.

The outcomes from the implementation of the Local Jobs First policy to these projects were as follows:

- an average of 79% of local content was provided
- a total of 43 jobs (annualised employee equivalent (AEE)) were provided, including the creation of seven new jobs and the retention of 37 existing jobs (AEE)
- of the seven new jobs created, one related to the creation of a one new apprenticeship, traineeship or cadetship, and
- of the existing jobs retained, three related to existing apprenticeships, traineeships and cadetships.

#### Projects commenced – Local Jobs First Strategic

There were no Strategic Projects commenced.

#### Reporting requirements – all local jobs first projects

During 2018/19, there were four small-to-medium sized businesses that prepared a VIPP Plan or Local Industry Development Plan (LIDP) for contracts, successfully appointed as Principal Contractor.

During 2018/19, 206 small-to-medium sized businesses were engaged through the supply chain on these projects.

Western Water commenced no contracts between 1 July and 15 August 2018 for which a VIPP Plan or LIDP was required.

#### Reporting requirements – grants

For grants provided during 2018/19, no interaction reference numbers were required, which entailed a conversation with the Industry Capability Network (Victoria) Ltd.

## 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 2018/19, Western Water's total ICT expenditure was \$7.3M (refer Table 36).

### ADVERTISING EXPENDITURE

Western Water's total advertising spend in 2018/19 was \$53,795, over double the spend in the prior year. This increase in advertising expenditure was to improve our reach and customer awareness in our growing service region, with specific focus on increasing customer awareness of incidents that could impact on their water availability or cost of their bill. Advertising expenditure includes recruitment and operational advertising to meet legislative requirements.

### CONSULTANCY EXPENDITURE

In 2018/19, there were 8 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 \$459,902 (excluding GST).

Details of individual consultancies can be viewed at [westernwater.com.au](http://westernwater.com.au).

In the reporting period, there were 0 consultancies where the total fees payable to the consultants were less than \$10,000.

## 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 that, 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.

### FREEDOM OF INFORMATION (FOI)

Victoria's Freedom of Information Act 1982 (the Act) gives the public 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.

#### FOI Statistics/timelines

During 2018/19, Western Water received three requests for access to information in accordance with the Act. Of these requests, all three were non-personal requests. Two of these requests were from the general public and one from a corporation.

Table 36: ICT expenditure (\$'000) - 2 years

ICT expenditure area	2018/19	2017/18
Operational expenditure	1,952	1,412
Capital expenditure	2,632	6,028
Total non-business as usual expenditure (operational & capital expenditure)	4,584	7,440
Business as usual expenditure	2,667	2,305
Total ICT expenditure	7,251	9,745

Western Water made three FOI decisions during 2018/19. Two decisions related to non-personal requests that were outstanding at 30 June 2018. Full access to all documents was provided in response to one request, access to documents in part was granted to one request, while no documents were identified for access for another request.

Two non-personal requests were outstanding on 30 June 2019.

During 2018/19, no requests were subject to a complaint/internal review by the Office of the Victorian Information Commissioner (OVIC) and no requests progressed to the Victorian Civil and Administrative Tribunal (VCAT).

### Making a request

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

FOI Officer  
Western Water  
PO Box 2371  
Sunbury DC VIC 3429

From 1 July 2019 a fee of \$29.62 applies to any application for access to documents. Additional information and how to make an FOI request, including an FOI Access Form, is available on Western Water's website: <https://www.westernwater.com.au/About/Freedom-of-Information> and at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

Names and titles of FOI decision makers

- Authorised person – Melissa Jeal, Company Secretary
- Principal Officer – Jeff Rigby, Managing Director

### 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.

Table 39: Freedom of information summary - 2 years

	2018/19	2017/18
Requests outstanding 30 June 2018	2	1
Personal requests received	0	0
Non-personal requests received	3	6
Requests outstanding at 30 June 2019	2	1
Reviews by the FOI Commissioner received	0	1
Reviews by the FOI Commissioner where the original decision was confirmed	0	0
Reviews by the FOI Commissioner where the original decision was varied or overturned	0	1
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	\$86.70	\$142.00
Total dollar of charges collected and waived	\$114.83	0

### *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 [www.westernwater.com.au](http://www.westernwater.com.au).

## **Office-based environmental impacts**

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

- energy consumption and greenhouse gas emissions 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 22 and Table 27 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.

Requests for additional information from Western Water should be made in writing, to:

Melissa Jeal  
Company Secretary  
Western Water  
PO Box 2371 Sunbury DC VIC 3429

## 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.*



*Andrew Cairns*

*Chairperson*

*16 August 2019*



# 4. Performance Report

## Financial performance indicators

Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to prior year %	Notes	Variance to target %	Notes
<b>F1 Cash Interest Cover</b>							
Net operating cash flows before net interest and tax net interest payments	4.18	3.03	2.20	(27.5%)	1	37.7%	6
<b>F2 Gearing Ratio</b>							
(Total Debt including finance leases/ Total Assets) *100	25.9%	26.1%	30.9%	0.6%		(15.5%)	7
<b>F3 Internal Financing Ratio</b>							
(Net operating cash flow - dividends/ Capital expenditure) *100	64.1%	22.6%	21.0%	(64.7%)	2	7.6%	
<b>F4 Current Ratio</b>							
<u>Current assets</u> Current liabilities (excluding long term employee provisions and revenue in advance)	0.67	0.50	0.72	(25.4%)	3	(30.6%)	8
<b>F5 Return on Assets</b>							
(Earnings before net interest and tax/average assets) *100	5.14%	6.14%	3.55%	19.5%	4	73.0%	9
<b>F6 Return on Equity</b>							
(Net profit after tax/ average total equity) *100	4.46%	5.76%	2.43%	29.1%	5	137.0%	10
<b>F7 EBITDA Margin</b>							
(Earnings before interest, tax Depreciation and Amortisation/Total revenue) *100	56.15%	60.00%	50.75%	6.9%		17.9%	11

### Notes

- Cash interest cover was lower than 2017/18 due to \$13 million of developer contributions received in advance at June 2018 thereby resulting in a lower level of developer contributions being received in 2018/19.
- The internal financing ratio was lower than 2017/18 mainly as a result of higher net operating cash flows arising from increased developer cash receipts in 2017/18 presented in Note 1 above. Capital expenditure year on year cash flow was \$6.1 million higher in line with higher capital expenditure plan.
- The current ratio is less than prior year due to \$5.5 million lower cash balance and a \$4.4 million higher payable balance in relation to capital projects. A higher cash balance was maintained at June 2018 following receipt of developer contributions in advance.
- Return on assets was higher than 2017/18 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 \$5 million across water purchase, electricity, Environment Contribution, information technology and a new sewer service charge to access City West Water's sewer infrastructure.
- Return on equity was higher than 2017/18 mainly as a result of higher net profit after tax. Net profit after tax was higher largely as a result of a 20% year on year increase in total revenue 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 11% increase in expenses. Average equity increased by 11% due to increased retained earnings and an increase in the infrastructure and building revaluation reserve.
- Cash interest cover was higher than target mainly as a result of increased developer contributions and lower interest payments



due to slower debt growth. There are a number of capital expenditure projects being delivered by developers on behalf of Western Water where payment is made at final acceptance rather than progressive payments during construction, resulting in a deferral of debt funding.

- 7 The Gearing Ratio is better than target due to lower debt levels as a result of higher developer contribution receipts and deferred payment on capital projects. Additionally the total asset value includes \$19 million of developer gifted assets above plan and an unplanned managerial revaluation of infrastructure assets.
- 8 The current ratio was lower than target due to higher than planned current liabilities including \$9 million of developer fees paid in advance and not yet recognised as revenue; \$12 million in higher capital investment accrual and a \$5 million higher income tax accrual.
- 9 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.
- 10 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 than planned with total revenue increasing by 20% 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 other operating costs. These revenue increases were partially off-set by a 11% increase in expenses. Average equity increased by 3.5% due to increased retained earnings and an increase in the infrastructure and building revaluation reserve.
- 11 EBITDA Margin is higher than target due to total revenue being 27% (\$32 million) higher than plan, of which \$27 million is from higher developer contributions.

# Water and sewerage service performance indicators

	2017/18 Result	2018/19 Result	2018/19 Target	Variance to prior year %	Notes	Variance to target %	Notes
<b>WS1</b>	<b>Unplanned water supply interruptions</b>						
	Number of customers receiving >5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100						
	0%	0%	0%	0.0%		0.0%	
<b>WS2</b>	<b>Interruption time indicators</b>						
	Average duration of unplanned water supply interruptions						
	90.0 minutes	72.0 minutes	12600.0 minutes	(20.0%)	12	(42.9%)	13
<b>WS3</b>	<b>Restoration of unplanned water supply</b>						
	Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100						
	99.0%	99.0%	98.3%	0.0%		0.7%	
<b>SS1</b>	<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						
	98.4%	97.7%	100.0%	(0.7%)		(2.3%)	
<b>SS2</b>	<b>Sewerage interruptions</b>						
	Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours						
	100.0%	100.0%	100.0%	0.0%		0.0%	

## Notes

12 & 13 The average water supply interruptions has reduced due to Western Water introducing the use of 2 hydro excavation trucks for repairs and maintenance activities in our region. These high performing units provide quick excavation of soil when accessing underground assets.

## Customer responsiveness performance indicators

		2017/18 Result	2018/19 Result	2018/19 Target	Variance to prior year %	Notes	Variance to target %	Notes
CR1	<b>Water quality complaints*</b>							
	Number of complaints per 1000 customers	2.616	1.911	4.00	(27.0%)	14	(52.2%)	16
CR4	<b>Billing complaints*</b>							
	Number of complaints per 1000 customers	0.323	0.412	0.50	27.6%	15	(17.6%)	17

### Notes

- 14 Overall, customer complaints have reduced compared to the previous year which was assisted by correctly identifying the customer water quality complaints that were due to Western Water assets and works, instead of customer's internal property issues.
- 15 A total of 28 billing complaints were received during 2018/19 compared to the previous year total of 21. While the reason for the complaints varied, a larger proportion related to high usage from internal property leaks and vacant land service charges.
- 16 Customer complaints are lower than target due to resolving customer issues in the first instance to correctly identify water quality complaints that were due to Western Water assets and works, instead of customer's internal property issues.
- 17 Complaints are lower than target as there has been fewer complaints from new customers in relation to vacant land charges.

## Environmental performance indicators

		2017/18 Result	2018/19 Result	2018/19 Target	Variance to prior year %	Notes	Variance to target %	Notes
E1	<b>Effluent reuse volume (end use)</b>							
	Percentage recycled for each category	66.9%	72.2%	50.0%	7.9%	18	44.4%	20
E2	<b>Total net CO2 emissions</b>							
	Net tonnes CO2 equivalent	33,281	37,967	30,658	14.1%	19	23.8%	21

### Notes

- 18 Effluent reuse for 2018/19 is higher than the prior year due to dry conditions increasing customer use and evaporation - average rainfall in 2018/19 was in the 33rd percentile, lower than in prior years. The increased customer demand for recycled water enabled lower volumes to be discharged at the Melton and Riddells Creek treatment plants.
- 19 The 2018-19 total net CO2 emissions result is higher than the prior year due to a change in the water supply operating model that requires an increase in the volume of water transferred from the Melbourne system. Transferring water from the Melbourne system is energy intensive.
- 20 Effluent reuse for 2018/19 is higher than target due to dry conditions increasing customer use and evaporation. Targets are generally based on an analysis of historical rainfall and evaporation data using an averaging approach, which can lead to variances between target and actual for the reporting year.
- 21 The target incorrectly excluded 4,979 tonnes in relation to one recycled water plant that is operated by a contractor. Compared to an adjusted target, the result remains higher due to the above mentioned change in the water supply operating model (refer Note 19).

# Certification of the Performance Report 2018/19

We certify that the accompanying Performance Report of Western Region Water Corporation in respect of the 2018/19 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 responsible Minister and as set out in the 2018/19 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant 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 16th August 2019, on behalf of the Board



**Andrew Cairns**  
Chair



**Julie Williams**  
Chief Finance &  
Accounting Officer

## 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 2019, which comprises the:</p> <ul style="list-style-type: none"> <li>• financial performance indicators</li> <li>• water and sewerage service performance indicators</li> <li>• customer responsiveness performance indicators</li> <li>• environmental performance indicators</li> <li>• certification of performance report.</li> </ul> <p>In my opinion, the performance report of the Western Region Water Corporation in respect of the year ended 30 June 2019 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>
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<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>. 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 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>
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<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 performance report that is free from material misstatement, whether due to fraud or error.</p>
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**Auditor's responsibilities for the audit of the performance report**

As required by the *Audit Act 1994*, 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. 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  
29 August 2019



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



# 5. Financial Report

## Financial summary

Western Water delivered a net profit after tax of \$33.9 million in 2018/19. The result is a 41% 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 4.7% 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 \$60.6 million, an increase of 48% on the \$40.9 million revenue recorded in 2017/18. Western Water is expecting residential development to remain strong over the next few years, supported by the pre-payment of \$9.3 million of developer contribution fees in 2018/19 for residential properties expected to be connected to the Western Water network over the next 18 months.

Cash from operations was lower than previous year due to timing difference of receipts from developers paying their contributions, and higher expenses, particularly for additional water purchased, electricity and income tax payments.

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.

Capital investment of \$69.6 million in 2018/19 contributed to Western Water's total capital invested of \$252.1 million over five years. This investment combined with \$107.6 million of assets received from developers over five years has resulted in total capital invested in the region of \$359.7 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 \$45.2 million in 2018/19 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 2018 to 30 June 2019.

Western Water paid income tax equivalent to the Victorian Government of \$14.3 million during 2018/19.

### SIGNIFICANT CHANGES IN FINANCIAL POSITION

There were no significant matters that changed Western Water's financial position for the year ending 30 June 2019.

### 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 2019.

### POST BALANCE DATE EVENTS

On 18 July 2019, Western Water received approval under section 46C of the Water Act 1989 from the Minister of Water for the assignment of 5,000 ML of water allocation from Barwon Region Water Corporation's share of water in the Melbourne system to Western Water. The water trade will be settled for an amount of \$1,425,000.

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

	2018/19	2017/18	2016/17	2015/16	2014/15
Service revenue	81,545	75,673	66,469	73,850	67,507
Developer contributions	60,654	40,966	30,851	25,174	11,909
Other revenue	6,409	6,590	3,438	2,892	2,319
<b>Total revenue</b>	<b>148,608</b>	<b>123,229</b>	<b>100,758</b>	<b>101,916</b>	<b>81,735</b>
Operating expenses	68,648	60,361	57,826	58,284	46,673
Corporate expenses	13,906	13,994	13,983	11,575	10,284
Finance costs	14,258	13,109	11,548	11,109	10,691
Environmental contribution	3,083	2,410	2,410	2,410	2,410
<b>Total expenses</b>	<b>99,895</b>	<b>89,874</b>	<b>85,767</b>	<b>83,378</b>	<b>70,058</b>
<b>Net result before income tax</b>	<b>48,713</b>	<b>33,355</b>	<b>14,991</b>	<b>18,538</b>	<b>11,677</b>

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

	2018/19	2017/18	2016/17	2015/16	2014/15
Current assets	20,494	26,166	15,069	20,993	32,099
Non current assets	1,091,723	918,246	849,312	789,200	690,003
<b>Total assets</b>	<b>1,112,217</b>	<b>944,412</b>	<b>864,381</b>	<b>810,193</b>	<b>722,102</b>
Current liabilities	57,374	59,299	36,911	25,375	18,295
Non current liabilities	417,264	344,129	312,299	280,113	259,184
<b>Total liabilities</b>	<b>474,638</b>	<b>403,428</b>	<b>349,210</b>	<b>305,488</b>	<b>277,479</b>
Net cash flow from operating activities	14,506	34,597	14,888	19,065	19,675
Payments for property, plant, equipment & intangibles	64,168	58,357	55,979	32,234	16,677

Table F3: Summary of financial performance - 5 years

	2018/19	2017/18	2016/17	2015/16	2014/15
Gearing ratio (%) (total debt / total assets)	26.1	25.9	24.6	22.3	25.1
Internal financing ratio (%)	22.6	64.1	27.5	59.1	118.0
Cash interest cover (times)	3.0	4.2	2.8	2.8	2.9
Return on assets (%)	6.1	5.1	3.2	3.8	3.1
Return on equity (%)	5.7	4.5	2.1	2.7	1.9

# Financial Report Contents

Western Region Water Corporation has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2019. It is presented in the following structure:

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**Western Region Water Corporation  
Comprehensive Operating Statement  
For the financial year ended 30 June 2019**

	<b>Notes</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Revenue</b>			
Service and water usage charges		81,545	75,673
Developer contributions	2(b)(ii)	60,654	40,966
Other revenue	2(b)(iii)	5,221	6,119
Government grants and contributions	2(b)(iv), 9(e)(i)	1,608	636
Interest revenue		50	11
Net loss on disposal of infrastructure, property, plant and equipment	4(a)(x)	(470)	(176)
<b>Total revenue</b>		<b>148,608</b>	<b>123,229</b>
<b>Expenses</b>			
Borrowing costs	6(a)(ii), 9(e)(i)	14,258	13,109
Depreciation	4(a)(viii)	23,561	20,590
Amortisation	4(a)(viii), 4(b)	2,457	2,151
Employee benefits	3(b), 3(c), 9(d)	16,552	16,206
Repairs and maintenance	3(d)	4,116	3,884
Environmental contribution levy	8(b), 9(e)(i)	3,083	2,410
Water purchases	3(e), 9(e)(i)	11,430	10,321
Electricity	3(f)	4,910	4,038
Other operating & administration expenses	3(g)	19,297	17,165
<b>Total expenses</b>		<b>99,664</b>	<b>89,874</b>
<b>Net result before tax</b>		<b>48,944</b>	<b>33,355</b>
Income tax expense	8(a)(i)	15,020	9,824
<b>Net result for the period</b>		<b>33,924</b>	<b>23,531</b>
<b>Other comprehensive income</b>			
Pre-tax change in asset revaluation reserve		89,762	3,260
Income tax relating to change in asset revaluation reserve	8(a)(ii)	(26,929)	(978)
<b>Other comprehensive income for the period, net of income tax</b>		<b>62,833</b>	<b>2,282</b>
<b>Comprehensive result</b>		<b>96,757</b>	<b>25,813</b>

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

**Western Region Water Corporation  
Balance Sheet  
As at 30 June 2019**

	Notes	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6(b), 7	3,166	8,721
Receivables	5(a), 7	16,494	14,606
Prepayments	5(c)	834	1,032
Amounts in trust	5(c)	-	1,807
<b>Total current assets</b>		<b>20,494</b>	<b>26,166</b>
<b>Non-current assets</b>			
Receivables	5(a), 7	163	205
Infrastructure assets, property, plant and equipment	4(a)	1,073,611	902,485
Intangible assets	4(b)	16,445	14,268
Deferred tax assets	8(a)(ii)	1,504	1,288
<b>Total non-current assets</b>		<b>1,091,723</b>	<b>918,246</b>
<b>TOTAL ASSETS</b>		<b>1,112,217</b>	<b>944,412</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5(b), 7	35,283	33,567
Income in advance	5(d)	12,750	16,675
Employee benefits	3(b)(ii), 9(e)(iii)	3,770	3,651
Current tax payable	8(a)(i)	5,571	5,406
<b>Total current liabilities</b>		<b>57,374</b>	<b>59,299</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	6(a), 7	289,900	244,650
Employee benefits	3(b)(ii)	666	404
Deferred tax liabilities	8(a)(ii)	126,698	99,075
<b>Total non-current liabilities</b>		<b>417,264</b>	<b>344,129</b>
<b>TOTAL LIABILITIES</b>		<b>474,638</b>	<b>403,428</b>
<b>NET ASSETS</b>		<b>637,579</b>	<b>540,984</b>
<b>EQUITY</b>			
Contributed capital	9(a)(i)	160,413	160,413
Asset revaluation reserves	9(a)(ii)	212,531	149,698
Accumulated surplus	9(a)(iii)	264,635	230,873
<b>TOTAL EQUITY</b>		<b>637,579</b>	<b>540,984</b>

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

**Western Region Water Corporation  
Statement of Changes in Equity  
For the financial year ended 30 June 2019**

	Notes	Contributed Capital \$'000	Asset revaluation reserves \$'000	Accumulated surplus \$'000	Total \$'000
<b>Balance 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 at 30 June 2018</b>	9(a)	<b>160,413</b>	<b>149,698</b>	<b>230,873</b>	<b>540,984</b>
Adoption of new accounting standards: AASB 9 <i>Financial Instruments</i> (net of tax)	7(a)(ii)	-	-	(162)	(162)
<b>Balance at 1 July 2018</b>		<b>160,413</b>	<b>149,698</b>	<b>230,711</b>	<b>540,822</b>
Comprehensive result	9(a)(iii)	-	62,833	33,924	96,757
<b>Balance at 30 June 2019</b>	9(a)	<b>160,413</b>	<b>212,531</b>	<b>264,635</b>	<b>637,579</b>

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



**Western Region Water Corporation  
Cash Flow Statement  
For the financial year ended 30 June 2019**

	Notes	2019 \$'000	2018 \$'000
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Service and usage charges		90,928	85,030
Developer contribution fees		16,162	27,394
Interest		51	10
Grants from government (non-recurrent)		520	1,397
Goods and Services Tax received from the ATO		8,253	8,191
<b>Total receipts</b>		<b>115,914</b>	<b>122,022</b>
<b>Payments</b>			
Payment to employees		(16,450)	(15,605)
Payment to suppliers		(53,091)	(49,311)
Interest and other costs of finance		(14,224)	(13,039)
Income tax		(14,308)	(6,847)
Environmental contribution levy	8(b)	(3,083)	(2,410)
Goods and Services Tax paid to the ATO		(252)	(213)
<b>Total payments</b>		<b>(101,408)</b>	<b>(87,425)</b>
<b>Net cash inflow from Operating Activities</b>	6(b)	<b>14,506</b>	<b>34,597</b>
<b>Cash Flows from Investing Activities</b>			
Payments for infrastructure assets, property, plant and equipment		(60,094)	(53,994)
(Payments) / receipts of deferred capital works security bonds		(1,576)	(914)
Proceeds from sale of infrastructure assets, property, plant & equipment		433	397
Payments for intangible assets		(4,074)	(4,363)
<b>Net cash outflow from Investing Activities</b>		<b>(65,311)</b>	<b>(58,874)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from new and refinanced borrowings	9(e)(i)	58,750	47,900
Payment for maturing and refinanced borrowings	9(e)(i)	(13,500)	(16,500)
<b>Net cash inflow from Financing Activities</b>		<b>45,250</b>	<b>31,400</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(5,555)</b>	<b>7,123</b>
Cash and cash equivalents at the beginning of the financial year		8,721	1,598
<b>Cash and cash equivalents at end of the financial year</b>	6(b)	<b>3,166</b>	<b>8,721</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

## **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 2019.

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 16 August 2019.

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 financial year.

Australian Accounting Standard AASB 9 *Financial Instruments* that was effective as of 1 January 2018, has been adopted by Western Water from 1 July 2018. AASB 9 *Financial Instruments*, that replaces AASB 139 *Financial Instruments: Recognition and Measurement*, introduces new requirements for recognition, classification and measurement, and a new impairment model for financial assets based on expected credit losses. Western Water has adopted AASB 9 as at 1 July 2018 and has applied the new rules on a modified retrospective basis. As a result, comparatives for 2017/18 in our 30 June 2019 accounts will not be restated. Further disclosures in relation to AASB 9 are at notes 5(a) and 7(a)(ii) of this financial report.

### **Comparative figures**

Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

### **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.

## **1 About this Report (continued)**

### **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 note 3(b)(ii) under provisions for a variation in relation to employee benefits and note 6(a) under interest bearing liabilities for a variation in relation to borrowings.

### **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 water 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(d));
- 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	2019 \$'000	2018 \$'000
<b>Revenue</b>			
Service and water usage charges	2(b)(i)	81,545	75,673
Developer contributions			
Assets received from developers	2(b)(ii)	40,534	26,198
Fees paid by developers	2(b)(ii)	20,120	14,768
Other revenue	2(b)(iii)	5,221	6,119
Government grants and contributions	2(b)(iv)	1,608	636
Interest revenue		50	11
<b>Total revenue</b>		<b>149,078</b>	<b>123,405</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.

## 2 Funding Delivery of Our Services (continued)

### (b) Revenue from transactions

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

	2019 \$'000	2018 \$'000
<b>Service charges</b>		
Water	17,643	16,471
Sewerage	36,258	33,746
Recycled water	469	372
<b>Total service charges</b>	<b>54,370</b>	<b>50,589</b>
<b>Water usage charges</b>		
Water	32,078	29,700
Recycled water	1,423	1,316
Government water rebate	-	(5,932)
Water efficiency rebate	(6,326)	-
<b>Total water usage charges</b>	<b>27,175</b>	<b>25,084</b>
<b>Total service and water usage charges</b>	<b>81,545</b>	<b>75,673</b>

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.

Customer service and usage charges paid in advance but at the reporting date were unbilled are recognised as income in advance in current liabilities.

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 Water Rebate (formally known as Fairer Water Bills Initiative) to deliver more than \$1 billion of savings that were made across Victoria's urban water sector over the four years from 1 July 2014 to 30 June 2018. As part of this initiative, Western Water's residential water use customers were 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.

On conclusion of the \$100 Government Water Rebate in June 2018, Western Water will provide residential water use customers with a Water Efficiency Rebate of \$100 per annum (adjusted to reflect movement in Consumer Price Index) over two years from 1 July 2018 to 30 June 2020. This Water Efficiency Rebate is progressively billed evenly over three billing cycles. The amount \$6,326,071 represents the Water Efficiency Rebate for the financial year 2018/19.

## 2 Funding Delivery of Our Services (continued)

### (b) Revenue from transactions (continued)

#### (ii) Developer contributions

	2019 \$'000	2018 \$'000
<b>Developer contributions</b>		
Assets received from developers	40,534	26,198
Fees paid by developers	20,120	14,768
<b>Total developer contributions</b>	<b>60,654</b>	<b>40,966</b>

As per the requirements of AASB Interpretation 18 *Transfers of Assets from Customers*, AASB 1004 *Contributions* and AASB 118 *Revenue*, assets received from developers free of charge or for nominal consideration are recognised at their fair value when the risks and rewards of ownership have been transferred to Western Water and obtains control of them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

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. Fees paid by developers also includes a financing charge contribution for assets developed earlier than planned at the request of the developer of \$782,010 (2018: \$450,758).

Fees paid by developers in advance for which the Statement of Compliance were not issued at the reporting date are recognised as income in advance in current liabilities.

#### (iii) Other revenue

	2019 \$'000	2018 \$'000
Property services	4,083	4,114
Special meter reading	221	206
Property rental	70	47
Reimbursement of costs incurred and miscellaneous revenue	847	1,752
<b>Total other revenue</b>	<b>5,221</b>	<b>6,119</b>

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.

#### (iv) Government grants and contributions

	2019 \$'000	2018 \$'000
<b>Total government grants and contributions</b>	<b>1,608</b>	<b>636</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.



### 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	2019 \$'000	2018 \$'000
<b>Expenses</b>			
Employee benefits	3(b)(i)	16,552	16,206
Repairs and maintenance	3(d)	4,116	3,884
Water purchases	3(e)	11,430	10,321
Electricity	3(f)	4,910	4,038
Other operating & administration expenses	3(g)	19,297	17,165
<b>Total expenses incurred in delivery of services</b>		<b>56,305</b>	<b>51,614</b>

#### (b) Our people

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

	2019 \$'000	2018 \$'000
<b>Employee benefits</b>		
Salaries & wages	13,720	13,760
Annual leave and long service leave	523	326
Employer superannuation contributions	1,266	1,232
Other	1,043	888
<b>Total employee benefit costs</b>	<b>16,552</b>	<b>16,206</b>

Employee benefits include all costs related to employment including salaries and wages, 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.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when Western Water is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### 3 The Cost of Delivering Services (continued)

#### (b) Our people (continued)

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

Provision is made for benefits accruing to employees in respect of salaries and wages, 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.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current provisions</b>		
Annual leave		
Unconditional and expected to settle within 12 months	971	972
Long service leave		
Unconditional and expected to settle within 12 months	282	350
Unconditional and expected to settle after 12 months	2,008	1,842
Provisions for on-costs		
Unconditional and expected to settle within 12 months	197	201
Unconditional and expected to settle after 12 months	312	286
<b>Total current provisions for employee benefits</b>	<b>3,770</b>	<b>3,651</b>
<b>Non-current provisions</b>		
Long service leave		
Conditional and expected to settle after 12 months	576	350
Provisions for on-costs		
Conditional and expected to settle after 12 months	90	54
<b>Total non-current provisions for employee benefits</b>	<b>666</b>	<b>404</b>
<b>Total provisions for employee benefits</b>	<b>4,436</b>	<b>4,055</b>
<b>Reconciliation of movement in on-cost provision</b>		
Opening balance	541	517
Additional provisions recognised	281	198
Amounts utilised during the period	(193)	(175)
Effect of changes in the discount rate	(30)	1
<b>Closing balance</b>	<b>599</b>	<b>541</b>
Current	509	487
Non-current	90	54
	<b>599</b>	<b>541</b>

### **3 The Cost of Delivering Services (continued)**

#### **(b) Our people (continued)**

##### **Salaries and wages, annual leave and sick leave**

Liabilities for salaries and wages (including non-monetary benefits, annual leave and on-costs) that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Liabilities for salaries and wages (including non-monetary benefits, annual leave and on-costs) 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.

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 (LSL) 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:

- nominal value - the component Western Water expects to wholly settle within 12 months; or
- present 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 present 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.

#### **(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 when they are incurred or due. Contributions by Western Water to the various superannuation plans for the financial year ended 30 June 2019 are detailed below:

### **3 The Cost of Delivering Services (continued)**

#### **(c) Superannuation (continued)**

<b>Scheme</b>	<b>Type of scheme</b>	<b>Contribution Rate</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Vision Super	Defined Benefit	9.50%	102	134
Vision Super	Accumulation	9.50% - 10.00%	838	768
Other Superannuation Funds	Accumulation	9.50%	511	469
			<b>1,451</b>	<b>1,371</b>

As at the reporting date, there was \$82,518 (2018: \$77,547) payable to Vision Super and \$60,394 (2018: \$48,248) 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 2020 is \$97,556 (2019: \$125,600).

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 for its defined benefit obligations 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**

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 2018 interim actuarial investigation surplus amounts**

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the defined benefit category. The vested benefit index (VBI) of the defined benefit category of which Western Water is a contributing employer was 106.0%. The VBI is to be used as the primary funding indicator. As the VBI was above 100%, the 2018 interim 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.

### **3 The Cost of Delivering Services (continued)**

#### **(c) Superannuation (continued)**

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

- Net investment returns 6.0% pa;
- Salary inflation 3.5% pa; and
- Price inflation (CPI) 2.0% pa.

The Fund's interim actuarial investigation as at 30 June 2018 identified the following in the defined benefit category of which Western Water is a contributing employer:

- A VBI surplus of \$131.9 million;
- A total service liability surplus of \$218.3 million; and
- A discounted accrued benefits surplus of \$249.1 million.

The VBI surplus means that the market value of the fund's 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 2018.

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 as at 30 June 2018.

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 2018.

#### **The 2019 interim actuarial investigation**

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the defined benefit category. It is anticipated that this actuarial investigation will be completed in October 2019.

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

##### **Funding calls**

If the defined benefit category is in an unsatisfactory financial position (i.e. VBI is below 100%) at the effective date of the actuarial investigation, or when 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 Superannuation Prudential Standard 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%.

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.

### 3 The Cost of Delivering Services (continued)

#### (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.

	2019 \$'000	2018 \$'000
Labour and materials	847	823
Mechanical	693	792
Electrical	952	446
Land and ground	444	494
Bio solids	255	213
Instrumentation and control	325	379
Dam safety	507	663
Buildings	93	74
<b>Total repairs and maintenance</b>	<b>4,116</b>	<b>3,884</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.

	2019 \$'000	2018 \$'000
<b>Total water purchases</b>	<b>11,430</b>	<b>10,321</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.

	2019 \$'000	2018 \$'000
<b>Total electricity</b>	<b>4,910</b>	<b>4,038</b>



### 3 The Cost of Delivering Services (continued)

#### (g) Other operating and administration expenses

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.

	Notes	2019 \$'000	2018 \$'000
<b>Supplies and services</b>			
Contractors and consultants *		6,677	6,258
Office supplies and consumables		2,974	2,846
Information Communication Technology supplies and consumables		1,971	1,412
Sampling and analysis charges		1,121	1,033
Chemicals		1,060	1,131
Staff related expenses - non labour		810	642
Travel and related expenses		665	795
Materials		556	584
Marketing and media*		535	387
Directors fees		205	198
Insurance		359	221
Legal costs		157	82
License fees		238	200
Sewer service charges		601	-
<b>Total supplies and services</b>		<b>17,929</b>	<b>15,789</b>
Operating lease rental		663	727
Bad and doubtful debts	5(a)(ii)	491	409
Compensation for economic loss	9(g)	24	14
Auditors' remuneration	9(f)	190	226
<b>Total other operating and administration expenses</b>		<b>19,297</b>	<b>17,165</b>

\* Change in comparatives

Biodiversity management costs (2019: \$116,279, 2018: \$94,136) that were disclosed as a separate expense line are now classified under Contractors and consultants.

Grants and other transfers to schools and community groups (2019: \$nil, 2018: \$18,630) that were previously disclosed separately are now classified under Marketing and media.

## 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

	2019 \$'000	2018 \$'000
<b>Land</b>		
Gross carrying amount - at fair value	34,192	30,808
<b>Net carrying amount</b>	<b>34,192</b>	<b>30,808</b>
<b>Buildings</b>		
Gross carrying amount - at fair value	11,399	10,391
Less: accumulated depreciation	-	(714)
<b>Net carrying amount</b>	<b>11,399</b>	<b>9,677</b>
<b>Infrastructure</b>		
Gross carrying amount - at fair value	937,997	810,400
Less: accumulated depreciation	-	(35,961)
<b>Net carrying amount</b>	<b>937,997</b>	<b>774,439</b>
<b>Equipment</b>		
Gross carrying amount - at fair value	22,679	18,614
Less: accumulated depreciation	(11,409)	(9,843)
<b>Net carrying amount</b>	<b>11,270</b>	<b>8,771</b>
<b>Motor vehicles</b>		
Gross carrying amount - at fair value	3,937	3,850
Less: accumulated depreciation	(1,415)	(1,317)
<b>Net carrying amount</b>	<b>2,522</b>	<b>2,533</b>
<b>Leasehold assets</b>		
Gross carrying amount - at fair value	2,044	2,028
Less: accumulated depreciation	(1,931)	(1,899)
<b>Net carrying amount</b>	<b>113</b>	<b>129</b>
<b>Capital work in progress</b>		
<b>Gross carrying amount - at cost</b>	<b>76,118</b>	<b>76,128</b>
<b>Total infrastructure, property, plant and equipment</b>		
Gross carrying amount	1,088,366	952,219
Less: accumulated depreciation	(14,755)	(49,734)
<b>Net carrying amount</b>	<b>1,073,611</b>	<b>902,485</b>

#### 4 Key Assets Available to Support Output Delivery (continued)

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

(ii) Reconciliation of movements in carrying values

	Land At fair value \$'000	Buildings At fair value \$'000	Infrastructure At fair value \$'000	Equipment At fair value \$'000	Motor vehicles At fair value \$'000	Leasehold assets At fair value \$'000	Capital work in progress At cost \$'000	Total infrastructure, property, plant and equipment \$'000
<b>2019</b>								
<b>Infrastructure, property, plant and equipment</b>								
Opening balance 1 July 2018	30,808	9,677	774,439	8,771	2,533	129	76,128	902,485
Additions	3,384	-	-	-	951	-	60,874	65,209
Transfers	-	-	-	-	-	-	219	219
Transfer of capital work in progress	-	1,013	55,992	4,082	-	16	(61,103)	-
Fair value of assets received free of charge	-	-	40,534	-	-	-	-	40,534
Revaluation	-	1,062	88,700	-	-	-	-	89,762
Disposals	-	-	(659)	-	(346)	-	-	(1,005)
Depreciation and amortisation	-	(353)	(21,009)	(1,583)	(616)	(32)	-	(23,593)
<b>Closing balance 30 June 2019</b>	<b>34,192</b>	<b>11,399</b>	<b>937,997</b>	<b>11,270</b>	<b>2,522</b>	<b>113</b>	<b>76,118</b>	<b>1,073,611</b>
<b>2018</b>								
<b>Infrastructure, property, plant and equipment</b>								
Opening balance 1 July 2017	27,073	9,822	729,008	9,161	2,449	54	58,197	835,764
Additions	475	-	-	-	1,153	-	56,925	58,553
Transfer of capital work in progress	-	212	37,848	802	-	132	(38,994)	-
Fair value of assets received free of charge	-	-	26,198	-	-	-	-	26,198
Revaluation	3,260	-	-	-	-	-	-	3,260
Disposals	-	-	(174)	-	(469)	-	-	(643)
Depreciation and amortisation	-	(357)	(18,441)	(1,192)	(600)	(57)	-	(20,647)
<b>Closing balance 30 June 2018</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>76,128</b>	<b>902,485</b>

## **4 Key Assets Available to Support Output Delivery (continued)**

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

#### **(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 (2018: \$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, property, 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 103H. 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 103H. 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.

#### 4 Key Assets Available to Support Output Delivery (continued)

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

###### (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.

#### 4 Key Assets Available to Support Output Delivery (continued)

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

2019	Carrying amount as at 30 June 2019 \$'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
<i>Fair value determination - Non-financial physical assets</i>				
Land at fair value				
<i>Specialised land</i>				
- Water storage land	3,671	-	-	3,671
- Treatment plants land	17,126	-	-	17,126
- Telemetry land	32	-	-	32
- Tank wastewater land	6,501	-	-	6,501
- Pump station land	4,422	-	-	4,422
- Other land	2,440	-	-	2,440
<b>Total of land at fair value</b>	<b>34,192</b>	<b>-</b>	<b>-</b>	<b>34,192</b>
Buildings at fair value				
<i>Specialised buildings</i>				
- Sheds	870	-	-	870
- Other buildings	10,480	-	-	10,480
- Pump station buildings	49	-	-	49
<b>Total of buildings at fair value</b>	<b>11,399</b>	<b>-</b>	<b>-</b>	<b>11,399</b>
Infrastructure at fair value				
<i>Specialised infrastructure</i>				
- Reservoirs	44,477	-	-	44,477
- Water pipework	260,092	-	-	260,092
- Water/storage tanks	41,564	-	-	41,564
- Sewer/Recycled water pipework and rising mains	351,116	-	-	351,116
- Sewerage manholes	36,767	-	-	36,767
- Lagoons	14,287	-	-	14,287
- Pumps	6,936	-	-	6,936
- Sewer treatment tanks	21,259	-	-	21,259
- Other infrastructure	161,499	-	-	161,499
<b>Total of infrastructure at fair value</b>	<b>937,997</b>	<b>-</b>	<b>-</b>	<b>937,997</b>
Equipment at fair value				
<i>Specialised equipment</i>				
- Computer, furniture and fittings	1,358	-	-	1,358
- Compressors	867	-	-	867
- Machinery	680	-	-	680
- Other equipment	8,365	-	-	8,365
<b>Total of equipment at fair value</b>	<b>11,270</b>	<b>-</b>	<b>-</b>	<b>11,270</b>
Motor vehicles at fair value				
<i>Non-specialised motor vehicles</i>				
- 4WD	937	-	-	937
- Passenger	690	-	-	690
- Trucks	832	-	-	832
- Utilities	63	-	-	63
<b>Total of motor vehicles at fair value</b>	<b>2,522</b>	<b>-</b>	<b>-</b>	<b>2,522</b>
Leasehold assets at fair value				
- Leasehold improvements	113	-	-	113
<b>Total of leasehold assets at fair value</b>	<b>113</b>	<b>-</b>	<b>-</b>	<b>113</b>
<b>Total infrastructure, property, plant &amp; equipment excluding assets under construction</b>	<b>997,493</b>	<b>-</b>	<b>-</b>	<b>997,493</b>



#### 4 Key Assets Available to Support Output Delivery (continued)

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

2018	Carrying amount as at	Fair value measurement at end of reporting period in accordance with the fair value hierarchy:		
	30 June 2018 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
<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>30,808</b>
Buildings at fair value				
<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>9,677</b>
Infrastructure at fair value				
<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>774,439</b>
Equipment at fair value				
<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>8,771</b>
Motor vehicles at fair value				
<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>2,533</b>
Leasehold assets at fair value				
- Leasehold improvements	129	-	-	129
<b>Total of leasehold assets at fair value</b>	<b>129</b>	-	-	<b>129</b>
<b>Total infrastructure, property, plant &amp; equipment excluding assets under construction</b>	<b>826,357</b>	-	-	<b>826,357</b>

#### 4 Key Assets Available to Support Output Delivery (continued)

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

*Description of significant unobservable inputs to Level 3 valuations as at 30 June 2018 and 2019*

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

## **4 Key Assets Available to Support Output Delivery (continued)**

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

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 infrastructure assets, property, plant and equipment.

Western Water, in conjunction with VGV, monitors changes in the fair value of infrastructure assets, property, plant and equipment 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 103H - *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 June 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 30 June 2018.

The Corporation conducted an assessment at 30 June 2019 with no material movement identified since the 2018 valuation.

#### **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.

## **4 Key Assets Available to Support Output Delivery (continued)**

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

Scheduled revaluation of Western Water's specialised buildings was performed using the DRC method by the Valuer General Victoria (VGV) and representatives of VGV as at 30 June 2016. 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.

Western Water's fair value assessment of the specialized building class of assets, applying the June 2019 financial year indexation factors of commercial / industrial building as issued by the VGV, identified an 10.87% 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 specialized building assets and relevant entries are recorded as at 30 June 2019.

#### **Specialised infrastructure**

Specialised infrastructure is valued using the depreciated replacement cost method, adjusting for the associated depreciation and all forms of obsolescence. 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.

Scheduled revaluation of Western Water's specialised infrastructure was performed using the DRC method by JLT Valuation Services on behalf of the Valuer General Victoria (VGV) as at 30 June 2016. The DRC approach considered the specialised nature of the infrastructure and was deemed suitable given the absence of an active market for such equipments.

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.

Western Water performs an annual assessment of its specialised infrastructure assets to monitor costs of construction using two infrastructure related indices issued by the Australian Bureau of Statistics.

Western Water's assessment of the specialised infrastructure class of assets, applying weighted average indexation factors to the March 2019 indices of Road and Bridge Construction Victoria (reference to pipelines, dams and reservoirs) and Domestic Capital (for all other infrastructure assets) as issued by the Australian Bureau of Statistics, identified an 12.38% 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 infrastructure assets and relevant entries are recorded as at 30 June 2019.

#### **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.

Scheduled revaluation of Western Water's specialised equipment was performed using the DRC method by JLT Valuation Services on behalf of the Valuer General Victoria (VGV) as at 30 June 2016. The DRC approach considered the specialised nature of the equipment and was deemed suitable given the absence of an active market for such equipments.

#### **4 Key Assets Available to Support Output Delivery (continued)**

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

There were no changes in valuation techniques throughout the year to 30 June 2019. 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.

Western Water conducted an assessment at 30 June 2019 with no material movement identified since the 2016 valuation.

#### 4 Key Assets Available to Support Output Delivery (continued)

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

##### (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.

2019	Specialised			Non-specialised			Total \$'000
	land \$'000	buildings \$'000	infrastructure \$'000	Specialised equipment \$'000	motor vehicles \$'000	Leasehold assets \$'000	
<b>Opening balance</b>	30,808	9,677	774,439	8,771	2,533	129	826,357
Fair value of assets received free of charge	-	-	40,534	-	-	-	40,534
Additions	3,384	1,013	55,992	4,082	951	16	65,438
Disposals	-	-	(659)	-	(346)	-	(1,005)
Depreciation and amortisation	-	(353)	(21,009)	(1,583)	(616)	(32)	(23,593)
<b>Subtotal</b>	<b>34,192</b>	<b>10,337</b>	<b>849,297</b>	<b>11,270</b>	<b>2,522</b>	<b>113</b>	<b>907,731</b>
Revaluation	-	1,062	88,700	-	-	-	89,762
<b>Subtotal</b>	<b>-</b>	<b>1,062</b>	<b>88,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,762</b>
<b>Closing balance</b>	<b>34,192</b>	<b>11,399</b>	<b>937,997</b>	<b>11,270</b>	<b>2,522</b>	<b>113</b>	<b>997,493</b>

#### 4 Key Assets Available to Support Output Delivery (continued)

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

2018	Specialised		Non-specialised			Leasehold assets \$'000	Total \$'000
	land \$'000	buildings \$'000	infrastructure \$'000	Specialised equipment \$'000	motor vehicles \$'000		
<b>Reconciliation of Level 3 fair value movements</b>							
<b>Opening balance</b>	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	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>



#### 4 Key Assets Available to Support Output Delivery (continued)

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

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

	2019 \$'000	2018 \$'000
<b>Charge for the period</b>		
<i>Depreciation</i>		
Buildings	353	357
Infrastructure	21,009	18,441
Equipment	1,583	1,192
Motor vehicles	616	600
<b>Total depreciation</b>	<b>23,561</b>	<b>20,590</b>
<i>Amortisation</i>		
Leasehold improvements	32	57
<b>Total amortisation</b>	<b>32</b>	<b>57</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:

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

#### 4 Key Assets Available to Support Output Delivery (continued)

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

###### *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.

###### *(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 value 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.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Proceeds from sale of infrastructure, property, plant and equipment	535	466
Less: Written down value of asset sold	(1,005)	(642)
<b>Net loss on disposal of infrastructure, property, plant and equipment</b>	<b>(470)</b>	<b>(176)</b>

#### 4 Key Assets Available to Support Output Delivery (continued)

##### (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)
	7,042	2,591	1,544	11,177
<b>Under construction</b>				
At 1 July 2017	2,517	-	-	2,517
Additions	3,802	-	-	3,802
Capitalisation	(3,228)	-	-	(3,228)
	3,091	-	-	3,091
<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 2019</b>				
At 1 July 2018, net of accumulated amortisation	7,042	2,591	1,544	11,177
Additions	2,296	26	-	2,322
Amortisation	(2,246)	-	(179)	(2,425)
	7,092	2,617	1,365	11,074
<b>Under construction</b>				
At 1 July 2018	3,091	-	-	3,091
Additions	4,795	-	-	4,795
Capitalisation	(2,296)	-	-	(2,296)
Transfers	(219)	-	-	(219)
	5,371	-	-	5,371
<b>At 30 June 2019, net of accumulated amortisation</b>	<b>12,463</b>	<b>2,617</b>	<b>1,365</b>	<b>16,445</b>
Cost	27,610	2,617	1,600	31,827
Less: accumulated amortisation	(15,147)	-	(235)	(15,382)
<b>Net carrying amount</b>	<b>12,463</b>	<b>2,617</b>	<b>1,365</b>	<b>16,445</b>

\* Software includes capitalised development costs.

#### 4 Key Assets Available to Support Output Delivery (continued)

##### (b) Intangible assets (continued)

###### (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 recognised 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 on 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.

#### 4 Key Assets Available to Support Output Delivery (continued)

##### (b) Intangible assets (continued)

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 4,264ML (2018: 4,824ML) is expected to occur over the period 2019/20 to 2025/26.

##### (ii) Amortisation of intangible assets

	2019 \$'000	2018 \$'000
<b>Charge for the period</b>		
Computer software	2,246	2,038
Assigned water allocation	179	56
<b>Total amortisation</b>	<b>2,425</b>	<b>2,094</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 is 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.

##### (iii) Impairment of intangible 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. The assets were tested for impairment using value in use at the cash generating unit (CGU) level. The assessment has not identified an impairment of the bulk water entitlements or the Assigned Water Allocation as the value in use was higher than the carrying value.

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% (2018: 3.1%) growth rate (reflecting an assumed 2.3% (2018: 2.3%) price escalation and 0.8% (2018: 0.8%) organic growth forecast).

A pre-tax nominal discount rate of 6.00% (2018: 6.75%) 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	2019 \$'000	2018 \$'000
<b>Current</b>			
<i>Contractual</i>			
Trade receivables	5(a)(i)	7,128	5,945
Allowance for expected credit losses	5(a)(ii)	(495)	(144)
Accrued water income		7,591	6,902
Accrued other income		298	475
		<hr/>	<hr/>
		14,522	13,178
<i>Statutory</i>			
GST receivable		1,972	1,428
		<hr/>	<hr/>
<b>Total current receivables</b>		<b>16,494</b>	<b>14,606</b>
<b>Non-current</b>			
<i>Contractual</i>			
Trade receivables		36	62
Other receivables		127	143
		<hr/>	<hr/>
<b>Total non-current receivables</b>		<b>163</b>	<b>205</b>
		<hr/>	<hr/>
<b>Total receivables</b>		<b>16,657</b>	<b>14,811</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; and
- 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.

## 5 Other Assets and Liabilities (continued)

### (a) Receivables (continued)

#### (i) Impairment of contractual current receivables

Western Water applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for contractual current trade receivables:

30 June 2019	Not past due	More than 30 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate	1.85%	5.10%	8.92%	14.65%	6.94%
Gross carrying amount - contractual current trade receivables	3,546	748	416	2,418	7,128
Expected credit loss allowance	(65)	(38)	(37)	(354)	(495)
Net carrying amount - contractual current trade receivables	<b>3,481</b>	<b>710</b>	<b>379</b>	<b>2,064</b>	<b>6,633</b>

1 July 2018	Not past due	More than 30 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate	2.03%	5.08%	8.63%	11.37%	6.31%
Gross carrying amount - contractual current trade receivables	2,451	968	412	2,115	5,945
Expected credit loss allowance	(50)	(49)	(36)	(240)	(375)
Net carrying amount - contractual current trade receivables	<b>2,401</b>	<b>918</b>	<b>376</b>	<b>1,874</b>	<b>5,570</b>



## 5 Other Assets and Liabilities (continued)

### (a) Receivables (continued)

Western Water has grouped contractual current receivables on shared credit risk characteristics and days past due and selected the expected credit loss rate based on Western Water's past performance, existing market conditions, as well as forward-looking estimates at the end of the financial year. The past history includes analysis of credits applied to customers' accounts including write offs, Pay and Save incentives, leak allowances and other credits.

In prior years, a provision for doubtful debts was recognised when there was objective evidence that the debts may not be collected and bad debts were written off when identified. The debts subject to provision were predominantly tenant charges due to the unsecured nature, however under AASB 9 *Financial Instruments* all secured and unsecured debt has been subject to the provision calculation.

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

Based on credit history, it is expected that not past due 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.

Past due trade receivables relate to a number of independent customers for whom there is no recent history of default.

### (ii) Movement in the allowance for expected credit losses

	Notes	2019 \$'000	2018 \$'000
Balance at beginning of the year		(144)	(87)
Provision for impairment recognised on 1 July 2018	7(a)(ii)	(231)	-
Provision for impairment recognised on 30 June 2019		(491)	(409)
Receivables written off during the year		371	352
<b>Balance at end of the year</b>		<b>(495)</b>	<b>(144)</b>

An allowance for expected credit losses 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 expected credit loss allowance for the financial year is recognised in the net result.

Expected credit losses considered as uncollectable by mutual consent are written off and classified as a transaction expense. Expected credit losses not written off are included in the allowance for expected credit losses.

## 5 Other Assets and Liabilities (continued)

### (b) Payables

	Notes	2019 \$'000	2018 \$'000
<b>Current / unsecured</b>			
<i>Contractual</i>			
Trade creditors		5,730	5,991
Contractor deposits & retentions		2,365	3,754
Accrued expenses - Interest		2,505	2,472
Accrued expenses - Other		24,471	21,121
<b>Total contractual payables</b>		<b>35,071</b>	<b>33,338</b>
<i>Statutory</i>			
Payables - GST		13	92
Payables - FBT		(7)	11
Payables - Superannuation	3(c)(i)	143	126
Payables - Payroll Tax		63	-
<b>Total statutory payables</b>		<b>212</b>	<b>229</b>
<b>Total current payables</b>		<b>35,283</b>	<b>33,567</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.

Western Water bills both its customers and non-customers a Waterways & Drainage Charge for all properties that fall within a designated boundary. As there is a principal - agent relationship between Melbourne Water and Western Water in relation to Waterways transactions, the charge is not recognised as revenue by Western Water. 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.

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

	Notes	2019 \$'000	2018 \$'000
Less than 1 month		6,106	2,779
1 to 3 months		25,629	23,954
3 to 12 months		3,336	6,605
<b>Total</b>	5(b)	<b>35,071</b>	<b>33,338</b>
<b>Carrying amount</b>	5(b)	<b>35,071</b>	<b>33,338</b>
<b>Nominal amount</b>	5(b)	<b>35,071</b>	<b>33,338</b>

## 5 Other Assets and Liabilities (continued)

### (c) Other current assets

	2019 \$'000	2018 \$'000
Prepayments	834	1,032
Amounts in trust	-	1,807
<b>Total other current assets</b>	<b>834</b>	<b>2,839</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 specialised land where financial settlement was processed in 2018-19 reporting period.

### (d) Other current liabilities

	2019 \$'000	2018 \$'000
Income in advance	12,750	16,675
<b>Total other current liabilities</b>	<b>12,750</b>	<b>16,675</b>

Income in advance is represented by payments received from customers for water and sewerage services of \$3,469,791 (2018: \$3,276,138) and fees paid by developers of \$9,280,279 (2018: \$13,398,581).

### (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.

## 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	2019 \$'000	2018 \$'000
<b>Current</b>			
Secured loans		-	-
<b>Non-current</b>			
Secured loans			
Loans from Treasury Corporation of Victoria	6(a)(i), 7(a)	289,900	244,650
<b>Total interest bearing liabilities</b>		<b>289,900</b>	<b>244,650</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	2019 \$'000	2018 \$'000
<b>Loans from Treasury Corporation of Victoria</b>			
1-5 years		91,250	68,000
Over 5 years		198,650	176,650
<b>Total carrying amount</b>	7(b)(iv)	<b>289,900</b>	<b>244,650</b>
Current borrowings		-	-
Non-current borrowings		289,900	244,650
<b>Total nominal amount</b>		<b>289,900</b>	<b>244,650</b>

## 6 How We Financed Our Operations (continued)

### (a) Interest bearing liabilities (continued)

#### (ii) Borrowing costs

	2019 \$'000	2018 \$'000
Interest expense on loans	10,480	9,732
Financial accommodation levy	3,778	3,377
<b>Total borrowing costs</b>	<b>14,258</b>	<b>13,109</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 and measured at fair value.

### (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.

	2019 \$'000	2018 \$'000
Cash on hand	2	2
Cash at bank	664	3,719
Deposits at call	2,500	5,000
<b>Balance as per cash flow statement</b>	<b>3,166</b>	<b>8,721</b>

## 6 How We Financed Our Operations (continued)

### (b) Cash flow information (continued)

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

	Notes	2019 \$'000	2018 \$'000
<b>Net results for the period</b>		33,924	23,531
<b>Non-cash movements:</b>			
(Gain) / loss on disposal of infrastructure assets, property, plant and equipment		470	176
Depreciation and amortisation of infrastructure assets, property, plant and equipment		26,019	22,740
Assets received from developers		(40,534)	(26,198)
Increase in provision for impaired receivables		(351)	(57)
<b>Movements in assets and liabilities</b>			
Increase in receivables		(2,120)	(2,101)
(Increase) / decrease in prepayments		198	(436)
Increase in deferred tax asset		(216)	(114)
Decrease in trade creditors		(268)	(291)
Increase / (decrease) in fees paid by developers in advance		(4,118)	12,626
Increase in income in advance		194	355
Increase in tax payable		234	3,631
Increase in deferred tax liabilities		694	439
Increase in provisions		380	296
<b>Net cash inflows from operating activities</b>		<b>14,506</b>	<b>34,597</b>

#### (ii) Financing facilities

	2019 \$'000	2018 \$'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	289,900	244,650
Amount unused at balance date	-	-
<b>Total</b>	<b>289,900</b>	<b>244,650</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 (2018: 13 years).

All loans are with Treasury Corporation of Victoria borrowed under the Treasurer's approval. Any unused facilities are not automatically carried over into the next financial year with a fresh approval required for each financial year. Treasurer's approval was obtained in June 2019 which includes the refinancing of \$18.5 million of loans maturing in 2019/20 (\$13.5 million: 2018/2019) and obtaining new loans of \$59.2 million between 1 July 2019 and 30 June 2020 (\$59.0 million: 2018/2019).

## 6 How We Financed Our Operations (continued)

### (c) Commitments

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 Comprehensive Operating Statement.

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

#### (i) Total operating commitments payable

<b>Nominal amounts</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Operating lease commitments</b>		
Within one year	649	638
One to five years	1,431	1,745
<b>Total operating lease commitments payable</b>	<b>2,080</b>	<b>2,383</b>
<b>Other significant operating commitments</b>		
Within one year	8,721	5,797
One to five years	22,971	254
<b>Total other significant operating commitments payable</b>	<b>31,692</b>	<b>6,051</b>
<b>Total operating commitments payable (inclusive of GST)</b>	<b>33,772</b>	<b>8,434</b>
Less GST recoverable	(3,070)	(767)
<b>Total operating commitments payable (exclusive of GST)</b>	<b>30,702</b>	<b>7,667</b>



## 6 How We Financed Our Operations (continued)

### (c) Commitments (continued)

#### (ii) Total operating lease commitments receivable

	2019 \$'000	2018 \$'000
<b>Nominal amounts</b>		
<b>Operating lease commitments receivables</b>		
Within one year	293	280
One to five years	1,289	1,346
Over five years	255	523
<b>Total operating lease commitments receivables (inclusive of GST)</b>	<b>1,837</b>	<b>2,149</b>
Less GST payable	(167)	(195)
<b>Total operating lease commitments receivables (exclusive of GST)</b>	<b>1,670</b>	<b>1,954</b>

Minimum future lease receivables includes the aggregate of all lease receivables 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) Total capital commitments payable

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.

	2019 \$'000	2018 \$'000
<b>Capital expenditure commitments payable</b>		
Within one year	23,979	27,042
One to five years	5,120	6,323
<b>Total capital expenditure commitments payable (inclusive of GST)</b>	<b>29,099</b>	<b>33,365</b>
Less GST recoverable	(2,645)	(3,033)
<b>Total capital expenditure commitments payable (exclusive of GST)</b>	<b>26,454</b>	<b>30,332</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.

All financial assets and financial liabilities of Western Water are measured at amortised cost in line with AASB 9 *Financial Instruments*. AASB 9 replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Adoption of AASB 9 did not result any reclassification of Western Water's existing financial assets and liabilities.

#### (i) Categories of financial instruments

	2019 \$'000	2018 \$'000
<b>Contractual financial assets - cash and receivables</b>		
Cash and cash equivalents	3,166	8,721
Current and non-current receivables (Note 5(a))	14,685	13,383
<b>Total contractual financial assets - cash and receivables</b>	<b>17,851</b>	<b>22,104</b>
<b>Contractual financial liabilities - at amortised cost</b>		
Current payables (Note 5(b))	35,071	33,338
Interest bearing liabilities	289,900	244,650
<b>Total contractual financial liabilities - at amortised cost</b>	<b>324,971</b>	<b>277,988</b>

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets 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 that are held with the objective to collect the contractual cash flows:

- 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.

## 7 Risks, Contingencies and Valuation Judgements (continued)

### (a) Financial instruments specific disclosures (continued)

#### (ii) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting, as reflected in note 7(a)(i).

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements (note 5(a)). In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), Western Water has applied a modified retrospective approach, therefore, comparative figures for 2017/18 have not been restated.

On 1 July 2018 (the date of initial application of AASB 9), Western Water's management has assessed its financial assets and financial liabilities and has classified its financial instruments into the appropriate AASB 9 categories.

The expected credit losses are measured after grouping receivables based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of invoices over a period of 12 months before 30 June 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On the date of the initial application, the financial instruments of Western Water were as follows:

	Measurement category		Carrying amount		Difference * \$'000
	Original (AASB 139)	New (AASB 9)	Original \$'000 30 June 2018	New \$'000 1 July 2018	
<b>Current financial assets</b>					
Cash and cash equivalents	Loans and receivables	Amortised cost	8,721	8,721	0
Contractual receivables	Loans and receivables	Amortised cost	13,178	12,947	231
<b>Current financial liabilities</b>					
Contractual current payables	Amortised cost	Amortised cost	33,338	33,338	0
<b>Non-current financial assets</b>					
Contractual receivables	Loans and receivables	Amortised cost	205	205	0
<b>Non-current financial liabilities</b>					
Interest bearing liabilities	Amortised cost	Amortised cost	244,650	244,650	0

\* The difference noted in this column are the result of the new expected credit loss model. Refer to note 5(a) for the application of the Expected Credit Loss model. The reclassifications of the financial instruments on adoption of AASB 9 did not result in any changes to measurements.

## 7 Risks, Contingencies and Valuation Judgements (continued)

### (a) Financial instruments specific disclosures (continued)

#### Reconciliation of impairment allowance balance from AASB 139 to AASB 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the AASB 139 incurred loss model to the new impairment allowance measured in accordance with the AASB 9 expected loss model at 1 July 2018:

Measurement category	Credit loss allowance under AASB 139 \$'000 30 June 2018	Credit loss allowance under AASB 9 \$'000 1 July 2018	Increase in credit loss allowance \$'000 1 July 2018
Contractual current trade receivables	144	375	231

#### Impact statement

This resulted in an increase of the loss allowance on 1 July 2018 by \$231,003 (before - tax) for contractual current trade receivables. The after - tax increase in the loss allowance on 1 July 2018 is \$161,702.

#### (iii) 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.

#### (iv) 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. 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.

## 7 Risks, Contingencies and Valuation Judgements (continued)

### (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.

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.

Western Water applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables (Note 5(a)(i)).

#### 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>2019</b>				
Cash and cash equivalents	664	2,500	2	3,166
Contractual current and non-current receivables (Note 5(a) and 5(a)(i))	-	-	14,685	14,685
<b>Total contractual financial assets</b>	<b>664</b>	<b>2,500</b>	<b>14,687</b>	<b>17,851</b>
<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>

#### (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.

## **7 Risks, Contingencies and Valuation Judgements (continued)**

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

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 2019/20 borrowings was obtained in June 2019.

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 2019, no FSL arrangements were in place (2018: 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.

#### **(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.

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, short term borrowings and bank overdrafts that are at floating rate.

## 7 Risks, Contingencies and Valuation Judgements (continued)

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

#### 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:

2019	Contractual repricing or maturity periods										Total carrying amount \$'000
	Non interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000		
<b>Financial assets</b>											
Cash	2	-	3,164	3,166	-	-	-	-	-	-	3,166
Contractual current and non-current receivables (Note 5(a))	14,685	-	-	14,522	163	-	-	-	-	-	14,685
	<b>14,687</b>	<b>-</b>	<b>3,164</b>	<b>17,688</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,851</b>
<b>Financial liabilities</b>											
Contractual current payables (Note 5(b))	35,071	-	-	35,071	-	-	-	-	-	-	35,071
Interest bearing liabilities	-	289,900	-	-	17,500	18,250	20,000	17,000	217,150		289,900
	<b>35,071</b>	<b>289,900</b>	<b>-</b>	<b>35,071</b>	<b>17,500</b>	<b>18,250</b>	<b>20,000</b>	<b>17,000</b>	<b>217,150</b>	<b>217,150</b>	<b>324,971</b>
<b>Net financial liabilities</b>	<b>(20,384)</b>	<b>(289,900)</b>	<b>3,164</b>	<b>(17,383)</b>	<b>(17,337)</b>	<b>(18,250)</b>	<b>(20,000)</b>	<b>(17,000)</b>	<b>(217,150)</b>	<b>(217,150)</b>	<b>(307,120)</b>
Weighted average interest rate			0.90%	0.90%	7.41%	5.18%	6.05%	5.10%			4.94%



## 7 Risks, Contingencies and Valuation Judgements (continued)

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

2018	Contractual repricing or maturity periods							Total carrying amount \$'000	
	Non interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000		Over 4 to 5 years \$'000
<b>Financial assets</b>									
Cash	2	-	8,719	8,721	-	-	-	-	8,721
Contractual current and non-current receivables (Note 5(a))	13,383	-	-	13,178	205	-	-	-	13,383
	<b>13,385</b>	<b>-</b>	<b>8,719</b>	<b>21,899</b>	<b>205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,104</b>
<b>Financial liabilities</b>									
Contractual current payables (Note 5(b))	33,338	-	-	33,338	-	-	-	-	33,338
Interest bearing liabilities	-	244,650	-	-	18,500	17,500	12,000	20,000	176,650
	<b>33,338</b>	<b>244,650</b>	<b>-</b>	<b>33,338</b>	<b>18,500</b>	<b>17,500</b>	<b>12,000</b>	<b>20,000</b>	<b>244,650</b>
<b>Net financial liabilities</b>	<b>(19,953)</b>	<b>(244,650)</b>	<b>8,719</b>	<b>(11,439)</b>	<b>(18,295)</b>	<b>(17,500)</b>	<b>(12,000)</b>	<b>(20,000)</b>	<b>(255,884)</b>
Weighted average interest rate			0.86%	0.86%	5.49%	7.41%	6.03%	6.05%	5.35%

## 7 Risks, Contingencies and Valuation Judgements (continued)

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

#### (v) Interest rate risk sensitivity

2019	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	3,166	8	8	(8)	(8)
Contractual current and non-current receivables (Note 5(a))	14,685	-	-	-	-
<b>Contractual financial liabilities</b>					
Contractual current payables (Note 5(b))	35,071	-	-	-	-
Interest bearing liabilities	289,900	-	-	-	-
<b>Total increase/ (decrease)</b>		<b>8</b>	<b>8</b>	<b>(8)</b>	<b>(8)</b>

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))	13,383	-	-	-	-
<b>Contractual financial liabilities</b>					
Contractual current payables (Note 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>

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.

## **7 Risks, Contingencies and Valuation Judgements (continued)**

### **(c) Other financial instruments**

#### **(i) Investment in Zero Emissions Water (ZEW) Limited - Power Purchase Agreement**

Western Water is one of 13 water corporation Members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility(ies) in Victoria and in turn supply these products to its Members. This vehicle provides the opportunity for water corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the 13 water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. Western Water's Company Secretary is the Company Secretary of ZEW. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors.

Under the Members' Agreement Western Water's liability as a member is limited to \$10 in the event of a winding up.

As required by Australian accounting standards, Western Water has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control or significant influence over ZEW. The Corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 Financial Instruments. ZEW is a related party of Western Water.

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW will act as a central intermediary between the energy generator and the 13 water corporations. The PPA contains a Contract for Difference (CFD) payment mechanism in respect of electricity generated by the facility and the sale and supply of Large-scale Generation Certificates (LGCs) from the facility. The PPA contains certain conditions precedent with the target commercial operation date of 1 October 2019. At 30 June 2019, the conditions precedent in the PPA are not completed, and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no transactions to recognise as at 30 June 2019.

Upon satisfaction of the conditions precedent, the CFD derivative will be recognised as a financial liability and will be measured at its fair value. Subsequent changes in the fair value of the derivative will be recognised in profit and loss.

The Members' Agreement specifies that Western Water must make a loan available to the SPV amounting to \$350,997.81. The loan provided to ZEW meets the definition of a financial asset as it gives rise to a contractual right for Western Water to receive cash from ZEW at the end of the loan term.

Once the facility is operational, the financial impact of the Members' Agreement with ZEW is expected to be an increase in revenue, expenses, and recognition of LGCs as intangible assets or asset held for sale (asset).

## **7 Risks, Contingencies and Valuation Judgements (continued)**

### **(d) 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.

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total estimated contingent assets - developer assets</b>	<b>25,565</b>	<b>22,564</b>

Western Water enters into agreements with land developers whereby assets are transferred to Western Water at no cost. These assets are brought to account as revenue (Note 2(b)(ii)) 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 2019 was 40,631ML (2018: 42,082ML).

#### **(ii) Contingent liabilities**

Contingent liabilities are:

- possible obligations 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 the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

Western Water is a party to a legal action brought against it by Victorian State Government Regulator, WorkSafe under one alleged contravention of section 21(1) of the Occupational Health and Safety Act 2004 (Vic). At the date of preparation of the financial statements, the ultimate result of the legal proceedings cannot be predicted with certainty.

## 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:

	2019 \$'000	2018 \$'000
<b>Comprehensive Operating Statement</b>		
Current income tax expense (paid or payable)	14,542	10,313
<b>Deferred income tax expense</b>		
Deferred tax relating to temporary differences	694	(368)
Deferred tax asset	(216)	(114)
(Over)/Under provision on prior year tax return	-	(7)
<b>Income tax as reported in the Comprehensive Operating Statement</b>	<b>15,020</b>	<b>9,824</b>

### Tax reconciliation

Net result before income tax expense	48,994	33,355
Tax at the Australian tax rate of 30% (2018: 30%)	14,683	10,007
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
- Adjustment in respect of income tax of previous year	-	(7)
- Other	337	(176)
<b>Income tax on profit before tax as reported in the Comprehensive Operating Statement</b>	<b>15,020</b>	<b>9,824</b>

	2019 \$'000	2018 \$'000
<b>Balance Sheet</b>		
Opening balance at 1 July	5,406	1,775
Adjustments in respect of income tax previous year	-	165
Adjustment due to application of AASB 9	(69)	-
Income tax paid during the year	(14,308)	(6,847)
Current income tax charge	14,542	10,313
<b>Current tax payable</b>	<b>5,571</b>	<b>5,406</b>

## 8 Statutory Obligations (continued)

### (a) Tax (continued)

#### (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.

	2019 \$'000	2018 \$'000
<b>Deferred tax assets</b>		
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Doubtful debts	148	43
Employee benefits	1,331	1,217
Other	25	28
<b>Total deferred tax assets at 30 June</b>	<b>1,504</b>	<b>1,288</b>
<b>Movements</b>		
Opening balance at 1 July	1,288	1,174
Credited to the Comprehensive Operating Statement	216	114
<b>Total deferred tax assets at 30 June</b>	<b>1,504</b>	<b>1,288</b>
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax asset to be recovered after more than 12 months	1,504	1,288
<b>Total deferred tax assets at 30 June</b>	<b>1,504</b>	<b>1,288</b>

## 8 Statutory Obligations (continued)

### (a) Tax (continued)

	2019 \$'000	2018 \$'000
<b>Deferred tax liabilities</b>		
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Depreciation	35,612	35,089
Prior year over provision	-	(171)
	<u>35,612</u>	<u>34,918</u>
<b>Amounts recognised directly in equity</b>		
Revaluation of infrastructure property, plant and equipment	91,086	64,157
	<u>91,086</u>	<u>64,157</u>
<b>Total deferred tax liabilities at 30 June</b>	<u><b>126,698</b></u>	<u><b>99,075</b></u>
	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
<b>Movements</b>		
Opening balance at 1 July	99,075	98,636
Charged to the Comprehensive Operating Statement	694	(368)
Asset revaluation	26,929	978
Prior year over provision	-	(171)
<b>Total deferred tax liabilities at 30 June</b>	<u><b>126,698</b></u>	<u><b>99,075</b></u>
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities to be recovered after more than 12 months	126,698	99,075
<b>Total deferred tax liabilities at 30 June</b>	<u><b>126,698</b></u>	<u><b>99,075</b></u>
<b>Net deferred tax assets / (liabilities)</b>	<u><b>(125,194)</b></u>	<u><b>(97,787)</b></u>

### (b) Environmental contribution levy

	2019 \$'000	2018 \$'000
Environmental contribution levy	3,083	2,410
<b>Total environmental contribution levy</b>	<u><b>3,083</b></u>	<u><b>2,410</b></u>

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water authorities. 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 contribution period has been extended until 30 June 2020.

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



## 8 Statutory Obligations (continued)

### (b) Environmental contribution levy (continued)

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 2019, Western Water had environmental contribution levy commitments exclusive of GST, to be paid as follows:

	<b>2019</b> <b>\$'000</b>
<b>Environmental contribution commitments</b>	
Within one year	3,083
One to five years	-
<b>Total environmental contribution levy commitments payable</b>	<u><b>3,083</b></u>

### (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 (2018: \$nil).

## 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

	2019 \$'000	2018 \$'000
Opening balance at 1 July	160,413	160,413
<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

	2019 \$'000	2018 \$'000
<b>Composition of the asset revaluation reserves</b>		
Land	23,199	23,199
Buildings	2,407	1,664
Infrastructure	186,747	124,657
Equipment	178	178
<b>Closing balance at 30 June</b>	<b>212,531</b>	<b>149,698</b>

##### Movements during the reporting period

Balance 1 July	149,698	147,416
Land	-	2,282
Buildings	743	-
Infrastructure	62,090	-
<b>Closing balance at 30 June</b>	<b>212,531</b>	<b>149,698</b>

##### (iii) Accumulated surplus

	2019 \$'000	2018 \$'000
Accumulated surplus at beginning of financial year	230,873	207,342
Adoption of new accounting standards: <i>AASB 9 Financial Instruments</i>	(162)	-
Net result for the period	33,924	23,531
<b>Net result for the period</b>	<b>264,635</b>	<b>230,873</b>

## **9 Other Disclosures (continued)**

### **(b) Events occurring after the balance sheet date**

On 18 July 2019, Western Water received approval under section 46C of the Water Act 1989 from the Minister of Water for the assignment of 5,000 ML of water allocation from Barwon Region Water Corporation's share of water in the Melbourne system to Western Water. The water trade will be settled for an amount of \$1,425,000.

### **(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 2018-19 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:

<b>Name</b>	<b>Title</b>	<b>Period of appointment</b>
The Hon. Lisa Neville MP	Minister for Water	1 July 2018 to 30 June 2019
A Cairns	Chair of the Board of Directors	1 July 2018 to 30 June 2019
	Chair of the People and Culture Committee	1 July 2018 to 30 June 2019
	Chair of the Strategic Futures Committee	1 July 2018 to 30 June 2019
J Doolan	Deputy Chair of the Board of Directors	1 July 2018 to 30 June 2019
	Board Member	1 July 2018 to 30 June 2019
R Walker OAM	Chair of the Audit and Risk Committee	1 July 2018 to 30 June 2019
	Board Member	1 July 2018 to 30 June 2019
L Prain	Chair of the Community and Environment Committee	1 July 2018 to 19 October 2019
	Board Member	1 July 2018 to 30 June 2019
I Higgins	Chair of the Community and Environment Committee	20 October 2019 to 30 June 2019
	Board Member	1 July 2018 to 30 June 2019
C Filson	Chair of the Investment Review Committee	1 July 2018 to 30 June 2019
	Board Member	1 July 2018 to 30 June 2019
M McGarvie	Board Member	1 July 2018 to 30 June 2019
J Duncan	Board Member	1 July 2018 to 6 December 2018
N Brennan	Managing Director	1 July 2018 to 3 August 2018
R Murphy	Acting Managing Director	4 August 2018 to 3 March 2019
J Rigby	Managing Director	4 March 2019 to 30 June 2019

## **9 Other Disclosures (continued)**

### **(c) Responsible Persons (continued)**

#### **(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: \$660,000 - \$669,999 (2017/18: \$570,000 - \$579,999).

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

<b>Income Band (\$)</b>	<b>2019 No.</b>	<b>2018 No.</b>
0 - 9,999	-	2
10,000 - 19,999	1	2
20,000 - 29,999	6	6
30,000 - 39,999	-	1
50,000 - 59,999	1	-
110,000 - 119,999	1	-
120,000 - 129,999	1	-
170,000 - 179,999	1	-
360,000 - 369,999	-	1
<b>Total number of responsible persons</b>	<b>11</b>	<b>12</b>

In 2017/18 three Directors' appointments ceased and four Directors' appointments commenced. In 2018/19 one Director's and Managing Director's appointments ceased and new Managing Director's appointment 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 2018/19 (2017/18: \$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; and
- Termination benefits include termination of employment payments, such as severance packages.

## 9 Other Disclosures (continued)

### (d) Remuneration of executive officers (continued)

	2019 \$'000	2018 \$'000
<b>Total remuneration of executive officers</b>		
Short-term employee benefits	1,205	1,379
Post-employment benefits	228	141
Other long-term benefits	31	32
Termination benefits	-	95
<b>Total remuneration (I)</b>	<b>1,464</b>	<b>1,647</b>
<b>Total number of executives (II)</b>	<b>7</b>	<b>9</b>
<b>Total annualised employee equivalents (III)</b>	<b>6.00</b>	<b>7.23</b>

(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) One non-executive staff on GSERP contracts are included in 2018/19 (2017/18: Three).

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

### (e) Related parties

Western Water is a wholly owned and controlled entity of the State of Victoria.

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.

**Western Region Water Corporation  
Notes to the Financial Statements  
30 June 2019**

**9 Other Disclosures (continued)**

**(e) Related parties (continued)**

**(i) Significant transactions with government-related entities**

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

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Treasury Corporation of Victoria</b>		
Borrowings received	58,750	47,900
Borrowings paid	13,500	16,500
Borrowing costs	10,480	9,732
Interest income	39	3
<b>Melbourne Water Corporation</b>		
Water purchase expenses	9,588	8,703
Waterways and drainage levy paid	7,511	5,566
Waterways and drainage levy collection admin fee revenue	138	128
Project management fee Sunbury Integrated Water Management Plan delivery	70	28
Contribution paid to Melbourne Sewerage Strategy	50	-
Government grants and contributions revenue	13	48
Government grants and contributions received	10	10
<b>Department of Environment, Land, Water and Planning</b>		
Environmental contribution levy	3,083	2,410
Government grants and contributions revenue	1,588	581
Government grants and contributions received	502	1,380
Greater Melbourne Lidar data collection fee	201	-
EPA Environmental Monitoring Services fee	78	90
Native vegetation expense	-	15
Long service leave transferred out	40	-
Land valuation fee	14	112
<b>State Revenue Office</b>		
Payroll tax	747	708
Return of unclaimed money	5	-
<b>Department of Treasury and Finance</b>		
NTER income tax expense	14,951	10,589
Financial accommodation levy	3,778	3,377
ESC Regional Water and Sewerage Recovery fee	64	47
<b>Southern Rural Water Corporation</b>		
Water purchase expenses	1,842	1,618
Annual bore licence fees	9	8
<b>Department of Health &amp; Human Services</b>		
Water and waste water service and consumption rebate received	4,288	4,289
Water and waste water service and consumption rebate invoiced	3,851	4,232
Water and waste water service and consumption rebate receivable	-	436
Safe Drinking Water Act Administration levy	27	26
<b>South East Water Corporation</b>		
After hour call centre fee	46	38
<b>City West Water</b>		
Sewerage charges	601	-
GIS service fee	84	-
Funding contribution paid for Greening the West Strategy	5	-
Employee secondment fee	-	99
Long service leave transfer	-	6

**Western Region Water Corporation  
Notes to the Financial Statements  
30 June 2019**

**9 Other Disclosures (continued)**

**(e) Related parties (continued)**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Yarra Valley Water</b>		
Long service leave transferred in	27	-
Joint water conservation market research expense	10	-
<b>Department of Environment and Energy</b>		
Environment Protection and Biodiversity Conservation referral fee expense	18	-
<b>Central Highlands Water</b>		
Long service leave transferred in	51	-
<b>Coliban Water</b>		
Long service leave transferred in	114	-
<b>Zero Emissions Water (ZEW) Limited</b>		
Administrative fee expense	10	-

## **9 Other Disclosures (continued)**

### **(e) Related parties (continued)**

#### **(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:

<b>Key Management Personnel</b>	<b>Title</b>
The Hon.Lisa Neville MP	Minister for Water
A Cairns	Chair of the Board of Directors
J Doolan	Board Member
R Walker OAM	Board Member
L Prain	Board Member
C Filson	Board Member
M McGarvie	Board Member
I Higgins	Board Member
J Duncan	Board Member (to 6 December 2018)
N Brennan	Managing Director (to 3 August 2018)
R Murphy	Acting Managing Director (from 4 August 2018 to 3 March 2019) General Manager - Planning and Capital Delivery (from 1 July 2018 to 3 August 2018) General Manager - Planning and Capital Delivery (from 4 March 2019 to 30 June 2019)
J Rigby	Managing Director (from 4 March 2019)
D Barnett	Acting General Manager - Planning and Capital Delivery (from 4 August 2018 to 3 March 2019)
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
B Moss	General Manager - People, Culture and Technology
M Jeal	Company Secretary



## 9 Other Disclosures (continued)

### (e) Related parties (continued)

#### *(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.

	2019 \$'000	2018 \$'000
Short-term employee benefits	1,690	1,666
Post-employment benefits	309	155
Other long term benefits	37	34
Termination benefits	58	12
<b>Total compensation</b>	<b>2,094</b>	<b>1,867</b>

Note that this information relates to Key Management Personnel that included the Accountable Officer which differs to Note 9(d).

#### *(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 customer 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.

## 9 Other Disclosures (continued)

### (f) Remuneration of auditors

	2019 \$'000	2018 \$'000
<b>Victorian Auditor-General's Office (IV)</b>		
Audit or review of the annual financial statements	53	51
	<b>53</b>	<b>51</b>
<b>Other non-audit services</b>		
Internal audit services	87	141
Regulatory audit services	50	34
	<b>137</b>	<b>175</b>
<b>Total remuneration of auditors</b>	<b>190</b>	<b>226</b>

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

### (g) Ex-gratia expenses

	2019 \$'000	2018 \$'000
Forgiveness or waiver of debt	371	352
Compensation for economic loss	24	14
<b>Total ex-gratia expenses</b>	<b>395</b>	<b>366</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.

## 9 Other Disclosures (continued)

### (h) Australian Accounting Standards (AASs) 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 2019 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 15 <i>Revenue from Contracts with Customers.</i>	The core principle of AASB 15 requires an entity to recognise revenue when the Corporation satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard <i>AASB 2015 - 8 Amendments to Australian Accounting Standards - Effective Date of AASB 15</i> 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. Mainstream revenue items of Western Water are already accounted for on a performance obligation basis and treated as unearned revenue until the performance obligations are met. Government grants have always been assessed based on the funding agreement and revenue is recognised after performance obligation milestones have been achieved. Developer Contributions and Developer Supervision Fee are recognised as revenue when Statement of Compliance is issued.  Western Water's current accounting policies and practices are consistent with the application of AASB 15. There is no impact to Western Water in regard to the introduction of this standard.
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.

## 9 Other Disclosures (continued)

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

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 Revenue from Contracts with Customers.</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 Corporation'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 2019	1 January 2019	Trade receivables of Western Water do not have a significant financing component and are already measured and accounted at their transaction price at initial recognition.
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 2019	1 January 2019	Mainstream revenue of Western Water, government grants and Developer Contributions are already accounted as per AASB 15 and AASB 2016-7.
AASB 2016-3 <i>Amendments to Australian Accounting Standards - Clarifications to AASB 15.</i>	This Standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <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 Corporation 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 2019	1 January 2019	Mainstream revenue of Western Water, government grants and Developer Contributions are already accounted as per AASB 15.

## 9 Other Disclosures (continued)

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

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
AASB 2018-7 <i>Amendments to Australian Accounting Standards - Definition of Material</i>	This Standard principally amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	1 January 2020	The assessment has indicated that this amendment is not expected to have any impact on Western Water's financial results.
AASB 2018-5 <i>Amendments to Australian Accounting Standards - Deferral of AASB 1059</i>	This standard defers the mandatory effective date of AASB 1059 from 1 January 2019 to 1 January 2020.	1 January 2020(The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019)	1 January 2020	The assessment has indicated that there is minimal impact for the Corporation.

## 9 Other Disclosures (continued)

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

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
AASB 2018-8 <i>Amendments to Australian Accounting Standards - Right of Use Assets of Not-for-Profit entities</i>	This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1 January 2019	1 January 2019	Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions. For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for not-for-profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption. The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets. The assessment has indicated that there is minimal impact for the Corporation.

## 9 Other Disclosures (continued)

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

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 <i>Contributions</i> 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>Income for the capital grants received by Western Water for the construction of assets is already recognised over time, upon completion and satisfaction of performance obligations for the assets being constructed, or income is recognised at a point in time for acquisition of assets.</p> <p>The revenue recognition for operating grants received by Western Water is established when performance obligations are met and they are treated as unearned revenue until the performance obligations are met.</p>
AASB 2016-8 <i>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities.</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 January 2019	1 January 2019	<p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context.</p> <p>The areas within these standards that are amended for not-for-profit application include:</p> <ul style="list-style-type: none"> <li>• AASB 9: statutory receivables are recognised and measured similarly to financial assets;</li> <li>• AASB 15: 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;</li> <li>• 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>

## 9 Other Disclosures (continued)

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

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
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 (estimated amount for 2019/20:\$1,022,000) with a corresponding lease liability which will cause net debt to increase (estimated amount for 2019/20:\$1,052,000).</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset (estimated amount for 2019/20:\$544,000) and an interest expense (estimated amount for 2019/20:\$35,000) 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 (estimated amount for 2019/20:\$549,000) and the amounts paid for the interest portion (estimated amount for 2019/20:\$35,000) 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>
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 currently 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.



## 9 Other Disclosures (continued)

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

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
AASB 1059 <i>Service Concession Arrangements: Grantor</i>	<p>This standard applies to service concession arrangements that involve:</p> <ul style="list-style-type: none"> <li>• an operator providing a public service related to a service concession asset on behalf of a public sector grantor; and</li> <li>• managing at least some of those services under its own discretion, rather than at the direction of the grantor.</li> </ul> <p>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>1 January 2020</p> <p>(The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019)</p>	1 January 2020	<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. 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. For economic infrastructure PPP arrangements, that were previously not on the Balance Sheet, the standard will require recognition of these arrangements on the Balance Sheet. There will be no impact to net debt, as a deferred revenue liability will be recognised and amortised over the concession term.</p> <p>Western Water's assessment on its contract to operate the Sunbury Recycled Water Plant did not satisfy the criteria to be treated as a Service Concession.</p>

The following accounting pronouncements were also issued and effective for the 2018-19 reporting period. However they have an insignificant impact on public sector reporting.

- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions;
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts; and
- AASB 2017-2 Amendments to Australian Accounting Standards.

## **9 Other Disclosures (continued)**

### **(h) Australian Accounting Standards (AAAs) issued that are not yet effective (continued)**

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 2018-19 reporting period (as listed below). At this stage, preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments;
- AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments;
- 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;
- AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendments, Curtailment or Settlement;
- AASB 2018-3 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements; and
- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business.

**Western Region Water Corporation  
Statutory Certification  
30 June 2019**

**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 2019 and financial position of the Corporation as at 30 June 2019.

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 16 August 2019.



Andrew Cairns  
Chairman  
Western Region Water Corporation



Jeff Rigby  
Managing Director  
Western Region Water Corporation



Julie Williams  
Chief Finance & Accounting Officer  
Western Region Water Corporation

## Independent Auditor's Report

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

<p><b>Opinion</b></p>	<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 2019</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 officer's 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 2019 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>
<p><b>Basis for Opinion</b></p>	<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>
<p><b>Board's responsibilities for the financial report</b></p>	<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's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance 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.

---

MELBOURNE  
29 August 2019



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

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

Priorities	KPI	Issue to be covered	Page
Climate change	E2	Total net CO2 emissions equivalent tonnes target	41
	E3	Progress on planning for adaptation to the warmer, drier climate conditions predicted for the future	42
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	33
	CR1	Reduced number of water quality complaints per 1000 customers	55
	CR4	Reduced number of billing/payment issues complaints per 1000 customers	55
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	20
		Sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships (number)	27
	AC1.2	Sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships (number)	20
	AC1.3	Staff have undertaken a cross-cultural training course (by relevant Traditional Owner)	20
	AC2.1	Engagements with Traditional Owners in water planning, management and the outcomes	33
	AC2.2	Pilot programs to test different ways to achieve shared benefits	-

Priorities	KPI	Issue to be covered	Page
Resilient and liveable cities and towns	L1	Facilitating local government and community projects with liveability benefits	36
	L2	Implementation of water efficiency programs aligned with Target 155	34
	L3	Comparison with the national average water bill – average and 200kl consumption	46
	L4	Providing access to customer support programs – instalment plans and hardship grants, family violence provisions	46
Recognising recreational values	R1	Community engagement and collaborative planning considering the recreational value of water and waterways	33
Leadership and culture	G1.1	Diversity Inclusion Plan – development, delivery and publication	20
	G1.2	Females occupying senior executive positions	21
	G1.3	Employing Aboriginal people (Target 1%, 3% by 2020)	20
	G1.4	Improving Traditional Owner participation in Committees	33
	G1.5	Victorian Public Sector People Matter Survey – participation, favourable response to Diversity Inclusion Plan	20
	G2	Annual Board performance report	N/A
	G3	Occupational Health & Safety indicators in line with FRD22H	23
Financial sustainability	F1-F8	Financial indicators	52

# Appendix 3: Bulk Entitlements

Under bulk entitlement (BE) compliance requirements, Western Water must report the following for 2018/19 on the 10 BEs currently held by Western Water. References to the relevant BE clause are stated in (brackets/lowercase).

Reporting for	Barringo	Lancefield	Macedon	Maribyrnong
Under BE clause	11.1	14.1	14.1	19.1
Water source and storage	Barringo Creek, Pierce Reservoir	Garden Hut Creek (G), Monument Creek (M), Garden Hut Reservoir	Railway Creek, Turitable Creek, Willimigongon Creek and Reservoir (W), Kitty English (K), Frank Mann (F), Andersons (A), McDonalds (MC) and Orde Hill (O) Reservoirs	Slaty Creek, Jacksons Creek, Salty Creek, Gisborne Creek, Rosslynne Reservoir
Annual catchment rainfall (mm)	678	455	671	593
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	16.6 26%	45.9 100% (d)	393 83% (d)	4,715 38% (a, ii)
Inflows to storages from this BE water source (ML)	0	500 (a)	162 (a)	2,015 (a, iii)
Extra inflows (e.g. diversions into the storages) or local catchment runoff	6	0	0	1303
Volume taken from the storage (ML)	0 (e)	54 (e)	204 - Woodend supply (O, MC, A, W) 27.2 - Macedon & Rosslynne supply (O, MC, A, W) (e)	1,569 (a, i)
Maximum extraction rate from storage or water source (ML/day)	0 from Barringo Creek (c)	0.55 Garden Hut Reservoir (c)	1.6 - Macedon storages (c)	7.7 - Rosslynne Reservoir
Estimated evaporation (ML)	4.4	9.6	44	SRW See Note 2 (a, iv)
Other losses e.g. seepage, plant losses (ML)	3.3	Included in passing flows	-92.5	3,175 See Note 2
Environmental releases (ML)	N/A	N/A	0	854
Volume of environmental and passing flows (ML)	237 (b)	446 (GH) & all Monument Creek flows (b)	96 (b)	SRW (a, v)
Passing/environmental requirements met	Yes	Yes	99.2% 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)	See Note 1 (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	14.9 12%	6.3 14%	372 78%	4,107 24%

Myrning	Riddells Creek	Romsey	Werribee	Woodend	Melbourne Headworks System
12.1	11.1	12.1	13.1	14.1	16.1
Pykes Creek, Pykes Creek Reservoir	Main Creek, Forster and Wright Reservoirs	Bolinda Creek, Kerrie Reservoir	Lerderderg River, Goodmans Creek, Coimadai Creek, Lake Merrimu (M) Djerriwarrh Creek, Djerriwarrh Reservoir (DJ)	Campaspe River, Falls and Smokers Creeks, Barbour and Kavanagh Springs, Straws Lane Bore, Campaspe (CR), Graham Brock (GB) Reservoir, Reservoir C (C)	Various catchments via Melbourne Water's supply system
602	571	547	500	529	923
25,368	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%	70.1 92%	212 71%	8,226 - 50% (M) 763 - 75% (DJ) (a, ii)	220 60% (d)	32,195 176% of BE
SRW	8.9 (e)	202 (e)	2363 (M) (a,iii)/ 63 (DJ) (a,iv)	684 CR (a) 9.67 Local catchment & springs 0.0 Falls Ck & bores	9,281(b)
0	131	168	0 (M) / 7 (DJ)	0.00 Melbourne Headworks 204 Macedon	0
53.3 (b)	168	463 (e)	2,456 (M) (a, i) / 66 (DJ)	285 (CR) (e) 185 (GB, C) (e)	12,778 (a)
0.4 from Pykes Reservoir	0.9 - Main Creek (c)	8.3 - Bolinda Creek (c)	15 from (M) / 1 from (DJ)	1.73 (CR0) 0 Falls & Smokers Ck (c)	N/A
SRW See Note 2	11.6	746.4	SRW (M) See note 2 132 (DJ)	75	MW
SRW	-30	-81	3,026 (M) (a (v), a (vi), i) -7 (DJ)	98	934
SRW	0	0	39.5 (M) (a,v) / 4 (DJ)	8.0	N/A
SRW	136 (b)	273 (b)	SRW (M) / 0 (DJ)	424 (b)	N/A
SRW	Yes See Note 5	Yes	SRW (M) / Yes (DJ)	Yes	N/A
No (i) (f) (j)	No (h), (i)	No (i)(j)	No (d)(e)	No (i)(j)	MW
No (k)(l)	No	No (k),(l)	See Note 3 (j),(k)	See Note 4 (k),(l)	No (h),(i)
4.7 8%	61.4 81%	154 52%	7,264 37% (M) 641 63% (DJ)	233 64%	27,767* 152% of BE

\*Includes 3,496ML 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		

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 2018/19. With a carryover balance of 1,076ML at the beginning of the financial year, and a volume of 31 ML lost from this account during the year due to spills, a balance of 1,045 ML is remaining.

Western Water made no temporary assignments or permanent transfers to or from its bulk entitlements during 2018/19.

Western Water has worked with DELWP, SRW and Melbourne Water in the operation of its Bulk Entitlements during the financial year and has complied with the provisions and requirements they contain, except as noted below.

Any reference to Southern Rural Water (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 partly funded by the Bureau of Meteorology with the aim of improving the accuracy and completeness of data captured.

Western Water continues to improve the network with upgrades to four existing sites and has installed one new monitoring site during 2018/19. 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 2018/19.

<b>Barringo</b>	Pierce Reservoir is an emergency off-stream storage supplied by Barringo Creek and was not used for supply during the year.
<b>Lancefield</b>	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.
<b>Macedon (See table for sources)</b>	Storages are closely monitored to ensure adequate levels are maintained for fire-fighting (i.e. > 60%). This was always achieved during the financial 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).
<b>Maribyrnong</b>	Rosslynne Reservoir is operated by SRW and WW has a BE to take water from this storage. WW supplied water from Rosslynne and transferred a volume from the Melbourne Headworks System back into it.
<b>Myrning</b>	Small entitlement from Pykes Creek Reservoir for supply to Myrning. No water was taken under this entitlement at any other works other than Pykes Creek Reservoir by Western Water. During the year, Western Water purchased 15ML of water shares to increase water rights to Pykes Creek Reservoir for Myrning supply.
<b>Riddells Creek</b>	A volume of Maribyrnong BE was transferred to Riddells Creek and, combined with Riddells Creek BE, which was transferred to Kerrie Reservoir to supplement supply and security in Romsey and Lancefield.
<b>Romsey</b>	258 ML can be added to the drought reserve for this BE from 2018/19. Extra inflows were sent to this BE from the Riddells Creek and Maribyrnong BEs. Bore water was used during 2018/19 to supplement surface water supplies for Romsey.
<b>Werribee</b>	Djerriwarrh Reservoir was used for a portion of supply to Bacchus Marsh during 2018/19, 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, and WW has a BE to take water from this storage.
<b>Woodend</b>	Woodend is supplied by local sources from the 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.
<b>Melbourne Headworks</b>	The total taken shown in the table can be split into 7,077 ML taken via the Hillside interface point to Melton and 5,698ML taken via the Loemans Rd interface point to Sunbury and the Macedon Ranges region.

Note	Comment
1	<p>Passing flow requirements on Willimigongon Creek require manual operation and are difficult to meet under most conditions due to large variations in daily flows. As a result, shortfalls to the daily passing flows occurred during 2018/19. Shortfalls within a given day are not unusual, however, in most other years, these have been compensated by extra subsequent releases, ensuring average passing flows over the reporting period meet or exceed the minimum requirements. The 2018/19 reporting period saw a 0.8% shortfall in passing flow volumes. To supplement the manual process, telemetry was introduced in 2017/18 to further improve compliance with passing flow requirements.</p>
2	<p>SRW provides net inflows which include adjustments for Merrimu, Rossllynne and Pykes Creek reservoirs. The estimated evaporation for Merrimu and Rossllynne reservoirs is included in 'Other losses' and is part of the SRW volume correction water balance.</p>
3	<p>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, however it was not fully commissioned during 2018/19.</p>
4	<p>Daily passing flows were not consistently met due to delays in data received from the metering service provider. This affected the response time to adjust the flow within the 24-hour window. Therefore, extra flows were released to sustain waterway health the reservoir also spilled towards the end of the financial year.</p>
5	<p>Western Water released an extra 38ML than needed, to compensate for passing flow shortfalls of 0.5ML over two occurrences.</p>

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