



# Annual Report

2020-21



## Acknowledgement of Country

Greater Western Water respectfully acknowledges the Traditional Owners of the lands and waters upon which we work and operate. We pay our deepest respects to the traditional custodians past, present and future. We acknowledge the continued cultural, social and spiritual connections that First Nations 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. We will further develop our partnership with the Traditional Owner groups to ensure their contributions to the future of the water management landscape and to maintain their cultural and spiritual connection.

## Introductory Note

On 29 October 2020, the Victorian Minister for Water Lisa Neville, the Chair of Western Region Water Corporation (WW) Andrew Cairns and the Chair of City West Water Corporation (CWW) David Middleton announced the integration of CWW and WW to form Greater Western Water (GWW). The integration supports the growing needs of the rapidly expanding area west of Melbourne and strengthens the high quality of service to customers.

On 28 February 2021, the Acting Victorian Minister for Water Richard Wynne made the Ministerial determinations transferring all the functions, powers and duties of WW to CWW and abolishing WW effective 1 July 2021.

The new trading name for the integrated entity is Greater Western Water. In accordance with the Ministerial determinations, Greater Western Water is making two annual reports: (1) this 2020-21 Annual Report, the last report for WW, and (2) a separate 2020-21 Annual Report for CWW, also its last. Future annual reports will be made by CWW trading as Greater Western Water.



This document is available as a PDF or Word document on our website:

[gww.com.au](http://gww.com.au)

# Contents

<b>Our Year in Review</b>	<b>2</b>	<b>Our Business</b>	<b>36</b>
Key initiatives and projects	4	Corporate governance	38
Integration story	6	Members of the Board	38
<b>About Us</b>	<b>8</b>	Committees of the Board	40
Our Vision and Strategic Framework	10	Health, safety and wellbeing	41
Sustainable development goals	11	Financial overview	44
Who we are	12	Other information	45
<b>Our Customers and Communities</b>	<b>17</b>	<b>Financial Management Compliance Attestation</b>	<b>52</b>
Customers are at the centre of what we do	17	<b>Financial Report</b>	<b>53</b>
Customer service results	17	<b>Appendices</b>	<b>148</b>
Social sustainability	18	Appendix 1: Disclosure Index	148
Water consumption	20	Appendix 2: Addressing the Minister's Letter of Expectations	150
<b>Our Environment</b>	<b>23</b>	Appendix 3: The United Nations Global Compact	156
Environmental management	23	Appendix 4: Bulk water entitlement reporting	158
Greenhouse gas and energy reporting	24		
Sustainable water use	27		
Sustainable and resilient water and wastewater service systems	30		
Sustainable water strategies	31		
Other statutory obligations	33		

# Our Year in Review

**David Middleton**  
Chair



**Maree Lang**  
Managing Director



## Message from the Chair and Managing Director

The Greater Western Water Board is pleased to present this final Annual Report for the Western Region Water Corporation and to reflect on the corporation's achievements since its establishment in 1994.

Western Water has a proud tradition of serving the residents, businesses and communities in the towns to the north and west of Melbourne with vertically integrated water cycle services – from harvesting, treating and delivering water to customers to collecting wastewater, treating it and recycling it to use as a productive resource across the region. With the expansion of Melbourne's Urban Growth Boundary in 2011, Western Water became responsible for large parts of metropolitan Melbourne's western and northern growth areas, notably Melton and Sunbury respectively. Since that time the population and regional economy have grown rapidly, with Western Water welcoming its 75,000th customer in November 2020 – with an annualised growth rate of more than six per cent for that year.

The region and the corporation have seen significant change since 1994. Along with its growth, the region's population has become far more diverse and vibrant. Over the same period, the region's climate has shifted considerably, becoming drier and more variable. Western Water has successfully found increasingly innovative, resourceful and diversified ways to manage the increasing

demand for water and production of urban wastewater. This has included connection to the Melbourne bulk water system and, together with optimisation of local water sources and assets, this has enabled Western Water to provide trusted, affordable services to its customers and community over many years.

Western Water has kept pace with this change by connecting and communicating with our community and involving them in decision making. Major areas of focus have been to increase community understanding of the value of water and how to conserve it, while undertaking system augmentations to drinking water supplies and examining alternative water supply options. Western Water has developed deep connections to the community it serves, and developed lasting partnerships to support healthy, liveable places across the region.

The 2020-21 year saw the pace of change increase significantly across the region with the coronavirus (COVID-19) pandemic disrupting business and household activity. We were proud to supply essential water and sewerage services continuously throughout the pandemic. We thank our customers and community for

allowing us to continue the necessary field work in their neighbourhoods at times of great uncertainty for them and their families.

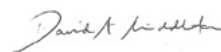
We would also like to express our utmost appreciation to our people and delivery partners who have facilitated the continuous supply of essential services with care and compassion. Western Water delivered \$96.7 million of capital works in 2020-21, building on the \$83 million investment in the previous financial year. This investment ensures the service region has efficient, modern and innovative water, sewerage and recycled water services to meet customers' present and future needs.

One of the most significant efforts for which we would like to thank our people is their work on the integration of Western Water and City West Water. Following the announcement by Minister Neville in October 2020, the boards of City West Water and Western Water, the two executive teams and our people across both businesses have worked tirelessly to ensure a smooth transition to Greater Western Water. We thank Cheryl Batagol PSM for her expert work as Independent Chair of the Joint Transition Committee of the Western Water and City West Water boards. I would also like to thank all of our people, directly or indirectly involved in the integration, for their focus on the 'best of both' in bringing two water corporations together to benefit customers and community.

We are proud to continue to support the United Nations Global Compact, an initiative that encourages businesses to adopt sustainable and socially responsible policies. The 17 Sustainable Development Goals (SDG) provide a lens to view our integrated business and explore opportunities to deliver services to achieve broader health, prosperity and liveability outcomes.

Our Western Irrigation Network project is just one great example of our commitment to sustainability, health, prosperity and liveability outcomes. Greater Western Water will continue to define what the SDGs mean to our people and embed them in the work we do.

We welcome former Western Water directors Lisa McDonald, Llewellyn Prain and Claire Filson to the board of Greater Western Water. We acknowledge and thank departing Western Water directors Judith Holt, Les McLean, Michael McGarvie, Managing Director Jeff Rigby, Deputy Chair Dr Jane Doolan and Chair Andrew Cairns. Each of these dedicated directors has made an indelible contribution to the Western Regional Water Corporation's significant achievements on behalf of its customers, community and environment.



**David Middleton**  
Chair

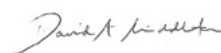
24 August 2021



**Maree Lang**  
Managing Director

24 August 2021

In accordance with the *Financial Management Act 1994*, I am pleased to present Western Water's Annual Report for the year ending 30 June 2021.



**David Middleton**  
Chair  
Greater Western Water

# Key initiatives and projects



## Customers – Delivering value for customers

- Following a successful trial of a two-way SMS communication channel, the channel is now a permanent service offering. This service will continue post integration under Greater Western Water.
- Western Water has a range of initiatives aimed at assisting vulnerable customers. During 2020-21, 368 customers entered our Customer Support Program while 346 customers were able to move out of the program. A total of 805 customers received financial assistance, totalling \$454,416, an increase of 26 per cent from 2019-20.



## Liveability – Contributing to a highly liveable, viable region

- The Western Irrigation Network is a major recycled water supply system for dryland farmers in the Parwan Balliang region. The project commenced in 2020-21 and the initiative has secured \$48 million in funding under the National Water Infrastructure Development Fund. The initial project works underway include a 1.1GL recycled water storage at the Melton Recycled Water Plant, and a recycled water pipeline and pump station to connect supply between the Melton and Bacchus Marsh treatment plants.
- Western Water continued its leadership in collaborative water cycle planning across its region through the Integrated Water Management (IWM) forums and progressed the Sunbury's Water Future and Western Growth Area IWM Masterplan projects. Federal funding was also secured to explore rejuvenating agriculture across the Sunbury-Bulla-Keilor region. These projects have the potential to significantly improve waterway health, water security and agricultural productivity throughout the region.
- The pace of development across the Western Water region was significantly higher than forecast for the year, with customer growth of six per cent. Western Water worked closely with City West Water, sharing resources and expertise to ensure the development industry was serviced with this higher-than-expected activity.



## Environment – Caring for the environment

- The health of waterways across the west has been negatively impacted by development and climate change, with lower than optimal flows in waterways being experienced for many years. The recycled water for environmental flows project has shown that under certain conditions the release of recycled water to a waterway can provide a benefit to waterway health, and potentially also reduce sewage management costs.

- The biodiversity action plan implementation continued throughout 2020-21. A significant project was the enhancement of Growling Grass Frog habitat at the Sunbury Recycled Water Plant. Western Water partnered with Hume City Council and co-funded investigations to build a new wetland that will provide interconnected habitat with Jacksons Creek to support the endangered Growling Grass Frog population.



## Innovation

- Western Water commenced the trial phase of a \$3.5 million investment into a Waste to Energy facility at the Melton Recycled Water Plant, with \$0.8 million funded by Sustainability Victoria. Since February 2021, over 150,000 litres of high strength organic waste have been treated to generate additional biogas for renewable energy generation.
- Western Water was the winner of the Australian Water Association National 'Infrastructure Project Innovation' Award for deriving value through remote access to asset information, a project delivered through a partnership with CH2M Beca.



## Transformation leadership and a culture of excellence

- In 2020-21, we continued our focus on health and safety, with the implementation of the Health, Safety and Wellbeing Plan. Activities associated with this plan have been safety moments at team meetings and development of our critical risk controls. Our efforts in safety are reflected in the continuing downward trend in our Total Recordable Injury Frequency Rate (TRIFR).
- Western Water continued to partner with Traditional Owner groups, including two cultural values assessments with Wurundjeri Woi Wurrung in the Jacksons Creek Recreation Park and consultation on the Gisborne Recycled Water Plant upgrade. A new project established with Victoria University, Next Generation Water Management for the Werribee Catchment, features Traditional Owner engagement in water management as a core element. \$250,000 of goods and services were procured from six First Nations businesses and two social enterprises.



## A strong financial and commercial base

- In 2020-21, we announced the creation of a new water corporation, Greater Western Water, to support the needs of the rapidly expanding area west of Melbourne and strengthen the high quality of service to customers. City West Water and Western Water integrated to create the new water corporation on 1 July 2021.

# Integration story

## Becoming Greater Western Water

On 1 July 2021, Greater Western Water became the new water corporation for Melbourne's CBD and north-western region. Greater Western Water was formed by bringing together the areas previously serviced by Western Water and City West Water.

Greater Western Water builds on the excellent work and rich legacies of these two organisations and provides for a secure, sustainable and prosperous future for the region, its customers and people. It draws on the history and deep knowledge of the region that Western Water and City West Water people have built over several decades.

Since the formation of Greater Western Water was announced in October 2020, a three-year program of work commenced to manage the integration. This work is ensuring a smooth transition, where customers experience continuity of service and our people work together to create a new organisation with one culture.

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*Through the integration work and beyond, our aim is to be an organisation that represents leading practice and exemplary governance.*

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A Joint Transition Committee oversaw the integration work, chaired by leading water sector expert, Cheryl Batagol, with members from both organisations' boards and support from the Department of Environment, Land, Water and Planning. A Joint Steering Committee, which comprised executives from Western Water and City West Water, provided transition leadership and guidance and the approval of key decisions. A Joint Transition Office, a collaborative project team made up of people from both businesses, managed the transition and delivered the detailed program of works in preparation for the new business to commence on 1 July 2021. The team monitored budgets, activity dependencies, critical milestones, integration risks and resourcing. A Program Assurance Advisor and Integration Advisor, both external to Greater Western Water, provided support and confidence in governance and approach.

In the lead up to 1 July 2021, we aligned the information and messaging in our customer communications and created engagement opportunities to ask our community what they want from their new water corporation. We also worked together to create awareness of Greater Western Water and sought feedback on the Greater Western Water brand, proposed prices under existing regulatory arrangements, customer charters and permanent water saving plans. We will continue to focus on aligning customer experiences and consolidating and evolving policies and plans.

# Serving our customers since 1994

We've provided water and sewer services to our customers for more than 26 years. During that time, we've embraced innovation and adapted quickly to cater to the needs of our rapidly expanding population.

We've experienced challenges like the Millennium Drought where local water storages were reduced to small pools of water. Today, nearly every town in our service region has access to multiple water supplies – local, regional and Melbourne – providing our customers with water security into the future. We're proud of our achievements since 1994 and look forward to servicing you as Greater Western Water.

## 1990s

- Western Water commences operation in December 1994, servicing a population of 83,000.
- Parts of Macedon and Mount Macedon receive treated water for the first time.
- We launch our community and school education programs.
- After four years of operation, we reduce water supply interruptions by 50% and sewer blockages by 40%.
- We begin the process to access water supplies from the Melbourne supply system.
- By the end of the 90s, the population we service reaches 90,000 and \$30m has been spent on upgrades and building new infrastructure.

## 2000s

- The decade is marked by the Millennium Drought (2001–2009) – the “worst drought in 100 years”.
- We connect the region to the Melbourne supply system and undertake extensive upgrades to our major recycled water plants.
- Sammy the Snake and Frances the Frog make their first appearance as mascots for Western Water.
- We establish recycled water reuse schemes across the region.
- We build water filtration plants for Lancefield and Myrning and construct the Melton Recycled Water Plant. The first residential customers are connected to Class A recycled water supply in Eynesbury in 2009.
- By the end of the decade the population we service increases to 140,000, and \$210m more has been spent on capital investments.

1994/95



**2010s**

- In line with our commitment to reduce emissions, we construct a biogas cogeneration facility, major solar array and biodome at Melton Recycled Water Plant.
- Sunbury Recycled Water Plant has a \$53m upgrade.
- Our first Reconciliation Action Plan is launched.
- We involve the community in the decision making for our price submissions and begin consultation about Sunbury's Water Future.
- By the end of the decade the population we service has increased to 184,000 and another \$450m is spent on capital investments.

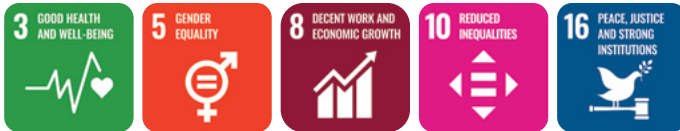
**2020s**

- We launch our online customer portal – MyWesternWater.
- We establish a Pandemic Committee to guide operations.
- Construction begins on the largest project in our history, the \$116m Western Irrigation Network, as well as the innovative Melton Waste to Energy facility.
- The Minister for Water announces the integration of Western Water and City West Water to form Greater Western Water.

**2020/21**

# About Us

## Priority SDGs



## Business at a glance

Western Water provided water, sewerage, trade waste and recycled water services to residential, commercial, industrial and agricultural customers across Melbourne’s growing western suburbs and peri-urban townships.

73,609 residential properties	3,556 non-residential properties	\$1.4 billion infrastructure managed
16.2 billion litres of drinking water supplied	5.3 billion litres of recycled water supplied	11.9 billion litres of sewage collected

In 2020-21, we serviced 73,609 residential properties, 3,556 non-residential properties (including schools, councils and industrial, commercial and small businesses), and a population of more than 200,476 people. We managed \$1.4 billion of infrastructure across a service area of more than 3,000km<sup>2</sup>.

In the last financial year, we supplied approximately 16.2 billion litres of drinking water, 5.3 billion litres of recycled water and collected 11.9 billion litres of sewage. We continued to support Melbourne’s growth through the western growth corridor and in established towns through the construction of 72km of water mains, 71km of sewer and 10km of recycled water mains. We created 5,551 greenfield lots and 429 brownfield lots planning for future suburbs and communities.

Established under the *Water Act 1989*, Western Region Water Corporation (trading as Western Water) was one of Victoria’s 13 regional urban water corporations during 2020-21.

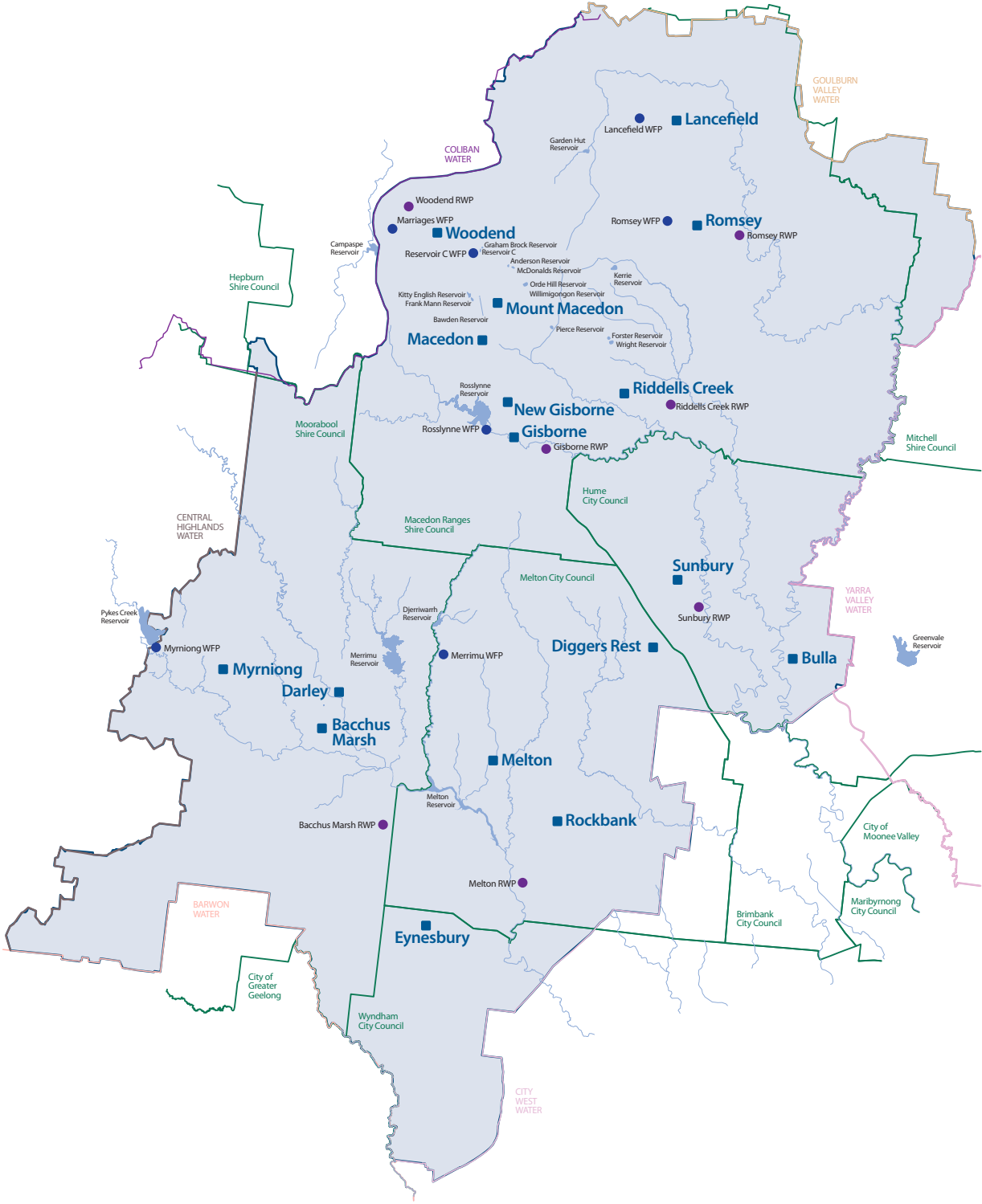
The responsible Minister for the reporting period, 1 July 2019 to 30 June 2020, was the Hon. Lisa Neville MP, Minister for Water. The Hon. Richard Wynne MP was Acting Minister for Water from 15 February 2021 to 30 June 2021. Western Water is responsible to the Minister for Water through the Department of Environment, Land, Water and Planning (DELWP). The Department of Treasury and Finance (DTF) also has a shareholder governance role.






The Department of Health (DH) 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.

# Western Water service area



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

# Our Vision and Strategic Framework

## Our Vision

Strong Communities, Growing Together

## Our Values

People – Integrity – Respect – Teamwork – Excellence

Themes (what we will achieve):

 <b>CUSTOMERS</b>	 <b>LIVEABILITY</b>	 <b>ENVIRONMENT</b>	 <b>INNOVATION</b>
<p>Delivering value for customers</p>	<p>Contributing to a highly liveable, viable region</p>	<p>Caring for the environment</p>	<p>Leveraging partnerships and technology to create future opportunities</p>
<ul style="list-style-type: none"> <li>Highly satisfied and empowered customers</li> <li>Secure and fit-for-purpose services</li> <li>Customers are at the centre of what we do</li> </ul>	<ul style="list-style-type: none"> <li>Assets and operations that meet climate change impacts</li> <li>Regional economic growth through enhanced and reliable water services</li> <li>Integrate planning solutions to meet growth and community needs</li> </ul>	<ul style="list-style-type: none"> <li>Supporting healthy waterways</li> <li>Community and agency collaboration to deliver sustainable environmental and social outcomes</li> <li>Reducing our environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Value-added, innovative services and products for the community</li> <li>Expand renewable resources</li> <li>Establish new business models and commercial partnerships</li> </ul>

### Transformational Leadership and a Culture of Excellence

Engaged Community Stakeholders and Workforce

Highly Skilled People and Agile Teams

Intelligent and Responsive Information Systems

Think Health and Safety First

*A Strong Financial and Commercial Base*

Capabilities and Enablers (how we achieve)



## Sustainable Development Goals

### Priority SDGs



Western Water is proud to be a signatory of the United Nations Global Compact. In becoming a signatory, we committed to supporting each of the 17 Sustainable Development Goals (SDGs). Western Water and our people all play a role in achieving these goals and creating a better world for us all. Of particular focus and importance to Western Water is Goal 6, Ensure availability and sustainable management of water and sanitation for all, which closely aligns with our core business objectives.

Additionally, we are working towards Goal 11, Make cities and human settlements inclusive, safe, resilient and sustainable, through our involvement in projects and initiatives to support sustainable development, including:

- Western Irrigation Network Project
- Western Growth Area Integrated Water Management Masterplan
- Sunbury's Water Future

Western Water strives to be an innovative and forward-thinking water corporation and to make an impact on Goal 9: Industry, Innovation and Infrastructure. Projects supporting Goal 9 include:

- Large Scale Renewable Energy Project
- Waste to Energy: Melton Recycled Water Plant

Western Water also indirectly contributes to achieving the other SDGs through internal strategic activities.

As Greater Western Water, we will continue to monitor and report on our activities as they relate to the advancement of the goals.

The SDGs provide a lens through which we can view our operations. They encourage us to lift our gaze and broaden our reach to tackle important issues facing organisations across the globe, such as equality, health, justice and education.

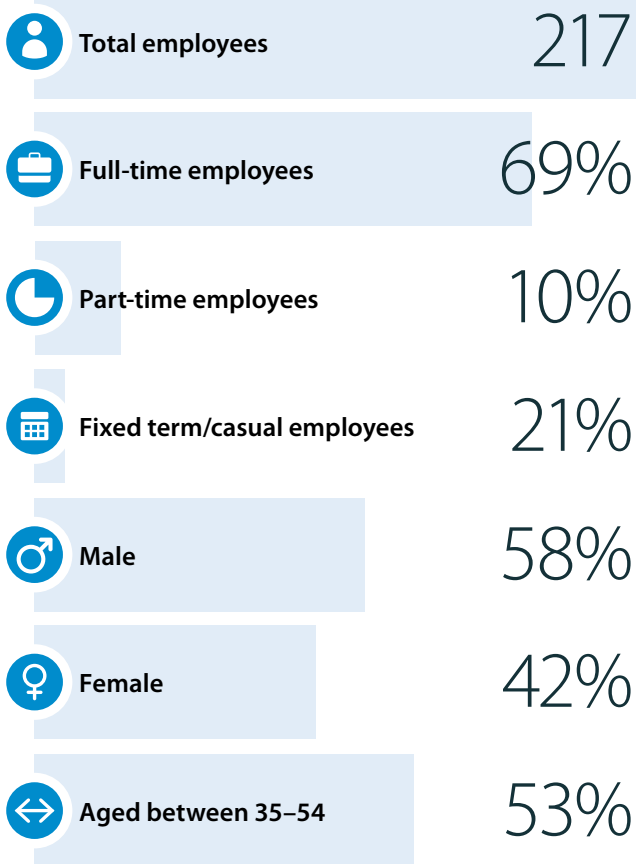
Icons are used throughout this Annual Report to indicate where our activities are contributing to the SDGs. Appendix 3 lists our commitments and actions in embedding the 17 goals in our work every day.


# Who we are

Our people, employees, suppliers, business partners, contractors and the Board, are central to achieving our vision of Strong Communities, Growing Together.

## Our people

(at 30 June 2021)



 We also deliver our essential services by working with delivery partners in maintenance and capital delivery and we consider our contractors an extension of our workforce.

## Comparative workforce data

The comparative workforce data table provides a snapshot of our employees. Employees have been correctly classified in workforce data collections based on working arrangement and employee level.

Table 1. Comparative workforce data June 2021

	All Employees		Ongoing			Fixed Term & Casual		
	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	
<b>June 2021</b>								
Demographic Data	<b>Gender</b>							
	Women	92	85.26	47	16	58.42	29	26.84
	Men	125	122.9	103	5	106.4	17	16.52
	Self-described	0	0	0	0	0	0	0
	<b>Age</b>							
	15-24	11	10.6	8	1	8.6	2	2
	25-34	52	48.9	28	7	32.62	17	16.3
	35-44	52	50.1	39	4	41.88	9	8.26
	45-54	62	59.54	43	5	46.5	14	13.0
	55-64	28	27.5	24	2	25.68	2	1.78
65+	12	11.48	8	2	9.47	2	2	
Classification Data	<b>Western Water Bands 2-8</b>							
	Band 2	0	0	0	0	0	0	0
	Band 3	3	2.63	2	1	2.6	0	0.0
	Band 4	65	62.07	34	8	39.82	23	22.3
	Band 5	43	39.20	29	7	33.77	7	5.4
	Band 6	41	39.4	31	4	33.72	6	5.68
	Band 7	20	19.84	16	1	16.84	3	3
	Band 8	17	17.0	17	0	17	0	0
	<b>Senior employees</b>							
	SEO	23	23	21	0	21	2	2
PEER	5	5	0	0	0	5	5	
<b>Total Employees</b>	<b>217</b>	<b>208.14</b>	<b>150</b>	<b>21</b>	<b>164.8</b>	<b>46</b>	<b>43.36</b>	

Table 2. Comparative workforce data June 2020

<b>June 2020</b>								
Demographic Data	<b>Gender</b>							
	Women	77	71	47	17	58.9	13	12.1
	Men	117	114.8	100	6	103.8	11	11
	Self-described	0	0	0	0	0	0	0
	<b>Age</b>							
	15-24	7	6.6	6	1	6.6	0	0
	25-34	42	39.3	29	7	33.6	6	5.8
	35-44	47	46.1	41	3	43.1	3	3
	45-54	60	57.2	43	7	47.9	10	9.3
	55-64	32	31.5	25	3	27.5	4	4
65+	6	5.1	3	2	4.1	1	1	
Classification Data	<b>Western Water Bands 2-8</b>							
	Band 2	0	0	0	0	0	0	0
	Band 3	6	5.5	4	1	4.6	1	0.9
	Band 4	55	51.4	37	10	43.5	8	7.8
	Band 5	34	32.6	26	4	28.9	4	3.8
	Band 6	37	35.9	32	4	34.9	1	1
	Band 7	20	20	18	0	18	2	2
	Band 8	15	14.5	14	1	14.5	0	0
	<b>Senior employees</b>							
	SEO	22	20.9	16	3	18.3	3	2.6
PEER	5	5	0	0	0	5	5	
<b>Total Employees</b>	<b>194</b>	<b>185.8</b>	<b>147</b>	<b>23</b>	<b>162.8</b>	<b>24</b>	<b>23.1</b>	

- Notes:**
- Increase in Headcount and FTE from 2019-20 reporting period is in part indicative of increased engagement due to GWW integration activities.
  - All figures reflect employment levels during the last full pay period in June of each year.
  - External contractors/consultants are excluded.
  - Ongoing employees includes people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.
  - SEO – Senior Executive Officer, PEER – Public Entity Executive Remuneration, GSERP – Government Sector Executive Remuneration

## Culture and engagement surveys

In June 2021, we conducted our annual Employee Engagement Survey, which provides key information about our people. This year, we refreshed our approach, focusing on setting a baseline for the new entity, Greater Western Water, and laying the foundations for our new way of working. We were pleased to achieve 77 per cent participation in the survey with an Engagement Score of 70 per cent, representing strong positive feelings about working at Western Water.

Despite significant change during 2010-21, we were pleased to achieve 81 per cent participation in the February pulse survey. The survey showed that our people felt appropriately informed of future changes regarding the integration to Greater Western Water, and that sentiment about returning to work after the pandemic was in favour of blended working between the office and home.

## Co-creating culture

Work to co-create a thriving culture for the formation of Greater Western Water commenced in early 2021. This significant piece of work was kickstarted by the development of a Culture Champions Network and supporting Culture Transition Plan by representatives from City West Water and Western Water. This process engendered trust and fostered collaboration between the two organisations.

The Culture Transition Plan followed three phases that overlap as the organisational transition takes place: Recognising the past, Harnessing the transition, and Becoming greater together.

To embed ownership of the new corporation, the following pillars of thinking were also championed:

- Building readiness for change and agility, starting with the use of deliberate language around the Greater Western Water name and site locations.
- Celebrating success.
- ‘One team, one jumper’. Calling out examples of cross-team collaboration.

The Culture Champions Network, with representatives from Western Water and City West Water, promotes a culture-led approach to the integration. The network is responsible for communicating the positive changes and cultural integration, providing feedback and articulating what works and what may need improvement. The network uses data from people surveys across City West Water and Western Water to identify and address areas of concern.

## Our People Strategy

Western Water deeply values the contributions of our people to deliver essential services to our customers. We strive to create a workplace that encourages individuality, passion, dedication and job satisfaction. Our people are highly engaged and collaborative in their effort to deliver services via the various assets we manage.

The 2020-21 financial year was a challenging one for the people of Western Water. The coronavirus (COVID-19) pandemic has been a significant disrupter to our business operations, including the closure of our office and the changed working conditions for many of our people.

As an essential service, Western Water has continued to provide uninterrupted services to our customers. Our people have stayed focused and supportive of each other during this difficult time, demonstrating admirable teamwork and dedication.

Western Water prioritised the wellbeing of our people during this time, introducing a range of initiatives. The continued focus over the past 12 months has been on health and safety; the Western Water Mental Health and Wellbeing Plan has been developed and integrated into our wider Health, Safety and Wellbeing Plan. Some activities associated with this plan include safety moments at team meetings and development of our Critical Risk Controls. Our efforts in safety are reflected in the continuing downward trend in our Total Recordable Injury Frequency Rate (TRIFR).

The water industry is constantly evolving as new technology plays a larger role in all facets of work. Western Water has continued to collaborate and partner with a range of stakeholders to deliver the value that our customers expect from us. Changes and innovations require us to shift our thinking on the skills and competencies required of our people. Western Water commenced development of a strategic workforce plan to navigate these shifts; work on this project will continue in our new form as Greater Western Water over the 2021-22 year.

## Flexibility and connection principles

The coronavirus pandemic presented a variety of challenges during 2020-21. Our COVID-19 Pandemic Committee, set up at the beginning of 2020, evolved to focus on workplace and office design as well as the safety and wellbeing of our people.



We facilitated sessions to understand how our people have been working and to plan for a hybrid model of home and office working arrangements. Key insights from these sessions included the need for creative collaboration and meaningful connection between sectors of the business. Our people told us that technology plays an important role in productivity and connection, but that they missed the social interaction and spontaneity of the workplace. We also learned that the greater autonomy and responsibility of working from home was making people feel more trusted.

These insights are informing new ways of working with connection and flexibility. Our principal commitments are:

- We are committed to offering flexible and inclusive working arrangements for all our people in balance with team and role requirements.
- We aspire to be an employer of choice exemplified by measuring success through productivity over presence.
- We expect our people to drive transparent communication with their team, their leaders and their customers (internal and external).

By embracing more flexible working arrangements, our people were enabled and empowered to continue to provide an essential service to our customers.

### Diversity and inclusion

Western Water values the differences that make us a more diverse and inclusive organisation. We celebrate the many cultures, backgrounds and lives of the people who work with us, and embrace the creative thinking and innovative solutions that come from this diversity of thought and ideas. Our approach to diversity and inclusion includes enabling everyone to feel valued and able to bring their authentic selves to the workplace.

In the past year, Western Water has continued to explore new opportunities to enhance and build on our diverse and inclusive culture, generating greater awareness and acceptance of differences within our workforce, and better connections and appreciation of the diverse people within the communities we serve.

We apply the employment principles of the *Public Administration Act 2004*. Our people are selected and promoted based on ability, knowledge and skills in fair and open competition that ensures equal opportunity. Our people receive fair and equitable treatment without regard to race, colour, sexual preference, age, physical or mental disability, pregnancy, religion, political opinion, national extraction or social origin.

We work to meet our obligations under the *Disability Act 2006*, the *Disability Discrimination Act 1992*, the *Equal Opportunity Act 1995*, and the *Charter of Human Rights and Responsibilities Act 2006* with the aim of eliminating barriers for people with a disability from accessing goods, services, facilities and employment.

Our people have a right to work in an environment free from harassment, bullying and discrimination. We have policies for the prevention of harassment and bullying. Any behaviour to the contrary will result in disciplinary action up to, and including, dismissal. All of our people are trained in equal opportunity and bullying prevention. Employee Support Officers are available to provide information to our people about rights and obligations in this area.

### WaterAble

Launched in July 2020, WaterAble is a network for people with disability and their allies in the Victorian water industry.

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*WaterAble works to build an equitable and inclusive industry by bringing people with disability together, advocating for members, and improving inclusion and access for our people and customers with disability.*

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This year, WaterAble's Connections Program connected senior leaders and employees to share knowledge and experiences and provide insights into how to support employees with disability and build a disability-inclusive culture. Western Water is proud to support the network, along with the State's water corporations.

### Developing our people

Western Water is committed to providing training and professional development opportunities to our people. We have been endeavouring to attract and retain the best people to contribute to our services and growth. Western Water has continued on the work of the previous 2019-20 year to take a more targeted approach to people management, focusing on individual performance, potential and development.

Our people have participated in a range of leadership and technical training over the last 12 months, with a particular focus on delivering health and safety leadership training to all our people to build their competence and

understanding of workplace risks. Employees have also continued to actively participate in a range of professional development opportunities within the water sector in their areas of professional expertise. This participation enables our people to leverage industry knowledge, explore new technologies and to grow our workforce knowledge and capability.

#### COVID-safe office

The Western Water office was gradually re-opened to more of our people following the easing of restrictions in 2020-21. A re-entry plan was used to coordinate safe and supported use of the workspaces and to encourage productivity and connection.

COVID-safe practices are in place to ensure there is adequate physical spacing between desks and that people demonstrate hygiene practices using the sanitising products throughout the office. We have also increased the frequency of office cleaning.

An office re-fit is responding to COVID-safe protocols and to our people's desire to work flexibly from home and the office. The reimagined Greater Western Water offices will include:

- a large multipurpose space with technology to accommodate hybrid events
- more meetings rooms, all with hybrid technology
- focus zones and focus desks for quiet conversations and private work
- collaborative zones.

#### Change and Resilience Program

The Change and Resilience Program was launched in May 2021 to build awareness, knowledge and practical tools to support resilience through change. The program addresses the challenges of the pandemic as well as the integration of City West Water and Western Water.

The 'Change and Me' workshop was delivered to more than 600 people across Western Water and City West Water over a two-month period, introducing the human impact of change through the Kubler Ross model and practical activities. Our people were given tactics to manage wellbeing during times of uncertainty.

We launched an online learning hub, with tools and resources to ensure people keep the conversations going from the 'Change and Me' workshops. In addition, our leaders were given access to a specialised leadership module, 'Leading Change and Transition', which focused on leading people through change with trust and empathy.

# Our Customers and Communities

## Priority SDGs



Western Water seeks to deliver value for customers in everything we do. We aim to provide secure and fit-for-purpose services; to ensure customers are at the centre of what we do; and to create highly satisfied and empowered customers.

## Customers are at the centre of what we do

At Western Water, our customers are at the centre of what we do. The Western Water Customer Strategy, the Customer and Community Engagement Plan and the Developer Engagement Plan are all strategic initiatives designed to ensure that our customers receive a high-quality service. We work closely with local government, developers and customers to meet the needs of our community.

As technology evolves, we have harnessed the power of new solutions to improve the customer service experience. Our Customer Strategy is underpinned by developing technology to improve the ways that customers interact with us, the way they report on any issues, and the way they view the service provided by Western Water.

In 2020-21 we introduced three focus areas: e-billing, a customer portal and a two-way SMS service. The e-billing system was promoted through a range of bill, email, social and print media channels. Our initial target of 20 per cent for e-billing was achieved early in the year, with 31 per cent of customer accounts now registered for this service. Our efforts to promote the customer portal have been successful, with more than 34 per cent of Western Water accounts now registered. In the past 12 months, we have conducted a trial of a two-way SMS service channel and implemented this as permanent service offering, which will continue under Greater Western Water.

Western Water's partnerships with developers remain an important part of our business and we have continued to actively engage with this sector. The implementation of our Developer Engagement Plan was adjusted during the year due to coronavirus restrictions and the pending integration of these services with City West Water. There are plans for the project to continue under the new Greater Western Water organisation. Additionally, the integration enabled sharing of resources between the City West Water and Western Water developer services teams, leading to improvements in service delivery and a foundation to build on into the future.

## Customer service results

In 2020-21, our customer teams responded to more than 50,259 calls and 5,169 correspondence requests via mail, email, webform, SMS and webchat. Our customer teams assisted with general enquiries, faults, bursts and emergencies, and complex enquiries regarding usage, payment plans and specialised assistance for customers impacted by coronavirus.

A significant increase in vacant land and property sales resulted in a 49 per cent rise in information statement requests with 10,249 in 2020-21 compared to 6,868 in 2019-20. The increase in information statement requests and owner change notifications required additional resourcing and time allocated. Productivity and contribution from team members continued to be effective in the work from home environment as we implemented alternate ways to communicate and stay connected.

### Customer satisfaction research

Despite the many challenges of the past 12 months, our customer satisfaction levels remain strong. Annual customer satisfaction research showed high satisfaction levels amongst our residential customers, with an overall satisfaction score of 88 per cent for 2020-21, slightly down from our highest level of 91 per cent in 2019-20. Usefulness of information, caring for the environment and providing value for money were identified as the key drivers of satisfaction.

Customer satisfaction among non-residential customers, at 87 per cent, was at a similarly high level. However, there is still opportunity to further improve satisfaction for these customers, particularly in the areas of pricing and water quality. The new Greater Western Water operating model has been designed to improve services for non-residential customers.

As part of the annual customer satisfaction survey, residential and non-residential customers were asked questions around the financial and general impacts of the coronavirus pandemic. These questions were designed to help us monitor the ongoing effects of the pandemic on our customers and the potential financial and related consequences on our business. The overall financial impact of the pandemic on our customers remains significant: 50 per cent of residential customers and 60 per cent of non-residential customers reported a negative impact.

Across business customer groups, impact was evenly experienced. However, among residential customers, impacts were experienced more by certain cohorts. Those aged 25-34 years of age and those speaking a language other than English at home were identified as the most negatively impacted.

Affordability remains a key focus for the organisation with 21 per cent of residential customers reporting they have experienced difficulty paying their bill on time.

## Social sustainability

### Community service obligations

Western Water provided the following community service obligations.

Table 3. Community service obligations

	2021 \$'000	2020 \$'000	2019 \$'000
Provision of concessions to customers	5,372	4,690	4,414
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	160	161	165
Utility relief grant scheme	330	256	158
Water concessions to those on life support machines (haemodialysis)	1.5	3.1	2.6

During 2020-21, Western Water provided hardship grants to 805 customers, Utility Relief Grant Scheme assistance to 709 customers and had 800 customers on instalment plans.

### Concessions to pensioners and cardholders

Customers who hold a pension concession card, a Department of Veterans Affairs gold card or a health care card are entitled to a 50 per cent concession on water and sewerage charges, up to an annual maximum. The 2020-21 maximum was \$337.10. If a customer is receiving one service only, they are entitled to a concession of up to half the annual maximum. We invoice the Victorian Department of Families, Fairness and Housing for the value of those concessions.



### Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme

The State Revenue Office defines certain organisations as not-for-profit. Such organisations serve the community in the fields of education, health or nursing care, religious worship, charity, outdoor sporting or recreation activities or war veterans' organisations. These organisations are entitled to claim a concession on the service charge portion of their bills. We invoice the State Revenue Office for the value of those concessions.

### Utility Relief Grant Scheme

The Utility Relief Grant Scheme assists residential customers and people experiencing family violence who are unable to pay their electricity, gas and water bills and may be at risk of disconnection of supply due to a temporary financial crisis (in the last 12 months). Applicants must meet certain criteria to obtain the grant, for example family violence, a decrease in income, unexpected costs for essential goods and services, cost of shelter being 30 per cent or more of household income and, more recently, customers who have been impacted by coronavirus. A customer can apply for the grant multiple times within a two-year period, for up to maximum amount of \$650 for each utility.

### Water concessions for people on life support machines (haemodialysis)

Residential customers requiring in-home haemodialysis are entitled to a rebate on water usage and sewage disposal charges. The Department of Families, Fairness and Housing determines the rebate amount based on the average annual water usage of an in-home haemodialysis machine of 168,000 litres a year. The rebate is in addition to any other pension or concession to which a customer may be entitled. Customers who hold a pension concession card, a Department of Veterans Affairs gold card or a health care card are entitled to the rebate. We invoice the Department of Families, Fairness and Housing for the value of those concessions. The number of concessions paid increased from last year.

## Water consumption

Western Water provides different types of water to customers in our service area. The table below details water use by residential and non-residential customers in 2020-21.

Water consumption in Western Water's service region was 20,389 million litres during 2020-21 compared to 19,893 million litres in the previous financial year.

The service area population is estimated to be 200,476, based on an average household density of 2.73 people per household. The estimated service area population increased by approximately 16,700 from the previous reporting period.

Total water consumption across the region is shown in Table 4.

**Table 4. Total water consumption data**

	Number	Volume (ML) <sub>12</sub>
<b>Residential customers</b>		
Drinking water	73,609	12,893 <sup>1</sup>
Recycled water	4,449 <sup>2</sup>	233 <sup>3</sup>
Recycled stormwater	0	0
<b>Non-residential customers</b>		
Drinking water	3,556	2,161 <sup>4</sup>
Recycled water	79 <sup>2</sup>	5,102
Recycled stormwater	0	0
<b>Total customers<sup>5</sup></b>	<b>77,165</b>	
<b>Total drinking water volume</b>		<b>15,054</b>
<b>Total recycled water volume</b>		<b>5,335</b>
<b>Total consumption</b>		<b>20,389</b>
Average drinking water annual consumption <sup>6</sup>		15,582
Weekly residential drinking water consumption <sup>7</sup>		248
<b>Non-revenue water</b>		
Leakage		592
Firefighting <sup>8</sup>		2
Other <sup>9</sup>		580
<b>Total non-revenue water</b>		<b>1,174</b>
<b>Total water all sources</b>		<b>21,563</b>
<b>Average residential consumption</b>	<b>Litres per person per day (L/pp/day)</b>	
Average per capita daily residential drinking water consumption		176

**Notes:**

- Includes drinking water supplied to customers with recycled meters but not yet connected to the recycled water network.
- Only includes residential recycled water customers who are connected and able to receive recycled water. In areas where it is available, recycled water is used for various activities at residential and non-residential customer properties, including garden watering, car washing, toilet flushing and laundry.
- Includes 90ML of drinking water used in blend or back up to the recycled supply system.
- Includes drinking water supplied to customers with recycled meters but not connected to the recycled water network.
- Customers that receive recycled wastewater also receive drinking water.
- Five-year average annual consumption from 2017 to 2021 reporting periods.
- Balance of non-revenue water, known as real losses, which includes bursts, leaks and background losses.
- Firefighting is part of a category called Authorised Unbilled Usage which includes firefighting, fire service usage, water haulers' usage, water main flushing and sewer cleaning.
- Other non-revenue water is known as apparent losses which includes unauthorised usage such as theft, misuse, illegal tampering and meter under-registration and data handling error.

## Corporate water consumption

In 2020-21, Western Water's corporate water consumption decreased from 909,000 litres to 123,000 litres. The dramatic decrease was due to the coronavirus pandemic and the enforced work from home restrictions that encompassed most of the financial year. 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 people in the office. Usage per FTE at Western Water may not reflect actual 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. Western Water has installed a digital meter at our Sunbury office to gain a better understanding of office water usage through improved granularity of water consumption data by digital metering.

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

**Table 5. Western Water head office water use**

2020-2021	2019-2020
123kL Water consumed	909kL Water consumed
8kL per full time equivalent onsite employee	7kL per full time equivalent onsite employee
0.06kL per square meter of office space	0.44kL per square meter of office space

## Annual reporting of major non-residential water users

The *Water Act 1989* requires water corporations to publish the number and names of customers who are not farming, irrigators or domestic consumers, using 100ML or more water per year. Farmers, irrigators and domestic users may decline or opt out of the requirement to have their name published. The *Water Act 1989* also requires water corporations to indicate if these customers have participated in water efficiency programs.

Non-residential customers make up 4.6 per cent of Western Water's customer base and account for 35.6 per cent of water consumption.

Western Water had one major non-residential water user consuming more than 100 million litres of drinking water in 2020-21. We work closely with this customer to optimise their water consumption, offering alternative water solutions where suitable.

**Table 6. Number of customers by volume range (ML per year) 2019-20**

Volumetric range - ML per year	2020-21	2019-20	2018-19
Equal to or greater than 100ML and less than 200ML	1	1	1
Equal to or greater than 200ML and less than 300ML	0	0	0
Equal to or greater than 300ML	0	0	0
Total no. customers	1	1	1

**Table 7. Major water user and participation in water efficiency programs**

Name of customer	Information as to customer participation in water efficiency programs
Saizeriya Australia, Melton	Saizeriya Australia Pty Ltd continues consolidation of water management plan with particular focus on cleaner production minimising waste and water consumption.

## Total residential water bill

In 2020-21, Western Water customers had amongst the lowest average residential water bills in Victoria.

Table 8. 2020-21 Total residential water bill for a Western Water customer based on consumption during the year

<b>2020-21 Total residential water bill for a Western Water customer based on consumption during the year</b>	<b>150kL annual usage</b>	<b>200kL annual usage</b>
Water network charge	\$207.81	\$207.81
Water usage charges	\$286.58	\$404.56
Sewerage network charge	\$478.86	\$478.86
Sewage disposal charge	-	-
<b>TOTAL</b>	<b>\$973.25</b>	<b>\$1,091.23</b>

- For the current price determination, which sets out our prices from 1 July 2020 and the process we use to update our prices annually to 30 June 2023, Western Water price changes will be limited to changes in financing costs, inflation and changes in bulk charges.
- The actual change in a customer's bill will depend on their water usage.

## Non-revenue water and real water losses

Western Water reports non-revenue water and real water losses three times a year to align with customer billing cycles and to adhere to the guidelines stipulated in the National Performance Framework. A summary of water supplied and consumed – including water supply network losses for 2020-21 – is shown in Table 4.

Water loss reduction is a key component of Western Water's efficiency drive to reduce costs and safeguard future water supply. The estimated proportion of non-revenue water for the system input in 2020-21 was 7.2 per cent, a decrease from the previous financial year of 9.1 per cent. The estimated real water losses (bursts and leaks from the supply systems) decreased from 6.1 per cent in 2019-20 to 3.7 per cent in 2020-21. The rolling five-year averages for non-revenue water and real water losses are 9.5 per cent and 5.6 per cent respectively. Table 4 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.



# Our Environment

## Priority SDGs



Western Water cares for the environment. This year we continued our strong focus on supporting healthy waterways, reducing our environmental impact and supporting community and agency collaboration to deliver sustainable environmental and social outcomes.

## Environmental management

The Environment and Liveability strategic portfolio has made progress over 2020-21 through a range of initiatives primarily contributing to improving our response to climate change and protection of waterways. The portfolio activities are built around 'beyond compliance' environmental stewardship, maximising value capture from waste resources and enabling the business to realise environmental and liveability outcomes.

Our Biodiversity Action Plan implementation has continued throughout 2020-21. A significant project as part of the plan is the enhancement of wildlife habitat at the Sunbury Recycled Water Plant. We have funded investigations to build a new wetland that will provide interconnected habitat with Jacksons Creek to support the endangered Growling Grass Frog population. Furthermore, we have collaborated with Hume City Council and the Department of Environment, Land Water and Planning (DELWP) to develop a concept for a Jacksons Creek Parkland, which includes a 24km walking trail through Sunbury. As part of the concept development, we hosted Wurundjeri Elders at the Sunbury Recycled Water Plant, providing the opportunity for cultural immersion and exploration of sites of cultural significance. This activity will continue to be a key strategic initiative for Greater Western Water.

Investigations into how we can use our recycled water and treatment plant discharges to better manage and enhance the environment have continued. This initiative presents the opportunity to utilise a waste recycled water resource to gain greater community and environmental value and could be an element of the Central Region and Gippsland Sustainable Water Strategy and the Greater Melbourne Urban Water and Systems Strategy (GMUWSS).

Western Water added climate change to its corporate risk register which now acknowledges a changing climate as a key risk to business operations going forward. This consideration will continue under Greater Western Water as an integrated detailed risk register is developed identifying more specific risks to assets. This will also be important in the context of the *Environment Protection Act 2017*, which came into force on 1 July 2021. Significant work has been undertaken to ensure Greater Western Water is equipped to meet the new requirements in the Act, including developing the Greater Western Water environmental policy.

## Environmental targets

Protecting and caring for the environment is a fundamental part of what we do, and we aim to reduce impacts to the environment where possible, particularly from our sewerage services. The following table outlines our environmental performance against targets.

**Table 9. Environmental targets**

Essential Services Commission regulated standards	2021 Actual	2021 Target
Interruptions to sewerage services restored within five hours (%)	100	>98
Unaccounted for water (%)	7	<9
Average time to attend sewer spills and blockages (minutes)	41	<31

## Greenhouse gas and energy reporting

Western Water's Carbon and Energy Strategy provides direction for meeting our greenhouse gas reduction pledge, which was developed in consultation with DELWP during 2017. Western Water has pledged to reduce its emissions by 10 per cent 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 per cent by 2025 when compared to business as usual emissions.

During 2020-21, Western Water implemented a range of actions to manage its greenhouse gas emissions, such as:

- commenced implementation of the Carbon and Energy Strategy which establishes Western Water's position as a water business with a distinct focus on carbon and energy management. Over the longer term, the strategy intends to guide us towards carbon neutrality by 2050 and electricity cost neutrality by 2030
- commenced the trial phase of a \$3.5 million of investment into a waste to energy facility at the Melton Recycled Water Plant, \$0.8 million of which was funded by Sustainability Victoria. Since February 2021, over 150,000 litres of high strength organic waste has been treated to generate additional biogas for renewable energy generation
- 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
- purchased GreenPower for the Eynesbury Recycled Water Pump Station.

Gross greenhouse gas emissions for 2020-21 totalled 35,469 tonnes of CO<sub>2</sub>-e, which is seven per cent higher than our 2020-21 Corporate Plan target of 33,146 tonnes of CO<sub>2</sub>-e.

Net greenhouse gas emissions for 2020-21 totalled 33,146 tonnes of CO<sub>2</sub>-e following the retirement of 2,371 large-scale generation certificates (LGCs), which were used to offset 2,323 tonnes of CO<sub>2</sub>-e associated with electricity consumption. The table below presents our corporate energy performance.

Western Water has a 25 per cent stake in the Zero Emissions Water's Large-Scale Renewables Project (ZEW LSR), a renewable energy purchasing entity formed by 13 Victorian water corporations. Through ZEW LSR, the water sector is supporting the increase of renewable energy in the state's electricity grid and receives LGC offsets that can be used to further reduce emissions from our electricity consumption. After delays in the construction of the ZEW LSR solar array, the project was connected to the grid in January 2021, around 15 months behind schedule. As a result, minimal progress was made on optimising Western Water's LSR contract, however two avenues for optimisation were identified: via the contract-for-difference strike price and via management of our LCG inventory, which will be pursued under Greater Western Water.

Western Water has been working with RMIT University to develop the Melton Recycled Water Plant's capability to operate as a virtual power plant. The plant has multiple behind-the-meter energy sources, including a backup diesel generator, a solar array and biogas turbines, and participates in the wholesale electricity market. By optimising these energy sources' operating regimes to align with certain wholesale electricity price thresholds, the site can increase behind-the-meter renewable energy consumption, reduce greenhouse gas emissions and electricity costs and maximise revenue from exported excess electricity. RMIT's report on the project is due in October 2021.

Table 10: Greenhouse gas reporting 2020-2021

	Greenhouse gas emissions (t CO <sub>2</sub> -e)				Variance %
	2020-21 Projected	Scope 1 Emissions	Scope 2 Emissions	Total Emissions	
Water treatment and supply	NA <sup>1</sup>	0	11,182	11,182	-
Sewage collection treatment and recycling	NA <sup>1</sup>	12,190	11,036	23,226	-
Transport	NA <sup>1</sup>	671	0	671	-
Other	NA <sup>1</sup>	0	391	391	-
<b>Total Emissions</b>	<b>33,146</b>	<b>12,860</b>	<b>22,609</b>	<b>35,469</b>	<b>7.0%</b>
<b>Carbon Offsets (self-generated) retired</b>	<b>-</b>	<b>-</b>	<b>2,323</b>	<b>-</b>	<b>-</b>
<b>Net Emissions</b>	<b>33,146</b>	<b>12,860</b>	<b>20,286</b>	<b>33,146</b>	<b>0.0%</b>

1. Projected total emissions not broken down to individual sources when determined.

Sewage collection, treatment and recycling is the main contributor to Western Water's greenhouse gas emissions, accounting for 65 per cent of total emissions. Water treatment and supply is the second largest contributor, at 32 per cent, while transport and Western Water's head office contributed two and one per cent respectively.

Table 11: Total electrical consumption

Service Delivery Category	19-20 Result (MWh)	20-21 Result (MWh)	% Change
Water treatment and supply	12,556	11,410	-9.1%
Sewage collection, treatment & recycling	11,391	13,393	3.3%
Other (e.g. Offices, depots etc)	1,649	399	-11.0%
<b>TOTAL</b>	<b>25,596</b>	<b>25,202</b>	<b>-3.0%</b>

A total of 25,202MWh of electricity was used by Western Water in 2020-21. This is a three per cent decrease on electricity consumption compared to 2019-20. Electricity use by sewage collection, treatment and recycling increased by 3.3 per cent, which is in line with growth expectations, while water treatment and supply decreased 9.1 per cent due to a lower volume of transfer volumes from the Melbourne Water system. Electricity used by Western Water's head office decreased 11 per cent, reflecting lower occupancy rates due to coronavirus.

Table 12. Total renewable energy consumption

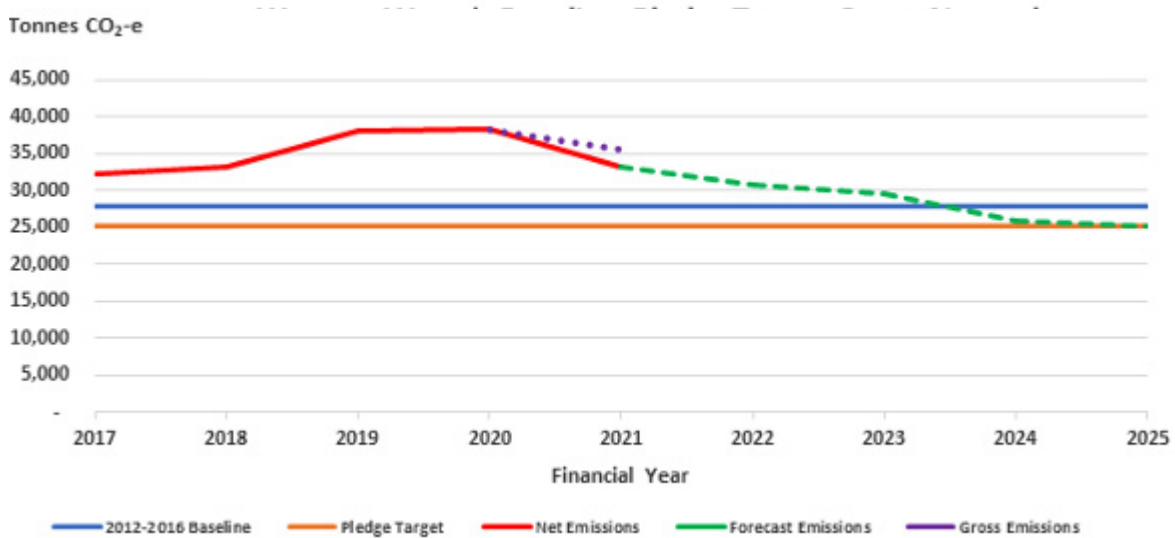
Renewable electricity consumption categories	19-20 renewable energy consumption (MWh)	20-21 renewable energy electricity consumption (MWh)	20-21 renewable energy consumption (% of total consumption)
Total Grid-sourced: Mandatory	4,597	4,399	17%
1. Solar	238	739	2.9%
2. Hydroelectric	-	-	-
3. Wind	-	-	-
4. Biogas	1,114	1,217	4.8%
5. Greenpower	111	176	0.7%
6. Other	-	-	-
Total Corporation led/self-sourced	1,463	2,132	8.5%
<b>TOTAL RENEWABLE ELECTRICITY CONSUMPTION</b>	<b>6,060</b>	<b>6,530</b>	<b>26%</b>

The above table shows that 26 per cent (6,530MWh) of Western Water’s electricity consumption was sourced from renewable sources. This included 4,399MWh of renewable energy embedded in electricity sourced from the grid and 2,132MWh of self-generated renewable energy and Greenpower purchases. Self-generated renewable energy volumes increased by 46 per cent compared to 2019-20 as a result of increased biogas consumption and a full year’s operation of the Melton Recycled Water Plant solar array.

Most of the self-generated renewable energy was consumed at the Melton Recycled Water Plant, resulting in a 51 per cent 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 of their electricity consumption.

The following figure shows Western Water’s greenhouse gas emissions trajectory to achieve our Pledge Target of 25,115 tonnes of CO<sub>2</sub>-e by 2025.

Figure 3. Western Water’s baseline, pledge target, gross, net and forecast greenhouse gas emissions



The above graph shows that while Western Water’s greenhouse gas emissions increased between 2017 and 2020, both gross and net emissions decreased in 2020-21. The reduction in gross emissions reflects the increased volume of renewable energy generated by the Melton Recycled Water Plant, as well as a reduction in the emission intensity of electricity sourced from the grid.

Net greenhouse gas emissions are forecast to continue to reduce 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
- offsetting emissions with LGCs when required.

## Sustainable water use

### Bulk entitlements, transfers, groundwater and water shares

Western Water has ten bulk entitlements providing rights to the use and supply of water. Bulk entitlements 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 at 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 it owns and operates around the Macedon Ranges.

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 area from the Melbourne system in the future.

The Bulk Water Entitlements Reporting in Appendix 4 provides details of water sourced by Western Water and compliance with the bulk entitlements, as well as transfers and related issues.

Western Water 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.

Southern Rural Water (SRW) traded an additional 1,200ML into Western Water's Melbourne Headworks Bulk Entitlement as an assignment transfer in June 2016 for supplying the Bacchus Marsh Irrigation District. The starting balance in July 2020 was 1,026ML. SRW did not require any of this volume during 2020-21. However, a volume of 45ML was lost from this account during the year due to spills, resulting in a balance of 980ML.

Western Water made no temporary assignments or permanent transfers to or from its bulk entitlements during 2020-21.

Western Water has worked with DELWP, SRW and

Melbourne Water in the operation of its bulk entitlements during the year, and has largely complied with the provisions and requirements they contain (see Appendix 4).

Western Water submitted a metering plan to DEPI (now DELWP) which was approved by the Minister. Implementation of this plan commenced in 2011-12 with improvements made in 2012 in conjunction with the Bureau of Meteorology funding program, to improve the accuracy and completeness of data captured.

Western Water continues to improve the network with upgrades to four existing sites and installing two new sites during 2020-21. 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 2020-21.

### Reservoir levels

Local reservoirs supplied 27.3 per cent of all the drinking water demand in the region in 2020-21, which is up from 23 per cent in the previous financial year. A new method was used to determine the local usage this year. The new method takes into account the Melbourne Water bulk water supply that is transferred into Rosslynne Reservoir, which is then either stored or used to produce 'local' water. This provides a more accurate representation of the amount of local water used from local reservoirs. The balance of supplied drinking water was sourced from the Melbourne system.

The region saw higher than average rainfall during the financial year including for the upper reaches of the Lerderberg River, the primary source for Merrimu Reservoir. This resulted in good stream flows and storage levels increasing from a combined total of 32 per cent at the start of the year to 47 per cent.

### Recycled water

Western Water's seven recycled water plants converted 11.9 billion litres of sewage into 11.1 billion litres of recycled water, of which 5.3 billion litres (47.8 per cent) was reused by customers and Western Water. An estimated 0.5 billion litres of drinking water was 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. Western Water continues to supply recycled water to 17 public spaces, such as recreation reserves, sports fields and gardens, four of which are managed by Hume City Council, nine by Macedon Ranges Shire Council and four by Melton City Council.

There are significant long-term opportunities to be realised with Greater Western Water continuing to work with the community and stakeholders towards fully integrating recycled water into our portfolio of water sources, both within and outside of our service area. IWM, the Greater Metropolitan Urban Water and Systems Strategy and the Central and Gippsland Region Sustainable Water Strategy are important elements of this strategy.

### Target 155

Western Water works closely with a range of organisations to contribute to statewide water efficiency initiatives. We have collaborated on the Victorian Water Efficiency Strategy and work will continue with the coordination group to develop new initiatives. Target 155 sets a goal for achieving a daily maximum demand of 155 litres per person by 2035. Western Water's Water Resource Management strategic portfolio group aligns the Target 155 campaign with customer usage.

Western Water has used a range of strategies for achieving Target 155, including community campaigns targeting voluntary reduction of shower times, sustainable gardening, checking for leaks, and building water source/journey awareness. We have utilised a variety of promotional channels, including advertising, social media and regularly updated video content. Our website included 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 Target 155. Similarly, a regularly updated chart displays reservoir levels, to remind customers of fluctuating water availability.

In 2020-21, Western Water supported the promotion of the Target 155 water savings by:

- continuing investigations into the use of digital meters to provide timely usage information
- ongoing demand analysis and forecasting.
- reminding customers that Permanent Water Saving Rules are in place across our region
- working with developers in new estates to ensure inclusion of integrated water management solutions

through the Development IWM Plans

- providing details on bills about water use and how it compares to the Target 155 goal
- promoting the Schools Water Efficiency Program
- working with industry, local Government and community groups about using water wisely.

### Choose Tap

Choose Tap is an initiative encouraging the community to drink tap water instead of bottled water. Western Water has promoted this message to our community through a variety of methods, including promotional materials in cafes and businesses, information offered to local government and sporting clubs, and partnerships with councils and schools. We have assisted in providing drinking fountains in parks, shopping strips and playgrounds to encourage less purchasing of plastic bottles.

Western Water regularly provides free, Choose Tap-branded reusable water bottles to local community events, schools and sports teams.

We continued to promote the Choose Tap method at all public gatherings that were able to go ahead during the last financial year, by providing water tankers, carts and bubblers to not-for profit organisations at multiple events in our service region. Due to restrictions, there has inevitably been a decline in demand for provision of these bottles. It is intended to resume sponsorship of not-for-profit organisations as restrictions ease.

### Working with industry and local government

#### Integrated water management forums

Integrated water management (IWM) is a focus of the water industry at large. Western Water's Strategic Framework includes integrated planning to deliver sustainable environmental and social outcomes. The IWM forums provide a structure through which Western Water has collaborated with our local council, Traditional Owner, catchment management authority and water corporation partners to realise better water cycle outcomes.

The Western Water service area features both liveable urban areas, as well as agricultural and environmentally valuable land. Projects stemming from the IWM forum are exploring innovative and new approaches to better utilise surface water and recycled water. Additionally, these projects will ensure that both farmers and the environment have a steady supply of water when and where it is needed, and at a reasonable price.

Western Water continued as a key participant in the Maribyrnong, Werribee and Coliban IWM forums, by leading or participating in several projects that support the region's growth while protecting the environment for future generations.

### Development scale integrated water management plans

Western Water worked closely with developers, local government and Melbourne Water to determine the best way to service the water cycle in new developments. We have developed the Integrated Water Management Developer Guidance document to facilitate this process. While development-scale plans are delivering better outcomes than would otherwise be realised, the regional-scale planning undertaken through the IWM forums will provide greater direction to developers for implementation as development takes place.

### Council partnerships

Western Water has developed collaborative partnerships with all councils in its service region. We worked with councils to evaluate their priorities for expansion of alternative water sources and enhancing liveability outcomes. This approach included 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. Many of the priority initiatives are being pursued through the IWM forums.

### Liveable cities

This initiative was established and driven by Western Water 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.

The group focuses on coordination of capital works programs, and development of an assessment tool for capital works to better align timelines across utility providers. This will open up greater opportunities for project synergies such as shared trenching, which will reduce impact to customers.

While the project is currently on hold, there is still significant interest from utility providers, working together to provide customers with a more holistic, coordinated service.

### Working with customers and community

Western Water worked closely with our customers and community to engage with and understand the needs

and preferences of the people who rely on our essential water services. We have a comprehensive customer and community engagement framework, including an online customer panel, project-based community consultation groups, regular speakers at formal and informal meetings, and social media. This framework enhances local understanding about our business, guides our interaction with customers, increases community input into decision making, and assists us to gather feedback from customers and the wider community.

During the 2020-21 financial year, the opportunities for face-to-face engagement have been limited due to physical distancing requirements resulting from the coronavirus pandemic. Given this, we have relied on our online and digital capabilities for the majority of our engagement and consultation activity in the past year. We continued to connect with the customers and communities we serve through a number of initiatives.

### First Nations partnerships

Western Water is committed to contributing to reconciliation with First Nations peoples through delivering on commitments outlined in our Reconciliation Action Plan (RAP). The process to integrate the Western Water and City West Water RAPs commenced in November 2020 with the integration of the RAP working groups. The Greater Western Water RAP Committee considered the differences between the City West Water Stretch RAP and the Western Water Reflect RAP and developed a preferred approach for creating a single Greater Western Water RAP.

In the 2020-21 financial year, Western Water launched the Cultural Awareness e-Learning module and mandated this module as core training for all new people. NAIDOC Week and Reconciliation Week were impacted by coronavirus restrictions, and all events were held virtually. This provided Western Water people with the opportunity to participate in numerous events, with many held collaboratively across the industry.

Western Water continued to partner with Traditional Owner groups, including two cultural values assessments with Wurundjeri Woi Wurrung of the Jacksons Creek Recreation Park and consultation on the Gisborne Recycled Water Plant upgrade. The Next Generation Water Management for the Werribee Catchment project also featured Traditional Owner engagement in water management as a core element.

Western Water supported the Sunbury Aboriginal Corporation Children's Christmas Party, attended by approximately 50 children and their families, by

contributing gifts of toys and indigenous books sourced from local businesses. A community sponsorship plan has been developed for Greater Western Water that has identified forward initiatives for 2021 including continuing these local activities.

Under our commitment of supporting First Nations businesses as part of our operations, in 2020-21, we procured \$250,000 of goods and services from six First Nations businesses and two social enterprises.

### Online engagement

Western Water has prioritised online engagement activities to continue our connection with customers through the coronavirus pandemic. More than 73,400 people are digitally connected with Western Water through online groups, including social media and online panel members. Our Engage Western Water consultation site has provided greater opportunities for two-way communication with customers.

### Education and community relations

Western Water's education program offers the opportunity to engage with students of all ages and educate them on the importance of water. This program is an excellent resource for students and continued to be well utilised despite the coronavirus pandemic. The online offering of the program includes virtual incursions, videos, activities and young children's story time.

For many years, Western Water has been committed to water education. Our team of trained educators share 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.

More than 160 preschool and primary school classes took part in our educational presentations during the past year. Western Water also offers Sammy's Waterwise Club, a program that encourages primary school aged children to help save water.

In 2020-21, Western Water retained its strong support of the Schools Water Efficiency Program (SWEPE) and we proudly claim one of the highest participant rates across Victoria.

The program also enabled Western Water to reach households through a variety of communications that provide additional information about Western Water, our education program and payment options.

## Sustainable and resilient water and wastewater service systems

### Capital projects

Servicing the rapidly growing residential precincts in the region requires significant investment by Western Water. Serviced properties in the region grew by 7.6 per cent in 2020-21. Investment in core infrastructure aims to meet current and future development needs while maintaining standards of service for existing customers and protecting the environment.

The business delivered \$96.7 million of capital works in 2020-21, building on the \$83 million investment in the previous financial year. This investment ensures the service region has efficient, modern and innovative water, sewerage and recycled water services to meet customers' present and future needs.

Major capital works undertaken during the reporting period included the construction and commissioning of the Bacchus Marsh Grant Street sewerage pump station upgrade and rising main; servicing new growth in East Maddingley by replacing the existing Grant Street sewerage pump station; and diverting a third of sewage flows away from the existing Avenue of Honour sewerage pump station via a dedicated rising main from Grant Street to the Bacchus Marsh Recycled Water Plant.

Other major capital works with significant expenditure during 2020-21 included:

- \$9.4 million on the Western Irrigation Network additional on-site storage
- \$3.1 million on the Minns Road Tank replacement
- \$1.9 million on the Mt Atkinson – Hopkins Road Outfall Sewer Main
- \$2.1 million on the new Centrifuge Dewatering Facility at Melton Recycled Water Plant
- \$2.4 million on the new Primary Sedimentation Tank at Melton Recycled Water Plant

None of the capital projects managed by Western Water that were completed during the financial year exceeded the disclosure threshold of \$10 million.

With a rapidly growing population in the service region, Western Water was to invest as much as \$140 million annually in capital works over the next decade. As such, preparation for business cases, approvals and tenders will now be undertaken for these future investments by Greater Western Water.

Major capital works planned for 2021-22 include:

- \$24.6 million on the development of the Western Irrigation Network, Bacchus Marsh/Balliang area. Development of this major project is designed to provide a more resilient management system for recycled water, which uses adaptive planning principles.
- \$8.5 million on Melton to Bacchus Marsh Interconnection. With the projected growth in the Western Water southern region, there has been investigation of options for reuse of the additional volumes of recycled water that are becoming available.
- \$5.9 million on the Sunbury Outfall Sewer Duplication. Construction will commence on this major project to duplicate the existing outfall sewer from near Sunbury Road to the Sunbury Recycled Water Plant to cater for additional peak wet weather flows due to growth in Sunbury.
- \$5.4 million on the Riddells Creek Rising Main upgrades to service growth and meet EPA requirements by fully replacing the existing rising mains with a new larger diameter pipe.
- \$4.0 million on the Gisborne Recycled Water Plant Upgrade which services Gisborne, Macedon and Mt Macedon. The upgrade will and cater for the increase in expected inflows due to population growth. The new plant will be more energy efficient and produce higher quality recycled water. It is anticipated that the new plant will be operational by 2024.
- \$3.8 million on the Plumpton Beattys Road Water Main. The new supply is required to cater for growth within the Rockbank precinct.
- \$3.4 million on the Riddells Road Water Pump Station and Chemical Dosing Upgrade, which is planned to increase the capacity of the pump station to meet the long-term needs of water supply operation and growth with improved dosing facilities.
- \$3.1 million on the Western Tank/Phillip Drive Pump Station Upgrade. The combination of the capacity upgrades at Western Tank and Riddell Road pump stations will increase the ability to transfer supply within Sunbury and the Macedon Ranges and will create resilience in these water supply systems.

## Sustainable water strategies

### Urban Water Strategy

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, and the strategies will be carried forward by Greater Western Water.

In 2020-21, Western Water undertook a range of initiatives to ensure the future water demands of the region are met, as part of the UWS implementation. We have continued to explore potential alternative water options for the future.

Significant achievements in sustainable water management during 2020-21 include:

- continuation of the Sunbury IWM project with a focus on furthering the outcomes of community values highlighted during Sunbury's Water Future engagement
- progression of the irrigation expansion at the Romsey Recycled Water Plant to better manage recycled water
- continued construction of the Western Irrigation Network, and development of the adaptive implementation pathway
- active participation in Water for Victoria projects and advocacy for outcomes that are beneficial to our community
- continuation of the sewage and recycled water mass balance project to better manage recycled water within the region
- continuation of the Western Growth Area IWM Master Plan in association with DELWP, Melbourne Water, Southern Rural Water, Melton City Council, Moorabool Shire Council and City West Water.

### Greater Melbourne Urban Water and System Strategy

Victoria's water corporations are due to revise their existing urban water strategies and water supply system strategies by March 2022. This is required every five years to ensure our water plans are regularly reviewed and built on current knowledge, supporting us to navigate impacts of climate change and population growth.

Greater Western Water is collaborating with Melbourne Water, South East Water and Yarra Valley Water to develop the Greater Melbourne Urban Water and System Strategy (GMUWSS) 'Water for Life', which will be the strategy for the whole greater Melbourne region.

This strategy will provide a roadmap toward a secure water future across greater Melbourne for the next 50 years, as the industry navigates the impacts of climate change and population growth.

The strategy will include specific actions for the next five years as well as updated drought preparedness plans, which provide a framework for managing reliability under dry and drought conditions.

In developing 'Water for Life', we have been working with, and will continue to work closely with our customers, Traditional Owners, key stakeholders and the broader community to build a shared understanding of:

- the current and future water challenges we need to address
- a broad range of options for how we'll respond to these challenges
- a clear understanding of what will trigger us to take specific actions
- key criteria against which we'll assess all options for the future.

The final strategy will be submitted to DELWP by March 2022.

### Central and Gippsland Regional Sustainable Water Strategy

Sustainable water strategies are long-term plans developed by DELWP to secure a sustainable water supply across Victoria's regions.

The Central and Gippsland Sustainable Water Strategy aims to address drier conditions, declining water storage levels, investment in the health of waterways and Traditional Owner values regarding environmental flows and water rights.

This year, we participated in the strategy consultative review process led by DELWP, which involved reviewing and providing input into policy and strategy papers relating to water cycle management, including diverse water supplies, efficient use of water in agriculture and shared benefits.

The Central and Gippsland Regional Sustainable Water Strategy is still in development and is expected to be released in 2021-22.

### Drought preparedness

Water corporations are required under the *Statement of Obligations* to prepare drought preparedness plans, which set out actions to prepare for, and respond to, periods of water shortage.

### Annual Water Outlook

In accordance with the Drought Preparedness Plan, each year we publish an Annual Water Outlook, setting out our water security position and actions over the coming year.

The latest Outlook assessment showed that Permanent Water Use Rules would remain in place for our region, and there would be no restrictions implemented. With these actions, *Western Water's Annual Water Outlook 2021*, released in November 2020, confirmed that the region's water availability remained secure for the coming year.

### Drought Preparedness Plan

Developed in accordance with the *Guidelines for Assessing the Impact of Climate Change on Water Supplies in Victoria*, the Drought Preparedness Plan has been in place since December 2018, with the Permanent Water Saving Plan in place since December 2011.

### Integrated Water Management

IWM is a collaborative process that brings together all stakeholders involved in the planning and management of water across the entire water cycle. IWM seeks to maximise liveability, resilience and sustainability outcomes across our cities and regions.

IWM guides our service planning and plays an important role in meeting the challenges of servicing our rapidly growing population. Collaborative planning and partnerships with agencies or stakeholders responsible for different parts of the water cycle is an essential component of helping Melbourne become a water-sensitive city.

Western Water continued to participate in the IWM forums. Through the forums, water corporations, local government, catchment management authorities, and Traditional Owners create a shared vision for the sustainable management of our water and land resources. Western Water has been a key contributor to the Maribyrnong, Werribee, and Coliban IWM forums.



Western Water led and contributed to priority projects identified by the forums to maximise economic, social and ecological benefits to the community through collaborative planning.

Over the past year, we sought to improve planning outcomes by participating in and progressing several priority projects including:

- contributing to the development of strategic outcomes, indicators and measures to guide IWM planning across Melbourne
- commencing construction of the Western Irrigation Network (WIN), and exploring supportive IWM options through the WIN adaptive pathway
- continuing to progress, in partnership with Melbourne Water and Hume City Council, the recommendations made by the community in the Sunbury's Water Future Community Panel Report
- partnering with DELWP, local councils, Melbourne Water, Southern Rural Water, and City West Water on a regional IWM masterplan for the western growth area
- working with the Werribee IWM Forum members on options to service growth in the Bacchus Marsh area using a whole of water cycle approach
- investigating opportunities to provide fit-for-purpose recycled water to green open spaces in the Melton Growth Area
- investigating supplying recycled water to Melbourne Airport and surrounding agricultural precincts
- collaborating with IWM forum partners to support the assessment of a city-wide alternative water network for Melbourne.

## Other statutory obligations

### Regional Catchment Strategy

The Regional Catchment 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 Strategy was developed by the Port Phillip and Westernport Catchment Management Authority (PPWCMA). Western Water has enhanced its partnership with PPWCMA and implemented several joint projects consistent with the intent of the strategy.

Western Water must comply with bulk water entitlements and biodiversity management targets. Information on Western Water's bulk entitlement agreements is in Appendix 4.

As a significant landholder, Western Water has undertaken biodiversity enhancement programs at its properties, and in 2020-21, programs included:

- continued controlling of weeds consisting mainly of Chilean Needle Grass, Serrated Tussock, Box Thorn, Spear Thistle, Horehound and Gorse, from Western Water properties fronting Werribee River, Deep Creek, Jacksons Creek, Garden Hut Creek and Five Mile Creek
- partnering with Pinkerton Landcare and Environment Group to manage the Pinkerton Forest
- planting more than 700 trees along Jackson Creek and Deep Creek
- implementing a management program at offset sites as per the requirements of planning permits.

### Victorian Biodiversity Strategy

Western Water continued to implement actions as recommended in the Biodiversity Action Plan to enhance existing biodiversity values in its properties.

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 all 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 continued to participate in Melbourne Water's stream frontage program. During the reporting period, the trees planted in previous years were weeded and watered.

Western Water owns a 52 hectare property at Harker Street, a peri-urban area, near the eastern limits of suburban Sunbury. The property incorporates the Sunbury Recycled Water Plant.

Western Water commenced investigation to identify appropriate location of additional wetlands to improve the habitat for the Growling Grass Frog.

One of the highlights of managing biodiversity was the preservation of a scar tree found at the Melton Recycled Water Plant site. Monash Art, Design and Architecture alongside Monash University Museum of Art partnered with Western Water to ensure the future of a scar tree found on Boon Wurrung Country near Pinkerton Forest, Mount Cottrell.

The scar tree will feature as the centrepiece of the forthcoming Tree School held in conjunction with the exhibition Tree Story at Monash University Museum of Art.

### 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 a new commitment to upgrade the Gisborne Recycled Water Plant.

Western Water completed a human health risk assessment of the recycled water discharges from Riddells Creek and Woodend recycled water plants. The purpose of the human health risk assessment was in preparation to meet the obligations under the new *Environment Protection Act 2017* which came into effect from 1 July 2021.

### 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.

Works underway in 2020-21 to minimise our impact on waterway health included:

- commencing the design of a major upgrade of Gisborne Recycled Water Plant to further improve the water quality of discharge
- increasing the land available for the reuse of recycled water at Romsey to minimise the risk of discharge to Deep Creek.

### State Environment Protection Policy (Waters)

From 1 July 2021, the State Environment Protection Policy (SEPP) is being replaced by Environmental Reference Standards (ERS). However, the principles of the SEPP will be retained in the ERS in anticipation of changes to the SEPP and the *Environment Protection Act 2017* from 1 July 2021. Western Water was considering the new changes to the Environment Protection Act in its planning activities.

### Discharge to waterways

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 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 Woodend Recycled Water Plant, all the other recycled water plants 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, except for Melton, Sunbury and Gisborne recycled water plants, all the remaining recycled water discharges to surface waters complied with the EPA licence limits.

The overall compliance was assessed against the licence limits specified as either annual median, 90th percentile or maximum based on last 12 months of data. Based on the 12 months data, Melton Recycled Water Plant failed to meet the annual median limit for phosphorous and ammonia, Sunbury Recycled Water Plant failed to meet annual median and the 90th percentile limits for ammonia and total nitrogen respectively, and the Gisborne plant failed to meet maximum limit for ammonia. Upgrades are planned to achieve compliance.

### Discharge to land

Recycled water produced at Western Water recycled water plants are managed either by reusing it on land or discharging to waterways. The application of recycled water to land owned by Western Water is conducted

under an EPA licence and the supply of recycled water to external customers is managed through agreements between Western Water and customers. The supply agreement to external customers adheres to the requirement of EPA's reuse guidelines.

To ensure that the recycled water quality is maintained, there is regular monitoring of recycled water. EPA's Recycled Water Quality Guidelines specify that Class B recycled water must be sampled weekly and Class C requires monthly sampling. The microbial and chemical water quality objectives are specified in the EPA guidelines as 12 monthly medians and 90th percentile value for pH. For the 2019-2020 annual reporting period, an overall compliance was assessed and reported. 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.

Whilst pH of recycled water did not comply with EPA's reuse guidelines, the risk of adverse impact on land from high pH in recycled water was considered low.

### Environmental flows

Western Water must manage its water storages in accordance with environmental flow requirements outlined in the Bulk Entitlements Reporting (Appendix 4). To meet these requirements, our monitoring infrastructure network is regularly examined to ensure compliance.

Macedon has historically been a challenging site to meet daily compliance, due to the rapid varying nature of the stream flows. With the automated valve introduced in 2019, breaches have significantly dropped for the 2020-21 financial year. To ensure that breaches no longer occur, Greater Western Water will seek an amendment to the Macedon bulk entitlement to provide operational flexibility that will be consistent with operational conditions in other bulk entitlements. During the year, Western Water had a shortfall of 2.2ML of passing flows across several events. We did however release an additional 166.32ML throughout the year. More details on passing flows, environmental releases and compliance can be found in Western Water's Bulk Entitlement Reporting (Appendix 4).

### Biosolids

In 2020-21, Western Water produced 2,033 tonnes of biosolids, the organic by-product of sewage treatment. Out of the total biosolids produced and from the material stockpiled from previous years of production, 2,574 tonnes of biosolids was composted along with green waste, at a facility located in Ballan, and converted to a landscaping product. Therefore, the reuse of biosolids in this financial

year was 126 per cent. It was reported last year that Western Water only reused 59 per cent of biosolids.

### Climate change

Western Water has continued its participation in the DELWP pilot Water Sector Adaptation Action Plan which is a precursor to the legislated Water Sector Climate Adaptation Action Plan due for release later in 2021, as required by the *Climate Change Act 2017*. Another requirement of the Act is for regional adaptation action strategies to be developed for Victoria. One of the first strategies to be developed is the Grampians Region Climate Adaptation Strategy which covers the far west of our service area. Western Water has been involved in the development of the strategy, providing input and insight into the water resources that are essential to maintain liveability and support the economy across the region into the future.

We updated our risk management framework and associated corporate risk register with respect to climate change risks. The modernised framework provides further guidance into opportunity and project risk, and updates our risk appetite and tolerance statements. In addition, a methodology was developed for assessing asset risk based on the corporate risk platform. This methodology was applied to assess asset risk and tailored to 27 asset classes. The output will guide identification of priority assets that require capital or operational investment, which will have a direct application to mitigating and adapting to climate change.

To improve resilience across the business, Western Water conducted its annual emergency exercise and tested its business continuity plans. These plans assist in strengthening our business resilience in the event of a disaster, such as bushfires and floods. We have also worked closely with DELWP on critical infrastructure resilience to ensure we have adequate controls in place to respond to current and emerging threats.

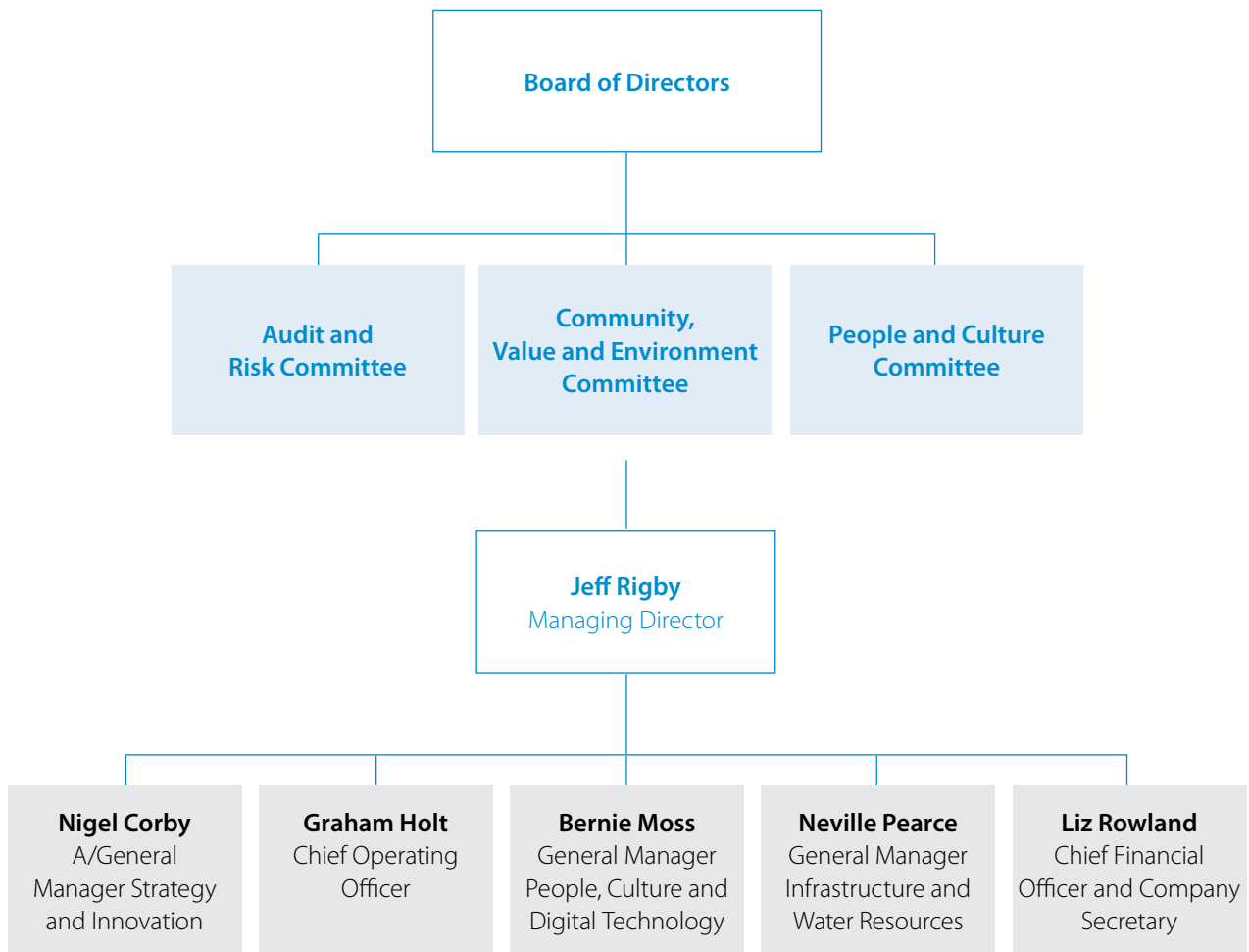
There is an increasing awareness and acknowledgement across the water sector of how climate change will impact urban water use patterns and demands. The draft Catchment Scale Integrated Water Management Plan (CSIWMP) for Melbourne, being developed by DELWP, has identified the need for greater volumes of alternative water to maintain urban greening and cooling in the face of climate change, particularly in drier, built up suburbs of Melbourne. The draft CSIWMP is proposing ambitious targets to provide a climate independent, alternative water source to maintain irrigation for street trees and urban parks and gardens.

# Our Business

## Priority SDGs



## Organisational structure



**Strategy and Innovation**Nigel Corby

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- Strategy
- Innovation
- Policy and Research
- Business Performance
- Corporate Social Responsibility
- Partnerships

**Customer, Community Relations and Operations**Graham Holt

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- Customer Relations
- Communications
- Field Services
- Key Accounts
- Water Systems

**People, Culture and Digital Technology**Bernie Moss

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- P&C Business Partnering
- Organisational Development
- Health, Safety and Wellbeing
- Information Technology
- Enterprise-wide Security

**Infrastructure and Water Resources**Neville Pearce

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- Capital Delivery
- Land Development
- Commercial Services
- Planning
- Project Management Office

**Business Services**Liz Rowland

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- Finance
- Regulation and Governance
- Compliance and Risk
- Company Secretary

## Corporate governance

The Hon. Lisa Neville MP was appointed as the Minister for Environment, Climate Change and Water in December 2014, then as Minister for Water on 23 May 2016. The Minister for Water is responsible for urban water, irrigation water, groundwater, water corporations and governance, allocation and trading, permanent water use rules and water restrictions.

The Minister for Water, in consultation with the Treasurer, appoints the directors of Western Water and sets the terms and conditions. Directors are eligible for reappointment for subsequent terms. The Board is responsible for setting and overseeing the policies, objectives and strategies of Western Water, and for ensuring that risk is appropriately managed.

The Board met 12 times in 2020-21. There were three committees of the Board. The Audit and Risk Committee met six times, the People and Culture Committee met four times, and the Community, Value and Environment Committee met six times.

## Members of the Board

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 2021 the Board comprised of eight non-executive Directors (including the Chair) and a Managing Director:

- Andrew Cairns (Chair)
- Dr Jane Doolan (Deputy Chair)
- Claire Filson
- Jude Holt
- Liza McDonald
- Michael McGarvie
- Les McLean
- Llewellyn Prain
- Jeff Rigby, Managing Director

### Andrew Cairns (Chair)

Appointed October 2017

#### Committee Membership

People and Culture (Chair)

Andrew is the Chief Executive Officer of *Haven; Home, Safe*, a Victorian social housing services and support provider and before this role has was the CEO of Community Sector Banking servicing the not-for-profit sector. He has held executive and senior management positions with the Bendigo & Adelaide Bank Ltd and a range of private sector organisations, including the position of CEO of a community telecommunications company from 2001 until 2010. Prior to his appointment as Chairperson of Western Water, Andrew was a Director of the Board of Coliban Water Board from October 2007, and he was then appointed as Chairperson of the organisation four years later until September 2017. He is a former Director of Loddon Mallee Housing Services and the Bendigo Affordable Housing Company.

### Dr Jane Doolan (Deputy Chair)

Appointed October 2013

#### Committee Membership

People and Culture

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.

### Claire Filson

Appointed October 2017

#### Committee Membership

Audit and Risk (Chair)

Community, Value and Environment

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

Claire is currently a director of Murray Irrigation Limited, TT-Line Pty Ltd and Deputy Chair of the Portable



Long Service Benefits Authority and Port of Hastings Development Authority. She is also an independent member of several audit and risk committees and is a former Director of South East Water (2000-2006). Claire has a Bachelor of Laws, Master of Business Administration (Executive), Graduate Diploma of Applied Corporate Governance, Governance Institute of Australia, and a member of the Australian Institute of Company Directors.

### **Jude Holt**

Appointed October 2019

#### **Committee Membership**

Audit and Risk  
Community, Value and Environment  
People and Culture

Jude has had 25 years' experience in senior management and executive positions in local government and on the Coliban Water senior management team. She holds a Bachelor of Business, a Graduate Diploma of Applied Corporate Governance, a Graduate Certificate in Applied Risk Management, is a Fellow Member of the Governance Institute of Australia, and a Graduate of the Australian Institute of Company Directors Course. She is currently a Board Director of Inglewood & Districts Health Service and CVGT Australia and is the Executive Manager Organisational Capability of Mount Alexander Shire Council where she has responsibilities for risk and safety, people and culture, governance and business improvement.

### **Liza McDonald**

Appointed October 2019

#### **Committee Membership**

Community, Value and Environment

As Managing Director of a consultancy company, Liza provides comprehensive strategic business and community engagement strategies, including the coordination of high-level communications and performance evaluation of Government's transport industry reforms. She holds various qualifications in communication and negotiation and has completed the Australian Institute of Company Directors Course. Liza was a Director of Lower Murray Water Corporation and was Chair of its Governance Committee.

### **Michael McGarvie**

Appointed October 2015

#### **Committee Membership**

Community Value and Environment  
Audit and Risk

Michael is a Senior Project Adviser to Jesuit Social Services in ecological responses to community disadvantage. He was Adjunct Professor at Monash University Law School between 2017 and 2019, and between 2009 and 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 recreational 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.

### **Les McLean**

Appointed October 2019

#### **Committee Membership**

Audit and Risk

Les has extensive senior executive management experience in the Victorian water and health sectors.

Les is currently Board Director and Audit Committee Chair of the Port Phillip and Westernport Catchment Management Authority. Previously, Les has been past President and Committee Member of the Institute of Water Administration Inc. (IWA), AgriWest Inc., and the Sunbury Little Athletics Centre Inc.

Les was a member of Western Water's senior Executive Management Team from June 2006 to April 2014, holding the roles of Executive General Manager Commercial Services and Executive General Manager Strategy and Performance.

Les has a Bachelor of Business (Accounting), is a Fellow of CPA Australia, Graduate of the Australian Institute of Company Directors and a Fellow of the Institute of Water Administration Inc (IWA). Les is also a recipient of the IWA's highest individual award, the Barry E Leach Award, for exemplary service to IWA and the Victorian water industry.

**Llewellyn Prain**

Appointed October 2015

**Committee Membership**

Community, Value and Environment (Chair)  
People and Culture

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.

Llewellyn 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. She is a member of the VicWater Diversity and Inclusion Steering Committee and Chair of WaterAble, a network for people with disability and their allies in the Victorian water industry. She completed the Williamson Community Leadership Program in 2017.

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

**Jeff Rigby, Managing Director**

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 37 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.

Jeff has also served as a Board Director of Castlemaine Health, a regional public hospital, since 2018.

**Committees of the Board**

<b>Audit and Risk Committee</b>	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. All members of the Committee are independent.
<b>Community, Value and Environment Committee</b>	Assists the Board in ensuring effective, open and transparent engagement with customers and the community about Western Water’s operations and strategies, that the services it provides create a healthy, liveable and sustainable environment and that the investment in infrastructure, assets and systems to deliver the services represents value to customer and community.
<b>People and Culture Committee</b>	Assists the Board with oversight of OH&S, culture, leadership development, succession planning, continuous improvement and induction, as well as remuneration.

The Board established three 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 people and the Managing Director, members of the Executive and other people, 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.

Table 13. Director committee attendance

Board Directors	Board Meeting		Audit and Risk Committee		People and Culture Committee		Community, Value and Environment Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
A. Cairns	12	12	-	-	4	4	-	-
J. Doolan	12	12	-	-	4	4	-	-
C. Filson	12	12	6	6	-	-	5	6
J. Holt	12	12	6	6	4	4	-	-
L. McDonald	12	12	-	-	-	-	6	6
L. McLean	12	12	6	6	-	-	-	-
M. McGarvie	10	12	6	6	-	-	6	6
L. Prain	12	12	-	-	4	4	6	6
J. Rigby <sup>1</sup>	12	12	6	6	4	4	6	6

1. Attended committee meeting but not as a member

## Health, safety and wellbeing

For the past two and a half years, Western Water has sought to overhaul our Health, Safety and Wellbeing practices to enhance our work, improve our safety systems and continue to build on our culture of care with a 24/7 safety mindset.

Over the course of the program there has been a significant shift in how our people approach their work, their safety behaviour and general mindset when it comes to workplace safety. Further, the program has identified and mitigated risk across the organisation, making Western Water a much safer and healthier place to work.

Our program has also delivered an uplift in how mental health and wellbeing is viewed and managed across the business, which was evident during the pandemic.

As this is the final annual report for Western Water, it is worth acknowledging the collective achievements over the past few years, achievements which have involved the active support of frontline workers, managers, executives and the Board.

<b>Growing Our Health and Safety Culture</b>	<ol style="list-style-type: none"> <li>1. Safety Culture metrics developed as a lead indicator and for trend monitoring.</li> <li>2. Safety Surveys completed (1) 'current state' &amp; (2) 'future state' demonstrating clear improvements over 2 years</li> <li>3. Delivered our foundational 24/7 Safety Culture Awareness training – 'what is 24/7 safety' 'why is safety important to me'</li> <li>4. Board and Executive Safety regulatory training completed</li> <li>5. Comprehensive Safety Leadership Course delivered to all employees</li> </ol>
<b>Building Our Safety Leadership</b>	<ol style="list-style-type: none"> <li>6. Created our short film 'WW Safety Stories' to reinforce personal safety through the actual storytelling / experiences of our people.</li> <li>7. Reaffirm safety through storytelling - 'Safety Moments' and safety discussion embedded in all formal meetings</li> <li>8. Launched 'Our Safety Essentials' a user-friendly safety behaviour guide for all employees</li> <li>9. Embedded health &amp; safety within the different employee life cycle stages – attract, select, develop, perform, and depart.</li> <li>10. Enhanced the Safety Committee agenda and broader focus</li> </ol>
<b>Managing Our Safety Risks</b>	<ol style="list-style-type: none"> <li>11. Conducted the comprehensive Risk Discovery Project across Western Water and mitigated identified risks</li> <li>12. Implemented the 'stop work' safety card to empower our people, with numerous examples of our people acting and stopping unsafe work</li> <li>13. Developed &amp; implemented the 'Critical Risk Controls' booklet to enhance awareness of workplace risks and mitigations</li> <li>14. Reviewed all Safety Training and the annual program for currency</li> <li>15. Implemented an improved monthly safety auditing program</li> <li>16. Implemented new 'safety on tap' phone app for easy (and paperless) near-miss and hazard reporting</li> <li>17. Educated our people about the benefits of hazard and near miss reporting and the 'no blame' approach</li> <li>18. New Contractor Management System (CodeSafe) implemented to monitor contractor movements, site access and communications</li> <li>19. Lines of Defence Assurance Model review conducted</li> <li>20. Updated safety related risk and incident management procedures</li> </ol>
<b>Our People's Wellbeing</b>	<ol style="list-style-type: none"> <li>21. Implemented our holistic Mental Wellbeing Program</li> <li>22. Trained and implemented our Mental Health First Aiders (Peer support program)</li> <li>23. Rolled out mental health awareness training, 'welfare warriors' program</li> <li>24. Two Wellbeing surveys conducted with our people, demonstrating improvement in our wellbeing metrics</li> <li>25. Formation of a cross-business Wellbeing Committee to drive new initiatives</li> <li>26. Comprehensive pandemic wellbeing program delivered</li> <li>27. New health monitoring program implemented</li> </ol>
<b>We Measure our Health and Safety</b>	<ol style="list-style-type: none"> <li>28. Our Total Recordable Injury Frequency Rate (TRIFR) reduced from 38 to 3 over the course of the program and finished the current year at 5</li> <li>29. One Lost Time Injury for 18 months</li> </ol>
<b>Continuous Learning</b>	<ol style="list-style-type: none"> <li>30. Clear reduction in the number of High Potential Incidents across the business over the course of the program</li> <li>31. Clear lead indicator metrics focused on our safety culture</li> <li>32. Improved performance reporting to the Board, Executive and whole of organisation</li> </ol>
<b>Effective Safety Management System</b>	<ol style="list-style-type: none"> <li>33. Achieved ISO45001 (Occupational Health and Safety) accreditation for Western Water in February 2021</li> <li>34. New Health, Safety and Wellbeing intranet pages created for our people</li> <li>35. Key procedure reviews and updates (e.g., Confined Space, Bushfire Safety, Recovery of Vehicles)</li> </ol>
<b>Industry Partnering</b>	<ol style="list-style-type: none"> <li>36. Implementation of a new Contractor forum with strong safety focus</li> <li>37. Greater sharing of information and procedures across the water sector including participation in industry working groups</li> </ol>

In March 2019, at the commencement of our Health and Safety program, Western Water conducted a Health and Safety survey to assess the 'current state' of the safety culture, work practices and safe systems of work at Western Water. The results were very good, with opportunity to further build on the results with the delivery of the program. In July 2020, we conducted the first 'future state' survey, just over halfway through the program, and in June 2021 we conducted another 'future state' survey following completion of the two-year health, safety and wellbeing program.

Over the past 12 months, most of the engagement survey dimensions either remained stable or improved against the prior year. The following table shows the overall positive result for the past three surveys with improvement shown in every year.

**Table 14. Engagement with our people on safety**

Key Element	2019	2020	2021
Health, Safety and Wellbeing Engagement - overall result	71%	79%	81%

### 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 43 incidents and 42 hazards reported in 2020-21:

- one of these was a lost time injury
- five were minor injuries requiring first aid or medical treatment
- 25 required no treatment or were near miss reports.

The Total Recordable Injury Frequency Rate (TRIFR) has continued to improve over the last few years from 40 in 2016-17, 22 in 2017-18, 19 in 2018-19, 3 in 2019-20 and 5 in 2020-21.

### WorkCover claims

Standard WorkCover claims increased slightly from three last year to four this financial year. The number of minor claims decreased from one in the previous financial year to zero this financial year. The total number of new standard claims for 2020-21 is two less than the five-year average.

### WorkCover lost days

During the reporting period, there was one lost time injury reported compared to the previous financial year where there was none reported.

The number of WorkCover lost days has improved from 381 days lost in the previous year to 301 days lost this financial year. The majority of this time off was as a result of injuries that occurred in the previous year's reporting.

### WorkCover premiums

WorkCover premium increased by \$62,714 in 2020-21 from the prior financial year. Premiums are based on the application of industry rates, remuneration and claims history.

## Financial overview

Western Water delivered a profit before tax result of \$82.9 million for 2020-21 compared to our Corporate Plan budget of \$54.2 million and on par with the previous year's result.

The strong financial performance was primarily due to higher-than-expected residential development activity, which offset lower-than-expected service and usage charges due to high rain and additional expenditure required to deliver the integration of Western Water and City West Water on 1 July 2021. Assets received from developers accounted for \$65.2 million of Western Water's \$199 million revenue, \$19.3 million above the Corporate Plan budget and only eight per cent below the record high amount the previous year. This is significant as this is non-cash revenue, however, it results in Western Water paying additional income tax equivalent of \$9 million.

Our capital works investment predominately related to servicing connections for growth totalled \$96.7 million – being \$13.7 million higher than the previous financial year.

Funding of investments was achieved through a combination of developer cash contribution fees received, an increase in debt funding of \$75 million and a \$6 million equity contribution from the State Government for the Western Irrigation Network.

Table 15. Financial summary five years

	2020-21	2019-20	2018-19	2017-18	2016-17
Revenue	199,002	193,959	148,608	123,229	100,758
Expenses	116,137	109,464	99,664	89,874	85,767
Net profit before tax	82,865	84,495	48,944	33,355	14,991

### Information and Communication Technology (ICT) expenditure

For the 2020-21 reporting period, Western Water had a total ICT expenditure of \$10.04 million, which included \$3.3 million Business as Usual (BAU) ICT expenditure and \$6.7 million Non-Business as Usual (Non BAU) ICT expenditure.

Table 16. Information and Communication Technology (ICT) expenditure

Year	All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities			Total ICT expenditure \$'m
	Business as usual (BAU) ICT expenditure \$'m	Non BAU ICT expenditure (operating and capital) \$'m	Operational expenditure \$'m	Capital expenditure \$'m	
2021	3.3	6.7	2.7	4.0	10.0
2020	2.5	5.9	2.1	3.8	8.4

### Consultancy expenditure

In 2020-21, there were 24 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 \$1,046,750 (excluding GST). Details of individual consultancies can be viewed at [gww.com.au](http://gww.com.au).

In the reporting period, there was one consultancy where the total fees payable to the consultant was less than \$10,000. The total expenditure incurred during the reporting period in relation to these consultancies was \$7,000 (excluding GST).



## Other information

### Social and sustainable procurement

In 2020-21, Western Water prioritised the following Social Procurement Framework objectives which align with the organisation's strategic direction and values:

- Opportunities for Victorian First Nations People including direct spend with First Nations businesses and employment
- Opportunities for Victorians with a disability including direct spend with Australian Disability Enterprises and employment
- Engagement of suppliers with commitments to First Nations people or Social Enterprises

Social and sustainable procurement highlights for the year included:

- Developed a Social Procurement Plan for the Gisborne Recycled Water Plant upgrade project.
- Provided sponsorship for a children's Christmas party for the Sunbury Aboriginal Corporation
- Engaged a social enterprise impacted by coronavirus to provide archive transport
- Engaged First Nation businesses for graphic design and printing services

### Freedom of information

The *Freedom of Information Act 1982* (the Act) allows the public a right of access to documents held by Western Water. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by Western Water. This comprises documents both created by Western Water or supplied to Western Water by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by Western Water is available on Western Water's website under its Part II Information Statement.

The Act allows Western Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: Cabinet documents; some internal working documents; law enforcement documents; documents

covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to Western Water in-confidence.

The Act was amended on 1 September 2017 to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation is required under ss 29, 29A, 31, 31A, 33, 34 or 35, the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

If an applicant is not satisfied by a decision made by Western Water, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

### FOI statistics/timelines

During 2020-21, Western Water received 13 requests for access to information in accordance with the Act. One request was a personal request and the remaining twelve were non-personal requests and were from the general public. Of these 13 requests, eight were finalised and five were outstanding on 30 June 2021.

Western Water made eight FOI decisions during 2020-21. The eight decisions related to seven requests received in 2020-21 and one non-personal request that was outstanding from 2019-20. Part access to all documents was provided in response to three requests and access to documents was denied in one request, while four requests had no documents found and one request did not proceed.

During 2020-21, one request was subject to a complaint/internal review by the OVIC, and progressed to the Victorian Civil and Administrative Tribunal (VCAT). The request was settled prior to the VCAT hearing.

### Making a request

FOI requests can be lodged online via the Greater Western Water website at:



[www.gww.com.au/FOI](http://www.gww.com.au/FOI)

An application fee of \$30.10 applies. Access charges comprising search charges and photocopying charges may also be payable. Access to documents can also be sought through a written request to Greater Western Water’s FOI Officer.

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of materials and/or documents are being sought. Requests for documents in the possession of Greater Western Water should be addressed to:

Freedom of Information Officer  
 Greater Western Water  
 Locked Bag 350  
 Sunshine Vic 3020

For further information about FOI, refer to the *Freedom of Information Act 1982* and regulations or go to the government’s website at:



**Compliance with the *Building Act 1993***

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

Western Water owns or controls several buildings at the following locations:

- Harker Street, Sunbury
- Butlers Road, Mount Cottrell
- Diggers Rest -Toolern Vale Road, Toolern Vale
- Gisborne – Bacchus Marsh Road, Gisborne
- Montgomery’s Lane, Woodend
- Haywood Drive, Gisborne.

Consequently, Western Water is required to include a statement on its compliance with the building and maintenance provisions of the *Building Act 1993* in relation to these buildings.

To achieve this in 2021:

- assets were maintained under the required standards and codes
- an asset management system was used to maintain the assets.

Western Water requires that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by Western Water and that

their work and services comply with current building standards. All such consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the *Building Act 1993*, Building Regulations 2018 and the National Construction Code.

In relation to our existing buildings Western Water facilities management is responsible for:

- mandatory testing of emergency and exit lighting and lift equipment in accordance with relevant standards
- routine inspections and preventive maintenance
- routine mechanical services and monthly and annual fire service audits.

Downer is responsible for the same works at the buildings at Sunbury Recycled Water Plant as they run the day-to-day operations at this site.

The testing and inspections at these sites inform the works program which is delivered annually through existing maintenance contracts.

In 2020-21:

Number of major works projects undertaken by Western Water (greater than \$50,000)	• Nil
Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by Western Water	• 0 building permits • 0 occupancy permits • 0 certificates of occupancy
Number of emergency orders and building orders issued in relation to buildings	• 0 emergency orders • 0 building orders
Number of buildings that have been brought into conformity with building standards during the reporting period	• 0 buildings brought into conformity

**Compliance with *Public Interest Disclosure Act 2012***

The *Public Interest Disclosure Act 2012* (PID Act) enables people to make a disclosure about corrupt or improper conduct by a public officer or a public body. Western Water is a public body for the purposes of the PID Act.

### What is a public interest disclosure?

A public interest disclosure is a complaint of corrupt or improper conduct or detrimental action by a public officer or a public body.

'Improper or corrupt conduct' involves substantial mismanagement of public resources, risk to public health or safety or the environment, or corruption.

'Detrimental action' is action taken against a person in reprisal for making a public interest disclosure.

### How do I make a public interest disclosure?

You can make a public interest disclosure about Western Water or its board members, officers or employees by contacting IBAC (details below).

Western Water is not able to receive public interest disclosures.

Western Water has established procedures for the protection of persons from detrimental action in reprisal for making a public interest disclosure about Western Water, its board members, officers or employees. You can access Western Water's procedures on its website at:



[westernwater.com.au](https://www.westernwater.com.au)

### Contact

Independent Broad-Based Anti-Corruption  
Commission Victoria  
Level 1, North Tower, 459 Collins Street, Melbourne  
Victoria 3001  
Postal address: IBAC, GPO Box 24234,  
Melbourne Victoria 3000  
1300 735 135  
[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.

### 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 continued to comply with the requirements of the Competitive Neutrality 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 state-wide 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 into prior to 15 August 2018.

### Projects Commenced – Local Jobs First Standard

During 2020-21, Western Water commenced four Local Jobs First Standard projects totaling \$10.8 million. Of those projects, two were located in regional Victoria, with an average commitment of 93 per cent of local content, and two in metropolitan Melbourne, with an average commitment of 94 per cent 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 93 per cent of local content commitment was made
- a total of 20.42 jobs (annualised employee equivalent (AEE)) were committed, including the creation of 1.98 new jobs and the retention of 26.6 existing jobs (AEE)
- 0.28 for apprentices, trainees and cadets were committed, and
- the retention of 1.5 existing apprenticeships, traineeships and cadets.

### Projects completed – Local Jobs First Standard

During 2020-21, Western Water completed one Local Jobs First Standard project, totaling \$9.3 million. That project was in regional Victoria and had an average commitment of 82 per cent local content. No statewide projects were completed. The MSPG applied to none of these projects.

The outcomes from the implementation of the Local Jobs First policy to this project were as follows:<sup>1</sup>

- an average of 82 per cent of local content was provided
- a total of 13.07 jobs (annualised employee equivalent (AEE)) were provided, including the creation of 3.39 new jobs and the retention of 9.68 existing jobs (AEE)
- no positions for apprentices, trainees and cadets were provided, with no new apprenticeship, traineeship or cadetship created.

### Projects commenced – Local Jobs First Strategic

There were no Strategic Projects commenced.

### Reporting requirements – all local jobs first projects

During 2020-21, there were five small-to medium sized businesses that prepared a Local Industry Development Plan (LIDP) for contracts, and successfully appointed as Principal Contractor. During 2020-21, 399 small-to-medium sized businesses were engaged through the supply chain on these projects.

### Disclosure of major contracts

In 2020-21, Western Water entered into one major contract with a value of over \$10 million. The relevant contract is for the design and construction of Melton Pump Station and Parwan Pump Station. This contract was awarded to Comdain Civil Constructions Pty Ltd. Details about this contract are available on the Buying for Victoria website at [tenders.vic.gov.au](https://tenders.vic.gov.au)

### Advertising expenditure

Western Water total advertising spend in 2020-21 was \$107,519. Advertising expenditure includes recruitment and operational advertising to meet legislative requirements.

### Financial Management Act 1994

Other information as required under the *Financial Management Act 1994*, but not specifically referred to, has been retained by the Accountable Officer and is available on request by the Minister for Finance, Members of Parliament, and the general public.

## Asset Management Accountability Framework (AMAF) attestation

Western Water attests as being 'compliant' with six of the 41 mandatory requirements. Of the non-compliant items, none are considered material.

### AMAF maturity assessment

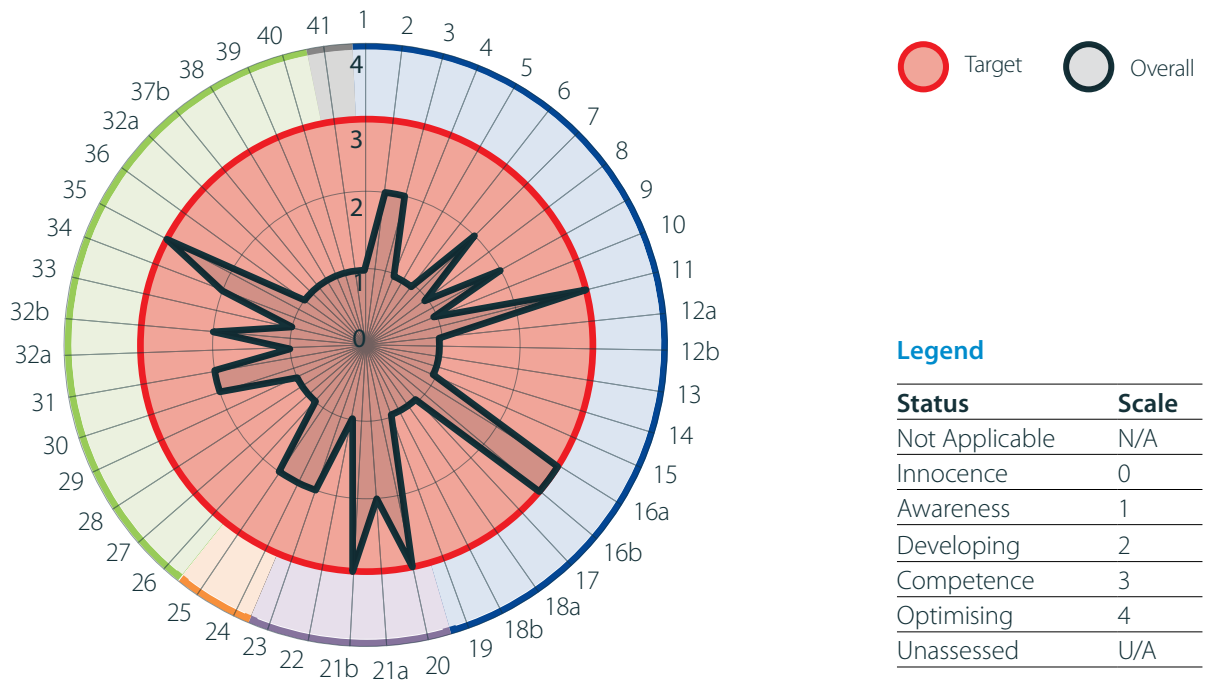
The following sections summarise Western Water's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the DTF website:



[dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework](https://dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework)

Western Water had implemented the "Optimised Asset Management" project which specifically focused on improving the strategic management of Western Water's asset portfolio. A number of the initiatives under this project were put on hold following the announcement of the integration of Western Water and City West Water as the strength of both organisations will be leveraged to develop combined asset management plans.

1. Based on information available at the time of production



Western Water’s target maturity rating is ‘competence’, meaning systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements.

**Leadership and accountability (requirements 1-19)**

Western Water is largely at an awareness and developing maturity level under most requirements within this category. Western Water is competent in the areas of Attestation Requirements and Asset Management System Performance. A plan for improvement is in place to improve the organisation’s maturity rating in non-compliant areas. With the integration of City West Water and Western Water, a consolidated improvement plan for Greater Western Water is in place.

**Planning (requirements 20-23)**

Western Water is largely at an awareness and developing maturity level under most requirements within this category. The organisation is partially compliant in the area of Asset Management Strategy, and has awareness of or is developing risk management and contingency planning. A plan for improvement is in place to improve the organisation’s maturity rating in these areas. With

the integration of City West Water and Western Water, a consolidated improvement plan for Greater Western Water is in place.

**Acquisition (requirements 24 and 25)**

Western Water is at a developing maturity level in this category.

**Operation (requirements 26-40)**

Western Water is largely at an awareness and developing maturity level under most requirements within this category. Western Water is competent in one area of Information Management. A plan for improvement is in place to improve the organisation’s maturity rating in these areas. With the integration of City West Water and Western Water, a consolidated improvement plan for Greater Western Water is in place.

**Disposal (requirement 41)**

Western Water has an awareness of requirements in the area of disposal. A plan for improvement is in place to improve the organisation’s maturity rating in this area. With the integration of City West Water and Western Water, a consolidated improvement plan for Greater Western Water is in place.

### Reporting requirements – grants

For grants provided during 2020-21, no interaction reference numbers were required, which entailed a conversation with the Industry Capability Network (Victoria) Ltd.

### Compliance with the *Disability Act 2006*

Western Water's Diversity and Inclusion Plan includes actions to ensure compliance with the *Disability Act 2006*. Our plan and participation in the VicWater Diversity and Inclusion Steering Committee has ensured a collaborative approach is taken to promote inclusion within our industry, the community, with our customers and our workforce.

To reduce the barriers for customers with a disability to access our services Western Water has:

- redesigned our bill to make it easier to understand
- expanded our easy English information which includes more diagrams and larger print
- continued to offer Teletype
- substantially increased the video content on our website
- invited customers, particularly with cognitive disabilities, to allow 'thinking time' prior to making a decision, or to seek advice from a support person
- launched SMS to enable full conversations to be held without the need for a telephone conversation
- conducted education sessions with adult learners with disabilities, carers groups, and local specialist schools, including people with a disability in our pricing consultation and tariff structure review programs.

We have reduced the barriers impacting carers and persons with a disability obtaining and maintaining employment with Western Water by fostering a culture that values diversity and is actively inclusive. Our actions included:

- conducting a diversity survey of our people to understand our baseline data (number of employees identifying as having a disability or as carers) and asking for feedback on inclusion in the workplace and necessary flexibility and adjustments to remove barriers to employment

- promoting and showing visible support of (including sponsorship of the launch event) WaterAble, a VicWater industry network for people with a disability and their allies
- conducting training for our people from the early stages of employment in induction, through to specialised training for leaders and people including 'Unconscious Bias' and 'Diversity is good for business'
- establishing partnerships with local disability employment agencies to improve access to the recruitment process and to attract people with a disability to Western Water
- holding events to celebrate carers and promoting awareness of people with a disability included in our annual Culture Calendar
- developing a reasonable adjustment procedure to provide guidance for leaders
- making Flexible Work Arrangements available to all people.

### 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:

- 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
- fuel consumption for transport through operation process changes facilitated by remote monitoring.

Office water consumption and greenhouse gas emissions are reported separately in this report.



### Other information available on request

In compliance with the requirements of the Standing Directions of the Assistant Treasurer, details in respect of the items listed below have been retained by Western Water and are available from Greater Western Water on request, subject to the provisions of the *Freedom of Information Act 1982*:

- 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 publications produced by Western Water about itself and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by Western Water
- details of any major external reviews carried out on Western Water
- details of major research and development activities undertaken by Western Water
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by Western Water to develop community awareness of services
- details of assessments and measures undertaken to improve the occupational health and safety of people
- a general statement on industrial relations within the corporation 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 that purpose has been achieved, and
- details of all consultancies and contractors including:
  - consultants and contractors engaged
  - services provided
  - expenditure committed to for each engagement.

# Financial Management Compliance Attestation

I, David Middleton, on behalf of City West Water Corporation, trading as Greater Western Water Corporation, certify that for the 2020-21 financial year, the Western Region Water Corporation had no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



**David Middleton**

Chair

Melbourne

24 August 2021

# Financial Report

Western Region Water Corporation has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2021. It is presented in the following structure:

## Contents

<b>Performance Report</b>	<b>54</b>
<b>Certification of Performance Report</b>	<b>57</b>
<b>Independent Auditor's Report</b>	<b>58</b>
<b>Comprehensive Operating Statement</b>	<b>60</b>
<b>Balance Sheet</b>	<b>61</b>
<b>Statement of Changes in Equity</b>	<b>61</b>
<b>Cash Flow Statement</b>	<b>63</b>
<b>Notes to the Financial Statements</b>	<b>64</b>
1 Basis of Preparation	64
2 Funding Delivery of Our Services	<b>67</b>
3 The Cost of Delivering Services	75
4 Key Assets Available to Support Output Delivery	83
5 Other Assets and Liabilities	102
6 How We Financed Our Operations	109
7 Risks, Contingencies and Valuation Judgements	118
8 Statutory Obligations	128
9 Other Disclosures	132
<b>Statutory Certification</b>	<b>145</b>
<b>Independent Auditor's Report</b>	<b>146</b>

## Performance Report

As part of their annual reporting obligations, urban water corporations are required to include a consolidated performance report comprising both financial and non-financial performance indicators. The objective of the report is to provide a consistent view of the current and ongoing performance of the corporation.

### Financial performance

		2019-20	2020-21	2020-21	%		%	
	Performance indicator	Result	Result	Target	Variance to prior year	Notes	Variance to target	Notes
<b>F1</b>	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax/net interest payments	3.68	4.20	3.00	14.1%	1	40.0%	2
<b>F2</b>	<b>Gearing Ratio</b> (Total Debt including finance leases/ Total Assets) x100	28.1%	29.1%	32.4%	(3.7%)		(10.2%)	3
<b>F3</b>	<b>Internal Financing Ratio</b> Net operating cash flow - dividends/ Capital expenditure x100	25.0%	20.9%	11.3%	(16.4%)	4	85.0%	5
<b>F4</b>	<b>Current Ratio</b> Current assets/Current liabilities (excluding long term employee provisions and revenue in advance)	0.42	0.63	0.86	48.9%	6	(27.3%)	7
<b>F5</b>	<b>Return on Assets</b> Earnings before net interest and tax / average assets x100	8.51%	7.36%	5.60%	(13.5%)	8	31.4%	9
<b>F6</b>	<b>Return on Equity</b> (Net profit after tax average total equity) x100	8.86%	7.72%	3.20%	(12.9%)	10	141.3%	11
<b>F7</b>	<b>EBITDA Margin</b> (Earnings before interest, tax Depreciation and Amortisation/Total revenue) x100	64.91%	64.51%	62.50%	(0.6%)		3.2%	

#### Notes:

- 1,2 Stronger developer cash contribution revenue and associated new building connection fees due to continued high growth.
3. Gearing ratio better than plan due to capital expenditure delivery occurring at the end of the financial year and payments not due until 2021-22 financial year.
4. Higher capital program delivered than prior year on a similar revenue base results in reduction in result.
5. Better than plan due to higher payments in the financial year however higher accruals mean payments are to be made in the 2021-22 financial year.
6. There were higher current assets held at June 2021 as the billing was staggered over four months (March-June 2021) whereas billing is usually completed by the end of May. This resulted in higher receivables at 30th June as not all bills were due before 30th June like in previous years.
7. The capital program was forecast with some higher expenditure towards year-end however the actual year-end accrual based expenditure included an additional \$10 million, which will move cash payments into the 2021/22 financial year this reducing current year payments.
8. The financial result was similar to last financial year but the asset base increased due to the capital expenditure program and asset revaluation thereby appearing to produce a lower return.
9. The 2020-21 financial performance was better than plan despite the higher asset base thereby producing an improved result.
10. The financial performance, despite being similar to prior year, saw a decline in the ratio due to higher equity base as a result of asset valuation, capital expenditure and gifted assets from developers.
11. Financial performance was better than plan due to higher revenue from developer cash contributions and other associated new building connection fees.

### Water and sewerage service performance indicators

		2019-20	2020-21	2020-21	%		%	
	Performance indicator	Result	Result	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 (minutes)</b> Average duration of unplanned water supply interruptions water supply interruptions	121.3	97.0	126.0	20.0%	12	23.0%	12
<b>WS3</b>	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	97.5%	98.5%	99.0%	1.0%		(0.5%)	
<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	98.6%	95.9%	100.0%	(2.7%)		(4.1%)	
<b>SS2</b>	<b>Sewerage interruptions</b> Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	98.4%	100.0%	100.0%	1.6%		0.0%	

**Notes:**

12. A significant investment into the latest Non Destructive Digging equipment and a revised process for repairs has helped reduce water supply interruption times for our unplanned works.

### Customer responsiveness performance indicators

		2019-20	2020-21	2020-21	%		%	
	Performance indicator	Result	Result	Target	Variance to prior year	Notes	Variance to target	Notes
<b>CR1</b>	<b>Water quality complaints</b>							
	Number of complaints per 1000 customers	2.083	2.708	4.00	(30.0%)	13	(32.3%)	14
<b>CR4</b>	<b>Billing complaints</b>							
	Number of complaints per 1000 customers	0.388	0.337	0.50	(13.1%)	15	(32.6%)	16

**Notes:**

13. There was an increase in general water quality complaints due to the seasonal change in the supply from Rosslynne Reservoir to the Macedon Ranges towns causing an earthy smell related to harmless, natural occurring compounds. There were also events recorded where sediments were stirred up in the mains, either from unplanned watermain issues or in new developments impacted by construction.
14. Communications to residents continues to advise flushing water taps until clear after events when sediments have been disturbed.
15. Reduction from last year due to 4 fewer complaints (2021: 26, 2020: 30) as there has been an increased focus offering customers a range of assistance options making bills more affordable and providing flexible payment solutions.
16. There has been an increased focus offering customers a range of assistance options making bills more affordable and providing flexible payment solutions.

### Environmental performance indicators

		2019-20	2020-21	2020-21	%		%	
	Performance indicator	Result	Result	Target	Variance to prior year	Notes	Variance to target	Notes
<b>E1</b>	<b>Effluent reuse volume (end use)</b>							
	Percentage recycled for each category	57.3%	47.8%	61.0%	(16.6%)	17	(21.6%)	17
<b>E2</b>	<b>Total net CO2 emissions</b>							
	Net tonnes CO2 equivalent	38,257	33,146	33,146	13.4%	18	0.0%	

**Notes:**

17. There has been a reduction in farming and irrigation opportunities on the Sunbury-Melton Recycled Water Scheme due to urban growth. Summer rainfall in all areas was above median rainfall and this continued into winter.
18. There was an 3% increase in electricity usage in the water and sewerage treatment processes in line with growth in the region. This was offset by a 9% lower volume of water pumped from Melbourne, increased behind the meter renewable energy generation, and surrender of Large Scale Generation certificates.



## Certification of Performance Report

We certify that the accompanying Performance Report of Western Region Water Corporation in respect of the 2020-21 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 2020-21 Business 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 on 24 August 2021, on behalf of the Board.



**David Middleton**  
Chair



**Maree Lang**  
Managing Director



**Liz Rowland**  
Chief Financial Officer

# Independent Auditor's Report



## Independent Auditor's Report

**To the Board of the Greater Western Water Corporation (formerly Western Region Water Corporation)**

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<b>Opinion</b>	<p>I have audited the performance report of the Western Region Water Corporation (the corporation) for the year ended 30 June 2021, 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 for the year ended 30 June 2021, 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  
6 October 2021



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

## Comprehensive Operating Statement

### For the financial year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
<b>Revenue and income from continuing operations</b>			
Revenue from contracts with customers	2(b)	196,552	194,802
Government grants and contributions	2(c)	1,052	123
Other income	2(d)	1,190	1,280
Interest income		-	6
Net profit / (loss) on disposal of infrastructure, property, plant and equipment	4(a)(x)	208	(2,252)
<b>Total revenue and income from continuing operations</b>		<b>199,002</b>	<b>193,959</b>
<b>Expenses</b>			
Borrowing costs	6(b)(ii), 6(a)(ii)	15,900	15,389
Depreciation	4(a)(viii), 6(b)(ii)	25,917	28,734
Amortisation	4(a)(viii), 4(b)	3,690	2,491
Derivative financial instruments - initial recognition	7(a)(i)	1,905	-
Employee benefits	3(b), 3(c), 9(c)	20,626	19,225
Repairs and maintenance	3(d)	6,729	5,096
Environmental contribution levy	8(b), 9(d)(iv)	4,069	3,083
Water purchases	3(e), 9(d)(iv)	12,328	12,006
Electricity	3(f)	4,234	4,849
Other operating and administration expenses	3(g)	20,739	18,591
<b>Total expenses</b>		<b>116,137</b>	<b>109,464</b>
<b>Net result before income tax</b>		<b>82,865</b>	<b>84,495</b>
Income tax expense	8(a)(i)	24,682	25,382
<b>Net result for the period</b>		<b>58,183</b>	<b>59,113</b>
<b>Other comprehensive income</b>			
Pre-tax change in asset revaluation reserve		69,861	-
Deferred income tax relating to change in asset revaluation reserve	8(a)(ii)	(20,958)	-
<b>Other comprehensive income for the period, net of income tax</b>		<b>48,903</b>	<b>-</b>
<b>Comprehensive result</b>		<b>107,086</b>	<b>59,113</b>

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

## Balance Sheet

### As at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6(c), 7	3,069	1,210
Receivables	5(a), 7	15,133	10,342
Contract assets	2(b)(v)	8,646	7,094
Other non-financial assets	5(f)	1,087	1,174
Amounts in trust	5(c)	3,704	2,181
<b>Total current assets</b>		<b>31,639</b>	<b>22,001</b>
<b>Non-current assets</b>			
Receivables	5(a), 7	73	73
Other financial assets	5(c)	15	-
Infrastructure assets, property, plant and equipment	4(a)	1,391,536	1,192,653
Intangible assets	4(b)	21,953	18,242
Right-of-use assets	6(b)	501	1,072
Deferred tax assets	8(a)(ii)	2,654	1,865
<b>Total non-current assets</b>		<b>1,416,732</b>	<b>1,213,905</b>
<b>TOTAL ASSETS</b>		<b>1,448,371</b>	<b>1,235,906</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5(b), 7	43,821	41,084
Contract liabilities	2(b)(v)	10,913	7,646
Derivative financial instruments	7(a)(i)	1,905	-
Employee benefits	3(b)(ii), 9(d)(ii)	5,553	4,854
Current income tax payable	8(a)(i)	3,680	10,650
Lease liabilities	6(b)	504	569
<b>Total current liabilities</b>		<b>66,376</b>	<b>64,803</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	6(a), 7	422,150	347,150
Deferred tax liabilities	8(a)(ii)	147,967	125,778
Contract liabilities	2(b)(v)	1,437	195
Employee benefits	3(b)(ii)	583	697
Amounts in trust	5(g)	70	70
Lease liabilities	6(b)	10	521
<b>Total non-current liabilities</b>		<b>572,217</b>	<b>474,411</b>
<b>TOTAL LIABILITIES</b>		<b>638,593</b>	<b>539,214</b>
<b>NET ASSETS</b>		<b>809,778</b>	<b>696,692</b>
<b>EQUITY</b>			
Contributed capital	9(a)(i)	166,413	160,413
Asset revaluation reserves	9(a)(ii)	261,434	212,531
Accumulated surplus	9(a)(iii)	381,931	323,748
<b>TOTAL EQUITY</b>		<b>809,778</b>	<b>696,692</b>

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

## Statement of Changes in Equity

### For the financial year ended 30 June 2021

	Notes	Contributed Capital \$'000	Asset revaluation reserves \$'000	Accumulated surplus \$'000	Total \$'000
<b>Balance at 1 July 2019</b>		<b>160,413</b>	<b>212,531</b>	<b>264,635</b>	<b>637,579</b>
Comprehensive result		-	-	59,113	59,113
<b>Balance at 30 June 2020</b>	<b>9(a)</b>	<b>160,413</b>	<b>212,531</b>	<b>323,748</b>	<b>696,692</b>
Comprehensive result	9(a)	-	48,903	58,183	107,086
Owner contributions by the State Government - appropriation for capital expenditure purposes	9(a)(i)	6,000	-	-	6,000
<b>Balance at 30 June 2021</b>	<b>9(a)</b>	<b>166,413</b>	<b>261,434</b>	<b>381,931</b>	<b>809,778</b>

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



## Cash Flow Statement

### For the financial year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Service and usage charges from contracts with customers		102,267	95,371
Developer contribution fees		39,371	29,670
Interest received		-	7
Grants from government (non-recurrent)		1,246	452
Goods and Services Tax received from the ATO		12,552	9,430
Other receipts		858	715
<b>Total receipts</b>		<b>156,294</b>	<b>135,645</b>
<b>Payments</b>			
Payments to employees		(20,219)	(17,760)
Payments to suppliers		(64,931)	(57,924)
Interest and other costs of finance		(15,908)	(15,328)
Income tax		(31,209)	(21,583)
Environmental contribution levy	8(b)	(4,069)	(3,083)
Goods and Services Tax paid to the ATO		(268)	(208)
<b>Total payments</b>		<b>(136,604)</b>	<b>(115,886)</b>
<b>Net cash inflow from Operating Activities</b>	6(c)	<b>19,690</b>	<b>19,759</b>
<b>Cash Flows from Investing Activities</b>			
Payments for infrastructure assets, property, plant and equipment		(86,850)	(74,467)
(Payments) / receipts of deferred capital works security bonds		1,590	-
Proceeds from sale of infrastructure assets, property, plant & equipment		374	311
Payments for intangible assets		(7,370)	(4,256)
<b>Net cash outflow from Investing Activities</b>		<b>(92,256)</b>	<b>(78,412)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from new and refinanced borrowings		94,750	75,750
Payments for maturing and refinanced borrowings		(19,750)	(18,500)
Principal element of lease liability		(575)	(553)
<b>Net cash inflow from Financing Activities</b>		<b>74,425</b>	<b>56,697</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,859</b>	<b>(1,956)</b>
Cash and cash equivalents at the beginning of the financial year		1,210	3,166
<b>Cash and cash equivalents at end of the financial year</b>	6(c)	<b>3,069</b>	<b>1,210</b>

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

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 1. Basis of Preparation

#### Introduction

Western Region Water Corporation was established under the Water Act 1989 provides water, sewerage, and recycled water services to customers in its serviced area. In addition, Western Water invests in water, sewerage and recycled water network infrastructure as part of its capital investment programme.

#### Significant events

The Minister for Water Lisa Neville, Chair of Western Water Andrew Cairns and Chair of City West Water David Middleton announced on 29 October 2020 the integration of Western Water and City West Water to form a new entity Greater Western Water effective 1 July 2021. Formation of Greater Western Water aims to ensure customers continue to receive high quality, affordable water services in the face of growing demand for infrastructure and services to cater for population growth in the region. The new entity, Greater Western Water, will have the financial resources and staff to cope with the growth and demand for new water infrastructure in the region (Note 9(g)).

No material uncertainty exists about continuing service to Western Water's customers by the new entity Greater Western Water and as a going concern. These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

#### 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 Officer's Declaration and notes accompanying these statements for the period ended 30 June 2021.

The general-purpose financial report has been prepared in accordance with the applicable Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* (FMA) and applicable Ministerial Directions. In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting (AASB 1049). 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 of Greater Western Water - the successor in title to Western Water on 24 August 2021.

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.

### 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.

### 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 Infrastructure, property, plant and equipment.

### Comparative information

In these financial statements, Western Water has changed the classification or presentation of certain disclosures (and relevant comparative information) to improve readability by the user. This change in the presentation has not arisen as a result of the identification of errors or changes in accounting policies by Western Water. Where adjustments have been made to comparative information as a result of the correction of errors and changes in accounting policies, the nature of error and its magnitude have been disclosed in line with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

### Accounting estimates

Judgements and estimates require assumptions to be made about highly uncertain external factors such as discount rates, probability factors, the effects of inflation, changing technology, political and social trends and climate change. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

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 (AAS) 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));

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 1. Basis of Preparation (continued)

- Impairment of contractual current receivables (Note 5(a)(i));
- Contingent assets and liabilities (Note 7(c));
- Employee benefit provisions (Note 3(b)(ii) and 3(c)(iii));
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (Note 3(b) and 3(c));
- Recognition of deferred tax assets and liabilities (Note 8(a)(ii));
- Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of not-for-profit entities* (Note 2(b), 2(c));
- The timing of satisfaction of performance obligations (Note 2(b));
- Determining transaction price and amounts allocated to performance obligations (Note 2(b)(i));
- Estimated fair value of derivative financial instrument (Note 7(a)(i));
- For leases, determining whether the arrangement is in substance short-term arrangement (Note 6(b)); and
- Estimating discount rate when not implicit in the lease (Note 6(b)(iv)).

#### Impact of COVID-19

The Novel Coronavirus (COVID-19) outbreak first reported in late 2019 is currently having an unprecedented health and economic impact both internationally and domestically. To reduce the spread of the virus, a series of public health measures were imposed across the world and in Australia, including travel restrictions, a nation-wide call to work from home and significantly reduced levels of activity in both the economy and community. In response to the global health pandemic, the Federal and State governments have been providing a number of economic stimulus packages and policies in support of Victorian families and businesses.

At 30 June 2021, the impact of COVID-19 on Western Water's financial performance has not been significant. Western Water continues to monitor business activity and economic conditions to support this assessment.

The consequential impacts on Western Water have included, but are not limited to:

- ensuring a strong response and putting provisions in place to continue to provide essential water and sewerage services for Western Water customers;
- support for employees transitioning to working from home;
- uplifting Western Water's IT network capability to support remote working;
- supporting customers experiencing financial difficulties through arrangements such as hardship program, more time to pay arrangements and payment plans; and
- providing waivers to our trade waste customers and commercial tenants who are experiencing financial hardship.

The following financial statement areas have been affected by COVID-19:

- Superannuation (Note 3(c)(iv));
- Impairment of contractual current receivables (Note 5(a)(i)); and
- Payables (Note 5(b)); and
- Revaluation of infrastructure assets, property, plant and equipment (Note 4(a)(v)).

Further COVID-19 related disclosures have been added to this financial report to reflect management's judgements and assessments. These can be found in Notes 7(b)(i) and 7(b)(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.

Revenue and income that fund delivery of Western Water's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

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

	Notes	2021 \$'000	2020 \$'000
<b>Revenue from contracts with customers</b>			
Revenue from contracts with customers	2(b)(i)	89,284	82,660
Service and water usage charges			
Developer contributions	2(b)(ii)	65,155	71,053
Assets received from developers	2(b)(ii)	34,893	35,770
Fees paid by developers			
Other revenue	2(b)(iii)	7,220	5,319
<b>Total revenue from contracts with customers</b>		<b>196,552</b>	<b>194,802</b>
Government grants and contributions	2(c)	1,052	123
Other income	2(d)	1,190	1,280
Interest income		-	6
<b>Total revenue and income from continuing operations</b>		<b>198,794</b>	<b>196,211</b>

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 2. Funding Delivery of Our Services (continued)

#### (b) Revenue from contracts with customers

Western Water derives revenue from the transfer of goods and/or services over time and at a point in time in the following revenue streams. Revenue is recognised when, or as, the performance obligations to the customer are satisfied. Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 2(b)(v)). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (Note 2(b)(v)).

#### (i) Revenue from service and water usage charges

	2021 \$'000	2020 \$'000
<b>Service charges recognised over time</b>		
Water	17,810	18,601
Sewerage	37,219	38,637
Recycled water	860	778
<b>Total service charges recognised over time</b>	<b>55,889</b>	<b>58,016</b>
<b>Water usage charges recognised over time</b>		
Water	33,840	30,144
Recycled Water	1,027	1,271
Water efficiency rebate	(1,472)	(6,771)
<b>Total water usage charges recognised over time</b>	<b>33,395</b>	<b>24,644</b>
<b>Total revenue from service and water usage charges recognised over time</b>	<b>89,284</b>	<b>82,660</b>

Revenue from service and water usage charges is determined in accordance with AASB 15 *Revenue from Contracts with Customers* (AASB 15).

Western Water has an ongoing obligation to provide a continuous supply of the major services to our customers in our service region, and so customers simultaneously receive and consume the benefit in line with Western Water performing its obligations. Service and usage charges are recognised over time as service is provided.

Service charges represent charges for access to water, sewerage and recycled water. Annual financial year service charges are progressively billed in advance three times a year based on a fixed fee and revenue is recognised over time as the customer simultaneously receives and consumes the services provided by Western Water. The charges are payable within 28 days. Where payments are made in advance by customers to unbilled accounts at reporting date, these payments are classified as contract liabilities as Western Water has yet to provide the service. AASB 15 usually requires the disclosure of the aggregate amount of revenue expected to be derived from performance obligations which are unsatisfied as at the end of the reporting period. Management consider that such an amount cannot be reliably estimated, primarily as Western Water's obligation to supply customers with major services will continue in perpetuity. As a result, Western Water has applied the practical expedient given in AASB 15, paragraph 121(b), not to disclose this amount in relation to service charges.

Water usage charges are progressively billed three times a year in arrears and revenue is recognised over time as Western Water has the right to receive an amount of consideration based on the unit of water consumed during the financial year and at the regulated price. The charges are payable within 28 days. Western Water has applied the practical expedient given in AASB 15, paragraph B16, where revenue can be recognised in the amount that it has a right to invoice, since the amount is considered by Western Water to correspond directly with the value to the customer



of Western Water's performance to date. The amount of right to invoice is based on meter readings. Meter reading is undertaken progressively during the year. As meter reading is cyclical, an accrual estimate of water usage is made at the end of the accounting period, calculated by utilising the bulk meter reading at the end of the reporting period for the amount of water consumed by customers that is not yet billed at balance date. Any difference between the amount invoiced and actual consumption is adjusted in the period in which the meter readings are finalised and are recovered or paid as part of the next period's charges. An assumption on the percentage of water losses is also required in determining the water usage accrual. This amount is accounted as contract assets.

Water usage charges paid in advance by customers but at the reporting date were unbilled are classified as contract liabilities as Western Water has yet to provide the service.

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. The charges are payable within 14-28 days.

Western Water previously provided residential water use customers with a Water Efficiency Rebate of \$100 per annum (adjusted to reflect movement in Consumer Price Index) from 1 July 2018. The amount of \$6,771,003 represents the Water Efficiency Rebate for the financial year 2019/20.

Western Water restructured its tariffs in 2020-21 which embedded the previous Water Efficiency Rebate into lower water and sewer service charges. The amount of \$1,471,816 represents the rebate which remained in place for tenants for the financial year 2020/21.

#### *(ii) Developer contributions*

	2021 \$'000	2020 \$'000
<b>Developer contributions</b>		
Assets received from developers	65,155	71,053
Fees paid by developers	34,893	35,770
<b>Total developer contributions</b>	<b>100,048</b>	<b>106,823</b>

Assets received from developers arise when developers pay for the cost of construction of new infrastructure assets and subsequently gift these assets to Western Water to maintain in perpetuity.

Revenue from assets received from developers is recognised at a point in time when Western Water has satisfied its performance obligation. Performance obligation is met when Western Water issues its consent to the final release of the plan of subdivision by Council and to it issuing a statement of compliance in accordance with Section 21 of the Subdivision Act 1988.

Revenue from assets received from developers free of charge or for nominal consideration is recognised at the fair value of the gifted assets by assessing the value of the works using schedule of rates.

Fees paid by developers represent upfront charges applicable to build or develop a property and connect new developments to Western Water's water supply and sewerage infrastructure network. The charges contribute towards to the cost of augmenting Western Water's water supply distribution systems and sewerage disposal systems. Fees paid by developers also include a financing charge contribution for assets developed earlier than planned at the request of the developer of \$2,210,119 (2020: \$1,820,930).

Revenue from fees paid by developers is recognised at a point in time when Western Water has satisfied its performance obligation.

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

#### 2. Funding Delivery of Our Services (continued)

Depending on the type of developer contribution application, fees paid by developers are recognised as revenue when Western Water issue its consent to the final release of the plan of subdivision by Council and to it issuing a statement of compliance in accordance with Section 21 of the Subdivision Act 1988, or the customer is connected to Western Water's infrastructure network for the provision of water and sewerage services when no consent letter to release statement of compliance is required to be issued.

The rates applied to calculate the fees paid by developers are regulated by the Essential Services Commission.

Fees paid by developers in advance for which the consent to the final release of the plan of subdivision by Council and to it issuing a statement of compliance in accordance with Section 21 of the Subdivision Act 1988 was not given at the reporting date, are recognised as contract liabilities.

##### (iii) Other revenue

	2021 \$'000	2020 \$'000
Special meter reading	243	256
Property services	6,647	4,994
Property rental	313	52
Miscellaneous revenue	17	17
<b>Total other revenue</b>	<b>7,220</b>	<b>5,319</b>

Other revenue from other services rendered is recognised when or as performance obligations are satisfied on an accrual basis at a point in time. Performance obligation relating to special meter reading, various property services including plumbing services, application, recycled water inspection, sewer connection and meter installation fees are satisfied at a point in time when Western Water renders the specified service requested by the customer. The charges are payable within 28 days.

Revenue from property rentals (that is operating leases) is recognised as revenue on a straight-line basis over the lease term as performance obligations are satisfied.

Miscellaneous income mainly consists of charges for water carters' services and the revenue is recognised at a point in time when performance obligations are satisfied.

*(iv) Timing of recognition of revenue from contracts with customers*

Western Water derives revenue from contracts with customers for the transfer of goods and services over time and at a point in time for the following charges.

	Service and water usage charges \$'000	Assets received from developers \$'000	Fees paid by developers \$'000	Other revenue \$'000	Total revenue from contracts with customers \$'000
<b>2021</b>					
At a point in time	-	65,155	34,893	6,907	106,955
Over time	89,284	-	-	313	89,597
<b>Total revenue from contracts with customers</b>	<b>89,284</b>	<b>65,155</b>	<b>34,893</b>	<b>7,220</b>	<b>196,552</b>
<b>2020</b>					
At a point in time	-	71,053	35,770	5,267	112,090
Over time	82,660	-	-	52	82,712
<b>Total revenue from contracts with customers</b>	<b>82,660</b>	<b>71,053</b>	<b>35,770</b>	<b>5,319</b>	<b>194,802</b>

*(v) Contract assets and contract liabilities*

	30 June 2021 \$'000	30 June 2020 \$'000
<b>Current contract assets</b>		
Accrued water revenue	8,646	7,094
<b>Total current contract assets</b>	<b>8,646</b>	<b>7,094</b>
<b>Current contract liabilities</b>		
Fees paid by developers in advance	5,931	2,695
Service and water usage charges paid in advance	4,267	4,372
Deferred government grant	715	579
<b>Total current contract liabilities</b>	<b>10,913</b>	<b>7,646</b>
<b>Non-current contract liabilities</b>		
Fees paid by developers in advance	1,437	195
<b>Total non-current contract liabilities</b>	<b>1,437</b>	<b>195</b>
<b>Total contract liabilities</b>	<b>12,350</b>	<b>7,841</b>

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

#### 2. Funding Delivery of Our Services (continued)

Accrued water revenue is recognised for water and recycled water usage by customers at balance date but not yet invoiced. Usage charges are all recognised as revenue when the water has been provided. A loss allowance for accrued water revenue is also recognised. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when Western Water issues an invoice to the customer.

Accrued other revenue is recognised for other services rendered to customers at balance date but not yet invoiced. These contract assets are transferred to receivables when the rights become unconditional. This usually occurs when Western Water issues an invoice to the customer.

At 30 June 2021, contract assets of \$8,646,259 relate to the balance at the end of the period. The contract assets of \$7,093,829 at 1 July 2020 relate to the balance at the beginning of the period, and these have been transferred to receivables during the year when the rights become unconditional. This usually occurs when Western Water issues an invoice to the customer. The increase in the accrued water revenue in 2021 is a result of delayed meter readings due to implementation of COVID-safe procedures.

Fees paid by developers in advance, and service and water usage charges paid in advance, are payments received in advance of the provision of goods or services or performance obligation required to be performed by Western Water to settle the terms of receipt of income. Western Water will recognise these advance payments as revenue, once it has performed the performance obligations associated with the payments.

Deferred government grant represents grants received in the reporting period, but the performance obligations are outstanding at balance date.

#### Significant changes in contract assets and liabilities

Contract assets have increased as Western Water has provided 22% more unbilled water to customers as at 30 June compared to same time last year.

The increase in contract liabilities is due to receipt of higher cash payments from developers prior to statement of compliance being issued, which is when revenue is recognised, and this includes higher receipts in excess of 12 months in advance of forecast statement of compliance being issued.

#### (vi) Movement in current contract assets

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract assets. Revenue recognised in the current year relates to performance obligations that were satisfied during the current year.

	2021 \$'000	2020 \$'000
<b>Accrued water revenue</b>		
Opening balance as at 1 July 2020	7,094	7,591
Less: Amounts billed during the year	(7,094)	(7,591)
Add: Amount accrued at year end (to be billed)	8,646	7,094
<b>Carrying amount as at 30 June 2021</b>	<b>8,646</b>	<b>7,094</b>

*(vii) Movement in current and non-current contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities. Revenue recognised in the current year relates to performance obligations that were satisfied during the current year.

	Fees paid by developers in advance \$'000	Service and water usage charges paid in advance \$'000	Deferred government grant \$'000	Total \$'000
<b>2020</b>				
Carrying amount as at 1 July 2019	9,280	3,470	73	12,823
Add: developers contribution received for performance obligations yet to be completed during the year	28,588	-	-	28,588
Add: payments received in advance for provision of goods and services	-	7,258	629	7,887
Less: revenue recognised in the reporting period for the completion of performance obligations	(34,978)	(6,356)	(123)	(41,457)
<b>Closing balance at 30 June 2020</b>	<b>2,890</b>	<b>4,372</b>	<b>579</b>	<b>7,841</b>
<b>2021</b>				
Carrying amount as at 1 July 2020	2,890	4,372	579	7,841
Grant returned	-	-	(58)	(58)
Add: developers contribution received for performance obligations yet to be completed during the year	25,731	-	-	25,731
Add: payments received in advance for provision of goods and services	-	6,983	1,246	8,229
Less: revenue recognised in the reporting period for the completion of performance obligations	(21,253)	(7,088)	(1,052)	(29,393)
<b>Closing balance at 30 June 2021</b>	<b>7,368</b>	<b>4,267</b>	<b>715</b>	<b>12,350</b>
<b>Represented by</b>				
Current contract liabilities	5,931	4,267	715	10,913
Non-current contract liabilities	1,437	-	-	1,437
<b>Closing balance at 30 June 2021</b>	<b>7,368</b>	<b>4,267</b>	<b>715</b>	<b>12,350</b>

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 2. Funding Delivery of Our Services (continued)

#### (c) Government grants and contributions

	2021 \$'000	2020 \$'000
<b>Total government grants and contributions</b>	<b>1,052</b>	<b>123</b>

Western Water applies AASB 1058 *Income of Not-for-Profit Entities* if the grants received by Western Water are not enforceable and do not have sufficiently specific performance obligations, except for grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers in accordance with AASB 15. Western Water also applies AASB 1058 to capital grants that are controlled by Western Water. A government grant is not recognised until there is reasonable assurance that Western Water will comply with the conditions attaching to it, and that the grant will be received.

Under AASB 15, income is only be recognised when or as the performance obligations under the contract are satisfied, potentially resulting in a deferral of income as compared to accounting under AASB 1004 (Note 2(b)(v)). Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for as revenue from contracts with customers. This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when Western Water has an unconditional right to receive cash which usually coincides with receipt of cash.

Government grants relating to costs are deferred and recognised in the Comprehensive Operating Statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to construction of infrastructure, property, plant and equipment are included in non-current liabilities as deferred income and they are credited to the Comprehensive Operating Statement when or as the performance obligations under the contract are satisfied.

#### (d) Other income

	2021 \$'000	2020 \$'000
Reimbursement of costs incurred and miscellaneous income	938	669
Investment income - Zero Emissions Water (ZEW) Ltd	252	611
<b>Total other income</b>	<b>1,190</b>	<b>1,280</b>

Reimbursement of costs incurred and miscellaneous income that include chargeable works, dishonour fee and other fee recovery, staff vehicle contributions, and other miscellaneous income, are recognised on an accrual basis at a point in time.

Western Water's share of the compensation settlement of \$152,324.29 (2020: \$611,473.28), and the electricity quantity for Contract for Difference (CFD) settlement, where the floating rate exceeds the fixed rate of \$99,747 (2020: \$nil) received from Zero Emissions Water (ZEW) Ltd are included in investment income from ZEW. The future settlements of CFD are classified as derivative financial instruments (Note 7(a)(i)).

### 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 expenses recognised in the Financial Statements.

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

	Notes	2021 \$'000	2020 \$'000
<b>Expenses</b>			
Employee benefits	3(b)(i)	20,626	19,225
Repairs and maintenance	3(d)	6,729	5,096
Water purchases	3(e)	12,328	12,006
Electricity	3(f)	4,234	4,849
Other operating and administration expenses	3(g)	20,739	18,591
<b>Total expenses incurred in delivery of services</b>		<b>64,656</b>	<b>59,767</b>

#### (b) Our people

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

	2021 \$'000	2020 \$'000
<b>Employee benefits</b>		
Salaries & wages	17,607	15,861
Long service leave	146	624
Employer superannuation contributions	1,526	1,484
Other	1,347	1,256
<b>Total employee benefit costs</b>	<b>20,626</b>	<b>19,225</b>

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

Directly attributable costs for bringing an asset to the location and condition necessary for operation, such as costs of employee benefits arising directly from the construction or acquisition of the item of infrastructure, property, plant and equipment are capitalised. Directly attributable costs are the costs of staff working on the capital projects and the capital works program.

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Western Water to both defined benefit and defined contribution 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.



## Notes to the Financial Statements

### For the financial year ended 30 June 2021

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

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

Provision is made for benefits accruing to employees in respect of 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.

	2021 \$'000	2020 \$'000
<b>Current provisions</b>		
Annual leave		
Unconditional and expected to settle within 12 months	1,709	1,383
Long service leave		
Unconditional and expected to settle within 12 months	231	310
Unconditional and expected to settle after 12 months	2,868	2,495
Provisions for on-costs		
Unconditional and expected to settle within 12 months	301	273
Unconditional and expected to settle after 12 months	444	393
<b>Total current provisions for employee benefits</b>	<b>5,553</b>	<b>4,854</b>
<b>Non-current provisions</b>		
Long service leave		
Conditional and expected to settle after 12 months	505	602
Provisions for on-costs		
Conditional and expected to settle after 12 months	78	95
<b>Total non-current provisions for employee benefits</b>	<b>583</b>	<b>697</b>
<b>Total provisions for employee benefits</b>	<b>6,136</b>	<b>5,551</b>
<b>Reconciliation of movement in on-cost provision</b>		
Opening balance	761	599
Additional provisions recognised	298	397
Amounts utilised during the period	(189)	(185)
Effect of changes in the discount rate	(47)	(50)
<b>Closing balance</b>	<b>823</b>	<b>761</b>
Current	745	666
Non-current	78	95
	<b>823</b>	<b>761</b>

### 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 and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Operating Statement as it is taken.

### 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 is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the Comprehensive Operating Statement.

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

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

#### (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 (Vision Super, 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 2021 and 30 June 2020 are detailed below:

<b>Scheme</b>	<b>Type of scheme</b>	<b>Contribution Rate</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Vision Super	Defined Benefit	9.50%	111	158
Vision Super	Accumulation	9.50% - 10.00%	1,021	882
Other Superannuation Funds	Accumulation	9.50%	907	788
			<b>2,039</b>	<b>1,828</b>
			<b>2021 \$'000</b>	<b>2020 \$'000</b>
Contributions outstanding to Vision Super			134	131
Contributions outstanding to other Superannuation Funds through Vision Clearing House			118	99
<b>Total super payable – accumulation</b>			<b>252</b>	<b>230</b>
Expected contributions to be paid to the defined benefit category of Vision Super			134	147
<b>Expected contributions to be paid - defined benefit</b>			<b>134</b>	<b>147</b>

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 *Employee Benefits*.

#### *(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 2021 interim actuarial investigation*

As at 30 June 2021, 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 109.7% (2020: 104.6%). It is anticipated that this actuarial investigation will be completed by October 2021. Western Water was notified of the 30 June 2021 VBI during August 2021 (2020: August 2020). The VBI is to be used as the primary funding indicator. As the VBI was above 100%, the 2021 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.

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

	<b>2021 Interim investigation</b>	<b>2020 Triennial investigation</b>
Net investment return	4.80% pa	5.60% pa
Salary inflation	2.75% pa	2.50% pa (from 2018 to 2019) 2.75% pa (for 2020)
Price inflation	2.25% pa	2.00% pa

#### *The 2020 full triennial actuarial investigation*

The last full actuarial investigation was conducted for the Fund's position as at 30 June 2020. The financial assumptions for the purposes of this investigation applied to the defined benefit category of which Western Water is a contributing employer are:

- A VBI surplus of \$100.0 million (2019: \$151.3 million);
- A total service liability surplus of \$200.0 million (2019: \$233.4 million); and
- A discounted accrued benefits surplus of \$217.8 million (2019: \$256.7 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.

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.

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.

The 30 June 2021 fund position may be impacted due to COVID-19 restrictions, however, at the time these financial statements were issued, the impact could not be reliably estimated.

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

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

#### (v) Funding calls

##### Funding calls

If the defined benefit category is in an unsatisfactory financial position 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 *Defined Benefit Matters* 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. The defined benefit fund was closed to new members on 31 December 1993.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

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

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

#### (d) Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs that do not enhance the performance of the asset are expensed as incurred and recognised in the Comprehensive Operating Statement. 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.

	2021 \$'000	2020 \$'000
Labour and materials	1,971	1,287
Mechanical	938	748
Electrical	1,652	1,344
Land and ground	1,000	769
Bio solids	255	219
Instrumentation and control	509	358
Dam safety	217	263
Buildings	187	108
<b>Total repairs and maintenance</b>	<b>6,729</b>	<b>5,096</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 in the Comprehensive Operating Statement.

	2021 \$'000	2020 \$'000
<b>Total water purchases</b>	<b>12,328</b>	<b>12,006</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 in the Comprehensive Operating Statement.

	2021 \$'000	2020 \$'000
<b>Total electricity</b>	<b>4,234</b>	<b>4,849</b>

Electricity expense also includes a settlement amount of \$72,082 (2020: \$nil) paid for the Contract for Difference (CFD) where the fixed rate exceeds the floating rate. The future settlements of CFD are classified as derivative financial instruments (Note 7(a)(i)).

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

### 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. It also includes impaired receivables expense.

Other operating and administration costs are recognised as an expense in the reporting period in which they are incurred in the Comprehensive Operating Statement.

	Notes	2021 \$'000	2020 \$'000
<b>Supplies and services</b>			
Contractors and consultants		7,064	5,316
Office supplies and consumables		3,061	3,176
Information Communication Technology supplies and consumables		2,783	2,094
Sampling and analysis charges		1,107	1,198
Chemicals		1,424	1,317
Staff related expenses - non labour		625	629
Travel and related expenses		526	674
Materials		524	798
Marketing and media		532	615
Directors fees		303	262
Insurance		362	349
Legal costs		239	188
Licence fees		333	158
Sewer access charges		630	601
<b>Total supplies and services</b>		<b>19,513</b>	<b>17,375</b>
Short term and low value operating lease rental		126	62
Expected credit losses on receivables	5(a)(ii)	830	920
Ex-gratia expense	9(f)	3	34
Auditors' remuneration	9(e)	267	200
<b>Total other operating and administration expenses</b>		<b>20,739</b>	<b>18,591</b>



## 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

	2021 \$'000	2020 \$'000
<b>Land</b>		
Gross carrying amount - at fair value	40,214	35,787
<b>Net carrying amount</b>	<b>40,214</b>	<b>35,787</b>
<b>Buildings</b>		
Gross carrying amount - at fair value	13,509	12,106
Less: accumulated depreciation	-	(413)
<b>Net carrying amount</b>	<b>13,509</b>	<b>11,693</b>
<b>Infrastructure</b>		
Gross carrying amount - at fair value	1,165,439	1,049,906
Less: accumulated depreciation	-	(25,382)
<b>Net carrying amount</b>	<b>1,165,439</b>	<b>1,024,524</b>
<b>Equipment</b>		
Gross carrying amount - at fair value	12,156	26,662
Less: accumulated depreciation	-	(13,080)
<b>Net carrying amount</b>	<b>12,156</b>	<b>13,582</b>
<b>Motor vehicles</b>		
Gross carrying amount - at fair value	3,932	4,143
Less: accumulated depreciation	(1,775)	(1,642)
<b>Net carrying amount</b>	<b>2,157</b>	<b>2,501</b>
<b>Leasehold assets</b>		
Gross carrying amount - at fair value	2,044	2,044
Less: accumulated depreciation	(1,995)	(1,963)
<b>Net carrying amount</b>	<b>49</b>	<b>81</b>
<b>Capital work in progress</b>		
<b>Gross carrying amount - at cost</b>	<b>158,012</b>	<b>104,485</b>
<b>Total infrastructure, property, plant and equipment</b>		
Gross carrying amount	1,395,306	1,235,133
Less: accumulated depreciation	(3,770)	(42,480)
<b>Net carrying amount</b>	<b>1,391,536</b>	<b>1,192,653</b>



	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>2020</b>								
<b>Infrastructure, property, plant and equipment</b>								
<b>Opening balance 1 July 2019</b>	34,192	11,399	937,997	11,270	2,522	113	76,118	1,073,611
Additions	1,595	-	-	-	843	-	74,680	77,118
Transfer to intangible assets	-	-	(925)	-	-	-	-	(925)
Transfer from intangible assets	-	-	-	-	-	-	2,554	2,554
Transfer of capital work in progress	-	707	44,176	3,984	-	-	(48,867)	-
Fair value of assets received free of charge	-	-	71,053	-	-	-	-	71,053
Revaluation	-	-	-	-	-	-	-	-
Disposals	-	-	(2,357)	-	(206)	-	-	(2,563)
Depreciation and amortisation	-	(413)	(25,420)	(1,672)	(658)	(32)	-	(28,195)
<b>Closing balance 30 June 2020</b>	<b>35,787</b>	<b>11,693</b>	<b>1,024,524</b>	<b>13,582</b>	<b>2,501</b>	<b>81</b>	<b>104,485</b>	<b>1,192,653</b>

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 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 (2020: \$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. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and recycled water systems.

The 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.

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

Revaluations are conducted in accordance with Financial Reporting Direction 103I *Non-Financial Physical Assets* (FRD 103I). 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. Revaluation increases or decreases arise from differences between an asset's carrying value and its fair 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.

Scheduled revaluation of Western Water's infrastructure assets, property, plant and equipment were independently undertaken by KPMG Financial Services (Australia) Pty Ltd on behalf of the Valuer General Victoria (VGV) as at 30 June 2021. The effects of COVID-19 may have impacted the infrastructure, property, plant, and equipment assets' valuation assumptions, however the resulting impact of changes to the asset valuations could not be reliably measured at the time these financial statements were issued and is not expected to be material to these financial statements.

#### *(vi) Fair value determination*

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

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

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

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

##### **Fair value hierarchy**

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

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

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

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

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

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

Fair value determination - Non-financial physical assets

	Carrying amount as at 30 June 2021 \$'000	Fair value measurement at end of reporting period in accordance with the fair value hierarchy:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>2021</b>				
<b>Land at fair value</b>				
<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	8,462	-	-	8,462
<b>Total of land at fair value</b>	<b>40,214</b>	<b>-</b>	<b>-</b>	<b>40,214</b>
<b>Buildings at fair value</b>				
<i>Specialised buildings</i>				
- Sheds	1,031	-	-	1,031
- Other buildings	12,431	-	-	12,431
- Pump station buildings	47	-	-	47
<b>Total of buildings at fair value</b>	<b>13,509</b>	<b>-</b>	<b>-</b>	<b>13,509</b>
<b>Infrastructure at fair value</b>				
<i>Specialised infrastructure</i>				
- Reservoirs	50,362	-	-	50,362
- Water pipework	323,310	-	-	323,310
- Water/storage tanks	42,681	-	-	42,681
- Sewer/Recycled water pipework and rising mains	501,570	-	-	501,570
- Sewerage maintenance holes	39,904	-	-	39,904
- Lagoons	13,483	-	-	13,483
- Pumps	5,247	-	-	5,247
- Sewer treatment tanks	13,620	-	-	13,620
- Other infrastructure	175,262	-	-	175,262
<b>Total of infrastructure at fair value</b>	<b>1,165,439</b>	<b>-</b>	<b>-</b>	<b>1,165,439</b>
<b>Equipment at fair value</b>				
<i>Specialised equipment</i>				
- Computer, furniture and fittings	2,210	-	-	2,210
- Compressors	786	-	-	786
- Machinery	506	-	-	506
- Other equipment	8,654	-	-	8,654
<b>Total of equipment at fair value</b>	<b>12,156</b>	<b>-</b>	<b>-</b>	<b>12,156</b>
<b>Motor vehicles at fair value</b>				
<i>Non-specialised motor vehicles</i>				
- 4WD	1,086	-	-	1,086
- Passenger	492	-	-	492
- Trucks	563	-	-	563
- Utilities	16	-	-	16
<b>Total of motor vehicles at fair value</b>	<b>2,157</b>	<b>-</b>	<b>-</b>	<b>2,157</b>
Leasehold assets at fair value				
- Leasehold improvements	49	-	-	49
<b>Total of leasehold assets at fair value</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>49</b>
<b>Total infrastructure, property, plant &amp; equipment excluding assets under construction</b>	<b>1,233,524</b>	<b>-</b>	<b>-</b>	<b>1,233,524</b>

	Fair value measurement at end of reporting			
	Carrying amount as at 30 June 2020 \$'000	period in accordance with the fair value hierarchy:		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>2020</b>				
<b>Land at fair value</b>				
<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	4,035	-	-	4,035
<b>Total of land at fair value</b>	<b>35,787</b>	<b>-</b>	<b>-</b>	<b>35,787</b>
<b>Buildings at fair value</b>				
<i>Specialised buildings</i>				
- Sheds	48	-	-	48
- Other buildings	10,478	-	-	10,478
- Pump station buildings	1,167	-	-	1,167
<b>Total of buildings at fair value</b>	<b>11,693</b>	<b>-</b>	<b>-</b>	<b>11,693</b>
<b>Infrastructure at fair value</b>				
<i>Specialised infrastructure</i>				
- Reservoirs	44,105	-	-	44,105
- Water pipework	279,545	-	-	279,545
- Water/storage tanks	44,707	-	-	44,707
- Sewer/Recycled water pipework and rising mains	410,099	-	-	410,099
- Sewerage maintenance holes	44,261	-	-	44,261
- Lagoons	14,046	-	-	14,046
- Pumps	6,803	-	-	6,803
- Sewer treatment tanks	23,375	-	-	23,375
- Other infrastructure	157,583	-	-	157,583
<b>Total of infrastructure at fair value</b>	<b>1,024,524</b>	<b>-</b>	<b>-</b>	<b>1,024,524</b>
<b>Equipment at fair value</b>				
<i>Specialised equipment</i>				
- Computer, furniture and fittings	2,215	-	-	2,215
- Compressors	815	-	-	815
- Machinery	630	-	-	630
- Other equipment	9,922	-	-	9,922
<b>Total of equipment at fair value</b>	<b>13,582</b>	<b>-</b>	<b>-</b>	<b>13,582</b>
<b>Motor vehicles at fair value</b>				
<i>Non-specialised motor vehicles</i>				
- 4WD	1,127	-	-	1,127
- Passenger	667	-	-	667
- Trucks	691	-	-	691
- Utilities	16	-	-	16
<b>Total of motor vehicles at fair value</b>	<b>2,501</b>	<b>-</b>	<b>-</b>	<b>2,501</b>
Leasehold assets at fair value				
- Leasehold improvements	81	-	-	81
<b>Total of leasehold assets at fair value</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>81</b>
<b>Total infrastructure, property, plant &amp; equipment excluding assets under construction</b>	<b>1,088,168</b>	<b>-</b>	<b>-</b>	<b>1,088,168</b>



# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 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 2020 and 2021

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

There have been no transfers between levels during the period.

The Valuer General Victoria (VGV) is Western Water's independent valuation agency in relation to valuation of 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 it 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.

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.

Scheduled revaluation of Western Water's specialised land was performed using the market approach adjusted for CSO by the VGV as at 30 June 2021. The land was valued on the basis of the existing zoning or underlying zonings.

### 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.

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.

Scheduled revaluation of Western Water's specialised buildings was performed using the DRC method by the VGV and representatives of VGV as at 30 June 2021. The DRC approach considered the specialised nature of the buildings and was deemed suitable given the absence of an active market for such buildings.

### Specialised infrastructure

Specialised infrastructure is valued using the DRC 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.

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

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

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

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.

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.

Scheduled revaluation of Western Water's specialised infrastructure was performed using the DRC method by KPMG Financial Services (Australia) Pty Ltd on behalf of the VGV as at 30 June 2021. The DRC approach considered the specialised nature of the infrastructure and was deemed suitable given the absence of an active market for such equipment.

#### 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 DRC method.

Scheduled revaluation of Western Water's specialised equipment was performed using the DRC method by KPMG Financial Services (Australia) Pty Ltd on behalf of the VGV as at 30 June 2021. The DRC approach considered the specialised nature of the equipment and was deemed suitable given the absence of an active market for such equipment.

There were no changes in valuation techniques throughout the year to 30 June 2021. For all assets measured at fair value, the current use is considered the highest and best use.

#### Motor vehicles

Vehicles are valued using the DRC 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 DRC 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.

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

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 is provided below.

**Reconciliation of Level 3 fair value movements**

	Specialised land \$'000	Specialised buildings \$'000	Specialised infrastructure \$'000	Specialised equipment \$'000	Non-specialised motor vehicles \$'000	Leasehold assets \$'000	Total \$'000
<b>2021</b>							
<b>Opening balance</b>	35,787	11,693	1,024,524	13,582	2,501	81	1,088,168
Fair value of assets received free of charge	-	-	65,156	-	-	-	65,156
Additions	329	99	33,787	1,321	402	-	35,938
Disposals	-	-	-	(32)	(189)	-	(221)
Depreciation and amortisation	-	(416)	(21,285)	(3,088)	(557)	(32)	(25,378)
<b>Subtotal</b>	<b>36,116</b>	<b>11,376</b>	<b>1,102,182</b>	<b>11,783</b>	<b>2,157</b>	<b>49</b>	<b>1,163,663</b>
Revaluation	4,098	2,133	63,257	373	-	-	69,861
<b>Subtotal</b>	<b>4,098</b>	<b>2,133</b>	<b>63,257</b>	<b>373</b>	<b>-</b>	<b>-</b>	<b>69,861</b>
<b>Closing balance</b>	<b>40,214</b>	<b>13,509</b>	<b>1,165,439</b>	<b>12,156</b>	<b>2,157</b>	<b>49</b>	<b>1,233,524</b>
<b>2020</b>							
<b>Opening balance</b>	34,192	11,399	937,997	11,270	2,522	113	997,493
Fair value of assets received free of charge	-	-	71,053	-	-	-	71,053
Additions	1,595	707	43,251	3,984	843	-	50,380
Disposals	-	-	(2,357)	-	(206)	-	(2,563)
Depreciation and amortisation	-	(413)	(25,420)	(1,672)	(658)	(32)	(28,195)
<b>Subtotal</b>	<b>35,787</b>	<b>11,693</b>	<b>1,024,524</b>	<b>13,582</b>	<b>2,501</b>	<b>81</b>	<b>1,088,168</b>
Revaluation	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>	<b>35,787</b>	<b>11,693</b>	<b>1,024,524</b>	<b>13,582</b>	<b>2,501</b>	<b>81</b>	<b>1,088,168</b>

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

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

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

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

	2021 \$'000	2020 \$'000
<b>Charge for the period</b>		
<i>Depreciation</i>		
Buildings	416	413
Infrastructure	21,285	25,420
Equipment	3,088	1,672
Motor vehicles	557	658
<b>Total depreciation</b>	<b>25,346</b>	<b>28,163</b>
<i>Amortisation</i>		
Leasehold improvements	32	32
<b>Total amortisation</b>	<b>32</b>	<b>32</b>
<b>Total depreciation and amortisation</b>	<b>25,378</b>	<b>28,195</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.

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.

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

The accounting policy relating to right-of-use assets has been disclosed in Note 6(b).

#### Indefinite life assets

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

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

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

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

###### (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 is debited to the asset revaluation surplus, to the extent of the amount applicable to that class of asset and amounts in excess of the applicable asset revaluation surplus amount is written off.

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 should 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 profit / (loss) on disposal of infrastructure, property, plant and equipment

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

	2021 \$'000	2020 \$'000
Proceeds from sale of infrastructure, property, plant and equipment	429	311
Less: Written down value of asset sold	(221)	(2,563)
<b>Net profit / (loss) on disposal of infrastructure, property, plant and equipment</b>	<b>208</b>	<b>(2,252)</b>



**(b) Intangible assets**

	Computer software <sup>1</sup> \$'000	Master plans \$'000	Bulk entitlement \$'000	Assigned water allocation \$'000	Large-scale Generation Certificates \$'000	Total \$'000
<b>Year ended 30 June 2021</b>						
At 1 July 2020, net of accumulated amortisation	5,959	2,889	2,617	2,760	-	14,225
Additions	4,934	789	465	-	109	6,297
Transfer from infrastructure assets, property, plant and equipment	-	980	-	-	-	980
Amortisation	(3,004)	(613)	-	(41)	-	(3,658)
Write off	(50)	-	-	-	-	(50)
	7,839	4,045	3,082	2,719	109	17,794
<b>Under construction</b>						
At 1 July 2020	1,855	2,162	-	-	-	4,017
Additions	5,783	546	-	-	-	6,329
Capitalisation	(4,934)	(789)	-	-	-	(5,723)
Transfer to infrastructure assets, property, plant and equipment	(464)	-	-	-	-	(464)
	2,240	1,919	-	-	-	4,159
<b>30 June 2021, net of accumulated amortisation</b>	<b>10,079</b>	<b>5,964</b>	<b>3,082</b>	<b>2,719</b>	<b>109</b>	<b>21,953</b>
Cost	30,435	6,748	3,082	3,026	109	43,400
Less: accumulated amortisation	(20,356)	(784)	-	(307)	-	(21,447)
<b>Net carrying amount</b>	<b>10,079</b>	<b>5,964</b>	<b>3,082</b>	<b>2,719</b>	<b>109</b>	<b>21,953</b>

1. Software includes capitalised development costs.

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

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

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

	Computer software <sup>1</sup> \$'000	Master plans \$'000	Bulk entitlement \$'000	Assigned water allocation \$'000	Large-scale Generation Certificates \$'000	Total \$'000
<b>Year ended 30 June 2020</b>						
At 1 July 2019, net of accumulated amortisation	6,378	714	2,617	1,365	-	11,074
Additions	1,129	2,131	-	1,425	-	4,685
Transfer from infrastructure assets, property, plant and equipment	706	219	-	-	-	925
Amortisation	(2,254)	(175)	-	(30)	-	(2,459)
	5,959	2,889	2,617	2,760	-	14,225
<b>Under construction</b>						
At 1 July 2019	3,319	2,052	-	-	-	5,371
Additions	2,116	2,344	-	-	-	4,460
Capitalisation	(1,129)	(2,131)	-	-	-	(3,260)
Transfer to infrastructure assets, property, plant and equipment (Note 4(a)(ii))	(2,451)	(103)	-	-	-	(2,554)
	1,855	2,162	-	-	-	4,017
<b>30 June 2020, net of accumulated amortisation</b>	<b>7,814</b>	<b>5,051</b>	<b>2,617</b>	<b>2,760</b>	<b>-</b>	<b>18,242</b>
Cost	25,214	5,257	2,617	3,025	-	36,113
Less: accumulated amortisation	(17,400)	(206)	-	(265)	-	(17,871)
<b>Net carrying amount</b>	<b>7,814</b>	<b>5,051</b>	<b>2,617</b>	<b>2,760</b>	<b>-</b>	<b>18,242</b>

1. Software includes capitalised development costs.

### (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	Master Plans	Bulk Water Entitlement	Assigned Water Allocation	Large-scale Generation Certificates
<b>Useful lives</b>	5 years	5 years	Infinite	1 – 9 years	Infinite
<b>Amortisation method used</b>	Straight-line	Straight-line	Not amortised or revalued	Units of production as utilised	Not amortised or revalued
<b>Acquired/ internally generated</b>	Acquired and internally generated	Internally generated	Acquired	Acquired	Acquired
<b>Impairment test/ recoverable amount testing</b>	Amortisation period is reviewed at each financial year end: Reviewed annually for indicators of impairment	Amortisation period is 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	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.

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

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

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

##### 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. During 2019/20 Barwon Water assigned another 5,000ML of their carry over water in the Melbourne supply system to Western Water at a cost of \$1,425,000. The right to the allocated water is a finite life intangible asset initially recognised at cost and after initial recognition Western Water carries the asset at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment testing is undertaken at least annually.

As a finite life intangible asset, the water allocated will be amortised on a systematic basis over its useful life. This is based on the expected usage of the right. Assuming a normal climate and demand scenario, usage of the remaining assigned water allocation of 9,041ML (2020: 9,169ML) is expected to occur over the period 2021/22 to 2025/26.

##### Large-scale Generation Certificates

Western Water's allocation of Large-scale Generation Certificates (LGCs) is 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 LGCs have an indefinite life. LGCs are tested annually for impairment. Western Water purchased 7,590 LGCs at the contracted price of \$14.35 per LGC during the year (2020: \$nil). These LGC are recorded in the Renewable Energy Certificate Registry (REC Registry) under Western Water, and created under the *Renewable Energy (Electricity) Act 2000 (Cth)* (Note 5(e))

#### (ii) Amortisation of intangible assets

	2021 \$'000	2020 \$'000
<b>Charge for the period</b>		
Computer software	3,004	2,254
Master Plans	613	175
Assigned water allocation	41	30
<b>Total amortisation</b>	<b>3,658</b>	<b>2,459</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% (2020: 3.1%) growth rate, reflecting an assumed 2.3% (2020: 2.3%) price escalation and 0.8% (2020: 0.8%) organic growth forecast.

A pre-tax nominal discount rate of 4.75% (2020: 4.25%) that represents the current market assessment of the risks specific to the CGU, a long term normalised view of the cost of equity and taking into consideration the time value of money, has been utilised in determining the value in use.

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

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 5. Other Assets and Liabilities

#### Introduction

This section sets out those assets and liabilities that arose from Western Water's controlled operations and the delivery of services.

#### (a) Receivables

	Notes	2021 \$'000	2020 \$'000
<b>Current</b>			
<i>Contractual</i>			
Trade receivables	5(a)(i)	7,230	7,707
Allowance for expected credit losses	5(a)(ii)	(760)	(641)
Accrued other income		21	22
Deposits		177	196
Other receivables		6,060	-
<b>Total contractual receivables</b>		<b>12,728</b>	<b>7,284</b>
<i>Statutory</i>			
GST receivable		2,405	3,058
<b>Total current receivables</b>		<b>15,133</b>	<b>10,342</b>
<b>Non-current</b>			
<i>Contractual</i>			
Trade receivables		15	24
Other receivables		58	49
<b>Total non-current receivables</b>		<b>73</b>	<b>73</b>
<b>Total receivables</b>		<b>15,206</b>	<b>10,415</b>

Receivables consist of:

- Contractual receivables, classified as financial instruments and categorised as financial asset at amortised cost 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. The carrying amount at amortised cost is the reasonable approximation of fair value. 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. Other receivables include a capital contribution amount of \$6,000,000 receivable from the Department of Environment, Land, Water and Planning towards investing on the Western Irrigation Network capital project; and
- Statutory receivables, do not arise from a contract and are recognised and measured similarly to contractual receivables, but are not classified as financial instruments. Subsequent to initial measurement these are tested for expected credit loss as per AASB 9.

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 contract liability (Note 2(b)(v)).

*(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 2021 and 30 June 2020 was determined as follows for contractual current trade receivables:

	Not past due	More than 30 days past due	More than 90 days past due	More than 120 days past due	Total
<b>30 June 2021</b>					
Expected loss rate	0.65%	6.01%	5.94%	17.02%	10.43%
Gross carrying amount - contractual current trade receivables (\$000)	450	1,244	2,347	3,189	7,230
Expected credit loss allowance (\$000)	(3)	(75)	(139)	(543)	(760)
<b>Net carrying amount - contractual current trade receivables (\$000)</b>	<b>447</b>	<b>1,169</b>	<b>2,208</b>	<b>2,646</b>	<b>6,470</b>
<b>30 June 2020</b>					
Expected loss rate	0.07%	3.34%	6.52%	17.04%	8.32%
Gross carrying amount - contractual current trade receivables (\$000)	1,679	1,704	1,463	2,861	7,707
Expected credit loss allowance (\$000)	(1)	(57)	(95)	(488)	(641)
<b>Net carrying amount - contractual current trade receivables (\$000)</b>	<b>1,678</b>	<b>1,647</b>	<b>1,368</b>	<b>2,373</b>	<b>7,066</b>



## Notes to the Financial Statements

### For the financial year ended 30 June 2021

#### 5. Other Assets and Liabilities (continued)

##### (a) Receivables (continued)

Western Water has grouped contractual current trade 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 history includes analysis of credits applied to customers' accounts including write off, Pay and Save incentives, leak allowances and other credits. When measuring expected credit losses any impact arising from COVID-19 on customers' payment profile has also been considered. The expected credit loss has increased by \$119,297 as a result of COVID-19 given that there has been a balance of \$550,423 for hardship related customers at 30 June 2021 (2020: \$716,913).

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 trade receivables not past due 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.

All secured and unsecured debt has been subject to the provision calculation under AASB 9 *Financial Instruments*. Loss allowance on contractual current receivables is presented in other operating and administrative expenses (Note 3(g)) within the Comprehensive Operating Statement.

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

	Notes	2021 \$'000	2020 \$'000
Balance at beginning of the year		(641)	(495)
Provision for impairment recognised during the year	(Note 3(g))	(830)	(920)
Receivables written off during the year		711	774
<b>Balance at end of the year</b>		<b>(760)</b>	<b>(641)</b>

An allowance for expected credit losses is made for estimated unrecoverable amounts from the sale of fixed and variable service charges for water, sewer and recycled water, and water usage charges 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.

**(b) Payables**

	Notes	2021 \$'000	2020 \$'000
<b>Current / unsecured</b>			
<i>Contractual</i>			
Trade creditors		3,447	7,284
Contractor deposits & retentions		8,421	4,363
Accrued expenses - Interest		2,558	2,566
Accrued expenses - Other		28,936	26,470
<b>Total contractual payables</b>		<b>43,362</b>	<b>40,683</b>
<i>Statutory</i>			
Payables - GST		45	26
Payables - FBT		20	20
Payables - Superannuation	3(c)(i)	252	230
Payables - Payroll Tax		142	125
<b>Total statutory payables</b>		<b>459</b>	<b>401</b>
<b>Total current payables</b>		<b>43,821</b>	<b>41,084</b>

Payables consists of:

- Contractual payables, that are classified as financial instruments are 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 are 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 started paying its supplier invoices that are approved within 5-10 working days to support them during COVID-19.

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.

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

#### 5. Other Assets and Liabilities (continued)

##### (b) Payables (continued)

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

	Notes	2021 \$'000	2020 \$'000
Less than 1 month		5,503	10,848
1 to 3 months		27,735	23,299
3 to 12 months		10,124	6,536
<b>Total</b>	5(b)	<b>43,362</b>	<b>40,683</b>
<b>Carrying amount</b>	5(b)	<b>43,362</b>	<b>40,683</b>
<b>Nominal amount</b>	5(b)	<b>43,362</b>	<b>40,683</b>

##### (c) Other financial assets

	2021 \$'000	2020 \$'000
<b>Non-current</b>		
<i>Contractual</i>		
Loan receivable from Zero Emissions Water (ZEW) Ltd	15	-
<b>Total other financial assets</b>	<b>15</b>	<b>-</b>

The loan provided by Western Water to Zero Emissions Water (ZEW) Ltd 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. Western Water initially recognise the loan at fair value, less any transaction costs. As the loan is non-interest bearing (i.e., concessional), its fair value on initial recognition may be less than the principal amount which is advanced. To the extent that all members are providing concessional loans to ZEW in their respective ownership proportions, the concessional element will likely meet the definition of an equity contribution. The difference between the fair value of the loan and the cash consideration is recognised as an increase in the investment in ZEW by Western Water.

To the extent that the concessional loan element is not able to be accounted for as a contribution by owners, it will be recognised as grant expense by Western Water and grant income by ZEW. The loan arrangement reflects payments of interest and principal because the interest accrual using the effective interest method is considered to meet Solely Payments of Principal and Interest (SPPI) test, and as such the loan is subsequently measured at amortised cost. Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

**(d) Other financial liabilities**

	Notes	2021 \$'000	2020 \$'000
<b>Current</b>			
<i>Contractual</i>			
Contract for Difference derivative	7(a)(i)	1,905	-
<b>Total other financial assets</b>		<b>1,905</b>	<b>-</b>

Western Water is one of 13 water corporation members of Zero Emissions Water (ZEW) Ltd, 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. 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. Western Water accounts 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 which were due to be satisfied during the 2019/20 financial year.

The solar farm energy generator experienced a construction delay due to redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO). Renegotiated terms have resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement for the delay. Further extensions were granted until 31 January 2021 as a result of delays in commissioning ZEW's section of the solar farm which delayed the meeting of the conditions precedents. Western Water's share of the compensation settlement is \$152,324.29 (2020: \$611,473.28) which has been recognised in the Comprehensive Operating Statement as other income.

Western Water has an obligation to purchase its percentage of energy allocation under the Members' Agreement. The financial impact of the Members' Agreement with ZEW has resulted in increased revenue and expenses, and the recognition of a derivative financial instruments and LGCs as intangible assets (Note 4(b)).

Western Water purchased 7,590 LGCs at the contracted price of \$14.35 per LGC during the year for \$108,917 (2020: \$nil). These LGCs are recognised as intangible asset (Note 4(b))

On 22 January 2021, the conditions precedent in the PPA was completed and the CFD derivative was recognised as a financial liability measured at its fair value. Subsequent changes in the fair value are recognised in the Comprehensive Operating Statement (Note 7(a)(i)).

The Members' Agreement specifies that ZEW may call on Western Water to make a loan available to ZEW amounting to \$350,997.81. The loan is interest free and 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. As at 30 June 2021, Western Water contributed an amount of \$14,500.00 as part of this loan to ZEW.

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

#### 5. Other Assets and Liabilities (continued)

##### (f) Other non - financial assets

	2021 \$'000	2020 \$'000
<b>Current</b>		
<i>Contractual</i>		
Prepayments	1,087	1,174
Amounts in trust	3,704	2,181
<b>Total other non - financial assets</b>	<b>4,791</b>	<b>3,355</b>

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

##### (g) Other non - financial liabilities

	2021 \$'000	2020 \$'000
<b>Non-current</b>		
<i>Contractual</i>		
Amounts in trust	70	70
<b>Total other non - financial liabilities</b>	<b>70</b>	<b>70</b>

Other non-financial liabilities include contributions received from Foundation Customers who wish to establish recycled water quantity to be acquired in advance of Western Irrigation Network project delivery.

## 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	2021 \$'000	2020 \$'000
<b>Current</b>			
<i>Secured</i>			
Lease liabilities		504	569
<b>Total current interest bearing liabilities</b>		<b>504</b>	<b>569</b>
<b>Non-current</b>			
<i>Secured</i>			
Loans from Treasury Corporation of Victoria	6(a)(i), 7(a)	422,150	347,150
Lease liabilities		10	521
<b>Total non-current interest bearing liabilities</b>		<b>422,160</b>	<b>347,671</b>
<b>Total interest bearing liabilities</b>		<b>422,664</b>	<b>348,240</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.

Lease liabilities are secured by the assets leased. Leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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 roll over these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Refer to Note 6(c)(ii) for further information.

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

#### 6. How We Financed Our Operations (continued)

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

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

	Carrying amount \$'000	Nominal amount \$'000	Less than 1 month \$'000	1- 3 months \$'000	3 months - 1 year \$'000	1- 5 years \$'000	Over 5 years \$'000
<b>2021</b>							
Loans from Treasury Corporation of Victoria	422,150	422,150	-	-	-	146,250	275,900
Lease liabilities	514	514	38	107	359	10	-
<b>Total interest bearing liabilities</b>	<b>422,664</b>	<b>422,664</b>	<b>38</b>	<b>107</b>	<b>359</b>	<b>146,260</b>	<b>275,900</b>

##### 2020

Loans from Treasury Corporation of Victoria	347,150	347,150	-	-	-	104,500	242,650
Lease liabilities	1,090	1,090	129	441	366	154	-
<b>Total interest bearing liabilities</b>	<b>348,240</b>	<b>348,240</b>	<b>129</b>	<b>441</b>	<b>366</b>	<b>104,654</b>	<b>242,650</b>

##### (ii) Borrowing costs

	2021 \$'000	2020 \$'000
Interest expense on loans	11,016	11,083
Financial accommodation levy	4,868	4,278
Interest expense on leases under AASB 16	16	28
<b>Total borrowing costs</b>	<b>15,900</b>	<b>15,389</b>

Borrowing costs include interest on the short term and long term borrowings held with the Treasury Corporation of Victoria, 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 and lease charges. 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) Leases**

Information about leases for which Western Water is a lessee is presented below.

*(i) Amounts recognised in the Balance Sheet*

The following amounts are recognised in the Balance Sheet relating to leases:

	2021 \$'000	2020 \$'000
<b>Right-of-use assets</b>		
<i>Buildings</i>		
Gross carrying amount - at cost	1,643	1,643
Accumulated depreciation	(1,142)	(571)
<b>Net carrying amount</b>	<b>501</b>	<b>1,072</b>
<b>Lease liabilities</b>		
Current	504	569
Non-current	10	521
<b>Total lease liabilities</b>	<b>514</b>	<b>1,090</b>

Additions to the right-of-use assets during the 2021 financial year were \$nil (2020: \$nil).

*(ii) Amounts recognised in the Comprehensive Operating Statement*

The following amounts are recognised in the Comprehensive Operating Statement relating to leases:

	2021 \$'000	2020 \$'000
<b>Right-of-use assets</b>		
<i>Buildings</i>		
Depreciation	571	571
<b>Total depreciation</b>	<b>571</b>	<b>571</b>
<b>Right-of-use assets</b>		
<i>Buildings</i>		
Interest expense	16	28
<b>Total interest expense</b>	<b>16</b>	<b>28</b>
<b>Total lease related expense</b>	<b>587</b>	<b>599</b>



## Notes to the Financial Statements

### For the financial year ended 30 June 2021

## 6. How We Financed Our Operations (continued)

### (b) Leases (continued)

#### (iii) Amounts recognised in the Cash Flow Statement

The following amounts are recognised in the Cash Flow Statement relating to leases:

	2021 \$'000	2020 \$'000
<b>Right-of-use assets</b>		
<i>Buildings</i>		
Lease interest payments	16	28
Principal elements of lease liability payments	575	553
<b>The cash outflow for leases</b>	<b>591</b>	<b>581</b>

#### (iv) Western Water's leasing activities and how these are accounted for

Western Water leases various properties, buildings and IT equipment. Lease contracts are typically made for fixed periods of two to five years, but may have extension options to renew the lease after that date as described below.

For any new contracts entered into on or after 1 July 2019, Western Water considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition Western Water assesses whether the contract meets three key evaluations:

- Whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Western Water and for which the supplier does not have substantive substitution rights;
- Whether Western Water has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and Western Water has the right to direct the use of the identified asset throughout the period of use; and
- Whether Western Water has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Contracts may contain both lease and non-lease components. Western Water allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Western Water separates out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 July 2019 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Western Water.

### *(i) Right-of-use assets*

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Where Western Water obtains ownership of the underlying leased asset or If Western Water is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While Western Water revalues its buildings that are presented within infrastructure assets, property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by Western Water.

Western Water applies the revaluation model in AASB 116 to right-of-use assets that relate to a class of infrastructure assets, property, plant and equipment. The revaluation model is applied to all of the right-of-use assets that relate to that class of infrastructure assets, property, plant and equipment.

### *(ii) Lease liabilities*

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or Western Water's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- payments arising from purchase and termination options reasonably certain to be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to Comprehensive Operating Statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease or Western Water's incremental borrowing rate. Treasury Corporation of Victoria (TCV) calculator is used to determine incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

## 6. How We Financed Our Operations (continued)

### (b) Leases (continued)

Western Water is exposed to future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from:

- variable lease payments;
- extension options and termination options; and
- residual value guarantees.

#### *(iii) Extension and termination options*

Extension and termination options are included in a number of property leases across Western Water. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by Western Water and not by the respective lessor.

#### *(iv) Critical judgements in determining the lease term*

In determining the lease term, Western Water considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$nil.

#### *(v) Short-term leases and leases of low-value assets*

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and photo copiers with individual values less than \$10,000 when new. Western Water has elected not to recognise right-of-use assets and lease liabilities for these leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in Comprehensive Operating Statement.

### (c) Cash flow information and balances

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.

	2021 \$'000	2020 \$'000
Cash on hand	-	2
Cash at bank	3,069	1,208
<b>Balance as per cash flow statement</b>	<b>3,069</b>	<b>1,210</b>

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

	2021 \$'000	2020 \$'000
<b>Net results for the period</b>	58,183	59,112
<b>Non-cash movements:</b>		
(Gain) / loss on disposal of infrastructure assets, property, plant and equipment	(208)	2,252
Depreciation and amortisation of infrastructure assets, property, plant and equipment	29,608	31,225
Assets received from developers	(65,155)	(71,053)
Increase in provision for impaired receivables	119	146
Derivative financial instruments - initial recognition	1,905	-
<b>Movements in assets and liabilities</b>		
(Increase) / decrease in receivables	1,075	(1,495)
(Increase) / decrease in contract assets	(1,552)	498
(Increase) / decrease in other non-financial assets	87	(345)
Increase in deferred tax asset	(789)	(361)
Decrease in trade creditors	(2,808)	(3)
Increase / (decrease) in contract liabilities - fees paid by developers in advance	4,478	(6,389)
Increase / (decrease) in contract liabilities - income in advance	(99)	897
Increase / (decrease) in tax payable	(6,971)	5,079
Increase / (decrease) in deferred tax liabilities	1,232	(920)
Increase in provisions	585	1,116
<b>Net cash inflows from operating activities</b>	<b>19,690</b>	<b>19,759</b>

*(ii) Financing facilities*

	2021 \$'000	2020 \$'000
<b>Secured bank overdraft facility, reviewed annually and payable at call<sup>1</sup></b>		
Amount unused at balance date	500	500
<b>Total</b>	<b>500</b>	<b>500</b>
<b>Business card facility</b>		
Amount used at balance date	30	23
Amount unused at balance date	270	277
<b>Total</b>	<b>300</b>	<b>300</b>
<b>Secured loan facilities<sup>2</sup></b>		
Amount used at balance date	422,150	347,150
Amount unused at balance date	-	-
<b>Total</b>	<b>422,150</b>	<b>347,150</b>

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

2. Security for loans is by way of Treasurer's guarantee in favour of the Treasury Corporation of Victoria dated 22 June 2000. Loan interest is payable either every three or six months and loans have a maturity profile of up to 12 years (2020: 13 years).

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 6. How We Financed Our Operations (continued)

#### (c) Cash flow information and balances (continued)

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 July 2021 for Greater Western Water which includes the refinancing of \$138.8 million of loans maturing in 2021/22 (\$17.5 million: 2020/21) and obtaining new loans of \$298.8 million between 1 July 2021 and 30 June 2022 (\$54.0 million: 2020/21).

#### (d) 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).

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

#### (i) Total operating commitments payable

	2021 \$'000	2020 \$'000
<b>Nominal amounts</b>		
<b>Operating lease commitments</b>		
Within one year	554	651
One to five years	17	571
<b>Total operating lease commitments payable<sup>1</sup></b>	<b>571</b>	<b>1,222</b>
<b>Other significant operating commitments</b>		
Within one year	13,348	10,445
One to five years	10,637	16,646
<b>Total other significant operating commitments payable</b>	<b>23,985</b>	<b>27,091</b>
<b>Total operating commitments payable (inclusive of GST)</b>	<b>24,556</b>	<b>28,313</b>
Less GST recoverable	(2,232)	(2,574)
<b>Total operating commitments payable (exclusive of GST)</b>	<b>22,324</b>	<b>25,739</b>

1. Refer notes 6(b) and for details of operating leases.

These future expenditures cease to be disclosed as commitments once the related operating expenditure is recognised in the Comprehensive Operating Statement.

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

	2021 \$'000	2020 \$'000
<b>Nominal amounts</b>		
<b>Operating lease commitments receivables</b>		
Within one year	286	295
One to five years	1,151	1,322
Over five years	1,370	-
<b>Total operating lease commitments receivables (inclusive of GST)</b>	<b>2,807</b>	<b>1,617</b>
Less GST payable	(255)	(147)
<b>Total operating lease commitments receivables (exclusive of GST)</b>	<b>2,552</b>	<b>1,470</b>

Minimum future lease receivables include 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.

These future revenues cease to be disclosed as commitments once the related other revenue is recognised in the Comprehensive Operating Statement.

*(iii) Total capital commitments payable*

Capital commitments arise from contracts. These commitments are recorded at their nominal value and inclusive of GST.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Capital expenditure commitments payable</b>		
Within one year	20,769	27,788
One to five years	10,389	17,544
<b>Total capital expenditure commitments payable (inclusive of GST)</b>	<b>31,158</b>	<b>45,332</b>
Less GST recoverable	(2,832)	(4,121)
<b>Total capital expenditure commitments payable (exclusive of GST)</b>	<b>28,326</b>	<b>41,211</b>

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.

## 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*.

#### (i) Categories of financial instruments

	Notes	2021 \$'000	2020 \$'000
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents		3,069	1,210
Loan receivable from Zero Emissions Water (ZEW) Ltd		15	-
Investment in Zero Emissions Water (ZEW) Ltd		-	-
Contractual current and non-current receivables	(Note 5(a))	12,801	7,357
<b>Total financial assets at amortised cost</b>		<b>15,885</b>	<b>8,567</b>
<b>Financial liabilities at amortised cost</b>			
Contractual current and non-current payables	(Note 5(b))	43,362	40,683
Current and non-current lease liabilities	(Note 6(b)(i))	514	1,090
Interest bearing liabilities	(Note 6(a))	422,150	347,150
<b>Total financial liabilities at amortised cost</b>		<b>466,026</b>	<b>388,923</b>

Financial assets at amortised costs are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, these financial instruments are measured at amortised cost using the effective interest method (less any impairment), only if both of the following criteria are met and the assets are not designated as fair value through net result:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Western Water recognises the following assets in this category:

- cash and cash equivalents;
- Loan receivable from Zero Emissions Water (ZEW) Ltd;
- investment in Zero Emissions Water (ZEW) Ltd; 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 Comprehensive Operating Statement 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);
- lease liabilities; and
- interest bearing liabilities.

#### Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are measured at fair value through profit or loss are categorised at fair value through profit or loss at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which all contractual obligations under conditions precedent are met and on subsequent measurement. The fair value of the expected future settlements at initial recognition is recognised as an expense. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value of derivatives after initial recognition are recognised in the Comprehensive Operating Statement.

	Notes	2021 \$'000	2020 \$'000
<b>Financial liabilities at fair value</b>			
Contract for Difference derivative	5(d)	1,905	-
<b>Total financial liabilities at fair value</b>		<b>1,905</b>	<b>-</b>
<b>Movement - financial liabilities at fair value</b>			
Opening balance		-	-
Initial recognition of derivative financial instruments		1,905	-
Gain recognised in the profit or loss		109	-
Net cash settlements received		(109)	-
<b>Total financial liabilities at fair value</b>		<b>1,905</b>	<b>-</b>
<b>Derivative financial instruments expense</b>			
Contract for Difference derivative		1,905	-
<b>Total derivative financial instruments expense</b>		<b>1,905</b>	<b>-</b>

Western Water pays or receives the difference between the floating electricity price and the fixed price set under the agreement for the units of energy supplied into the National Electricity Market by the solar farm. The future settlements of Contract for Difference (CFD) are classified as derivative financial instruments. Western Water has initially recognised the CFD derivative financial instrument and is measured at fair value based on the best available information. The initial recognition expense represents the fair value of the expected future settlements at the initial recognition, and at 30 June 2021 it is in a liability position. The initial recognition of the CFD derivative is treated as a transaction expense in the Comprehensive Operating Statement on the basis that it is an interaction between two entities by mutual agreement in respect to which no cash flows take place on effective date (Note 7(a)(i)).



# Notes to the Financial Statements

## For the financial year ended 30 June 2021

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

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

##### Fair value determination - derivative financial liabilities

The fair value of derivative instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement and assumptions in estimating the fair value of derivatives. In the absence of an active market, the fair value of Western Water's Contract for Difference derivative is valued using unobservable inputs such as future wholesale electricity prices provided by the independent valuation advisor of the Department of Environment, Land, Water and Planning and comparable risk free rates of zero coupon government bonds obtained from the Reserve Bank of Australia. The assumptions underpinning the estimate of future wholesale electricity prices included factors influencing supply and demand fluctuations, and the economic impact of COVID-19. In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the derivative instrument. To the extent that the significant inputs are unobservable, Western Water categorises these derivatives as Level 3 within the fair value hierarchy.

##### Description of significant unobservable inputs to Level 3 valuations for 2021

##### Asset Class - Contract for Difference derivative

Asset Class	Valuation technique	Significant unobservable inputs	2021 range	Sensitivity of fair value measurement to changes in significant unobservable inputs
Contract for Difference derivative financial instruments	Income approach (discounted cash flow)	Wholesale electricity price forecasts	\$20.83/MWh to \$53.79/MWh	An increase/ (decrease) in the wholesale electricity price forecasts of 10% would result in an increase/ (decrease) fair value by \$484,231.35
		Discount rate: risk free rates of zero coupon government bonds	0.0185% to 1.7853%	An increase/ (decrease) in the discount rate of 1% would result in an increase/ (decrease) fair value by \$83,182.34
		Credit value adjustment: Australian Corporate Bond Spreads and Yields FNFSBBB10M	136.34	An increase/ (decrease) in the credit value adjustment of 1% would result in an increase/ (decrease) fair value by \$83,182.34

##### (ii) Derecognition of financial assets

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

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

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

### *(iii) Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the Comprehensive Operating Statement.

### *(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.

Western Water records an allowance for expected credit loss for the relevant financial instruments applying the Expected Credit Loss approach as per AASB 9 *Financial Instruments* (Note Impairment of contractual current receivables).

### *(v) 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 2020-21 reporting period.

## **(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 Western Water's financial risks within the government policy parameters. Western Water's main financial risks include credit risk, liquidity risk and interest rate risk.

Risk management is carried out by Western Water under policies approved by the Board of Directors. Western Water identifies, evaluates and hedges financial risks in close co-operation with Treasury Corporation of Victoria. The Audit and Risk Committee which is a 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 credit risk, liquidity risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

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

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

##### (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)).

Western Water's other credit risk arises from in-the-money receipts due from the Contracts for Difference derivative under the ZEW PPA. Western Water determines its maximum exposure to credit risk relating to the derivative financial instrument at reporting date as the sum of the nominal values of all forecasted net cash receipts where the floating price due by the proponent exceeds the fixed price payable by the corporation over the remaining PPA term.

The effects of COVID-19 may result in an increased risk of debtors defaulting, however, the impact on expected credit losses could not be reliably measured at the time these financial statements were issued.

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

	Notes	Financial institutions (triple-B credit rating) \$'000	Other (min. triple-B credit rating) \$'000	Total \$'000
<b>2021</b>				
Cash and cash equivalents		3,069	-	3,069
Contractual current and non-current receivables	(Note 5(a))	6,000	6,801	12,801
Loan receivable from Zero Emissions Water (ZEW) Ltd		-	15	15
<b>Total contractual financial assets</b>		<b>9,069</b>	<b>6,816</b>	<b>15,885</b>
<b>2020</b>				
Cash and cash equivalents		1,208	2	1,210
Contractual current and non-current receivables	(Note 5(a))	-	7,357	7,357
<b>Total contractual financial assets</b>		<b>1,208</b>	<b>7,359</b>	<b>8,567</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. Whilst Western Water continues to monitor the impact of COVID-19, from March 2020, Western Water started paying all supplier invoices that are approved within 5-10 working days.

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 2021/22 borrowings for Greater Western Water was obtained in July 2021.

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 2021, no FSL arrangements were in place (2020: Nil).

#### **Other price risk**

Western Water uses the Contract for Difference derivative financial instrument under the ZEW PPA to manage the price risk of energy related commodities purchased in the normal course of business (Note 5(e)).

### *(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.

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

## 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:

	Contractual repricing or maturity periods											
	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 or more \$'000	Total carrying amount \$'000
		interest rate \$'000	rate \$'000	interest rate \$'000	rate \$'000							
<b>2021</b>												
<b>Financial assets</b>												
Cash	-	-	3,069	-	-	-	-	-	-	-	-	3,069
Contractual current and non-current receivables (Note 5(a))	12,801	-	-	12,728	73	-	-	-	-	-	-	12,801
Loan receivable from Zero Emissions Water (ZEW) Ltd	15	-	-	-	-	-	-	-	-	-	15	15
	<b>12,816</b>	<b>-</b>	<b>3,069</b>	<b>12,728</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>15,885</b>
<b>Financial liabilities</b>												
Contractual current and non-current payables (Note 5(b))	43,362	-	-	-	43,362	-	-	-	-	-	-	43,362
Current and non-current lease liabilities (Note 5(e))	514	-	-	504	10	-	-	-	-	-	-	514
Interest bearing liabilities (Note 6(a))	-	422,150	-	-	25,250	46,000	35,000	40,000	275,900	-	-	422,150
	<b>43,876</b>	<b>422,150</b>	<b>-</b>	<b>43,866</b>	<b>25,260</b>	<b>46,000</b>	<b>35,000</b>	<b>40,000</b>	<b>275,900</b>	<b>40,000</b>	<b>-</b>	<b>466,026</b>
<b>Net financial liabilities</b>	<b>(31,060)</b>	<b>(422,150)</b>	<b>3,069</b>	<b>(31,138)</b>	<b>(25,187)</b>	<b>(46,000)</b>	<b>(35,000)</b>	<b>(40,000)</b>	<b>(275,885)</b>	<b>(40,000)</b>	<b>(450,141)</b>	
Weighted average interest rate			0.01%	5.11%	2.80%	5.12%	3.48%	3.85%	4.46%			

	Contractual repricing or maturity periods										Total				
	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 carrying amount \$'000	
				years	years	years	years	years	years	years		years			
<b>2020</b>															
<b>Financial assets</b>															
Cash	2	-	1,208	-	-	-	-	-	-	-	-	-	-	1,210	
Contractual current and non-current receivables (Note 5(a))	7,357	-	-	7,284	73	-	-	-	-	-	-	-	-	7,357	
	<b>7,359</b>	<b>-</b>	<b>1,208</b>	<b>7,284</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,567</b>	
<b>Financial liabilities</b>															
Current and non-current lease liabilities (Note 5(e))	-	-	1,090	569	499	22	-	-	-	-	-	-	-	1,090	
Contractual current and non-current payables (Note 5(b))	40,683	-	-	-	-	-	-	-	-	-	-	-	-	40,683	
Interest bearing liabilities (Note 6(a))	-	-	347,150	-	18,250	25,250	26,000	35,000	242,650	-	-	-	-	347,150	
	<b>40,683</b>	<b>347,150</b>	<b>1,090</b>	<b>41,252</b>	<b>18,749</b>	<b>25,272</b>	<b>26,000</b>	<b>35,000</b>	<b>242,650</b>	<b>(35,000)</b>	<b>(242,650)</b>	<b>(388,923)</b>	<b>(388,923)</b>		
<b>Net financial liabilities</b>	<b>(33,324)</b>	<b>(347,150)</b>	<b>118</b>	<b>(33,968)</b>	<b>(18,676)</b>	<b>(25,272)</b>	<b>(26,000)</b>	<b>(35,000)</b>	<b>(242,650)</b>	<b>(388,923)</b>	<b>(388,923)</b>	<b>(388,923)</b>	<b>(388,923)</b>		
Weighted average interest rate			0.32%		5.18%	5.11%	4.11%	5.12%	4.46%						

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

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

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

#### (v) Interest rate risk sensitivity

The tables that follow show the impact on Western Water's net result and equity for each category of financial instrument held by the Corporation at the end of the reporting period, following an assumption of movement of 50 basis points up and down in market interest rates (AUD).

	Carrying amount \$'000	Interest rate risk			
		0.5%		-0.5%	
		Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>2021</b>					
<b>Contractual financial assets</b>					
Cash and cash equivalents	3,069	8	8	(8)	(8)
Contractual current and non-current receivables (Note 5(a))	12,801	-	-	-	-
Investment in Zero Emissions Water (ZEW) Ltd <sup>1</sup>	-	-	-	-	-
Loan receivable from Zero Emissions Water (ZEW) Ltd (Note 5(c))	15	-	-	-	-
<b>Contractual financial liabilities</b>					
Contractual current payables (Note 5(b))	43,362	-	-	-	-
Interest bearing liabilities	422,150	-	-	-	-
Lease liabilities	514	-	-	-	-
<b>Total increase/ (decrease)</b>		<b>8</b>	<b>8</b>	<b>(8)</b>	<b>(8)</b>

1. Carrying amount is fully impaired at 30 June 2021.

	Carrying amount \$'000	Interest rate risk			
		0.5%		-0.5%	
		Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>2020</b>					
<b>Contractual financial assets</b>					
Cash and cash equivalents	1,210	3	3	(3)	(3)
Contractual current and non-current receivables (Note 5(a))	7,357	-	-	-	-
<b>Contractual financial liabilities</b>					
Contractual current payables (Note 5(b))	40,683	-	-	-	-
Interest bearing liabilities	347,150	-	-	-	-
Lease liabilities	1,090	-	-	-	-
<b>Total increase/ (decrease)</b>		<b>3</b>	<b>3</b>	<b>(3)</b>	<b>(3)</b>

Western Water's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. Western Water cannot be expected to predict movements in market rates and prices.

The interest-bearing liabilities are fixed rate loans and there is no impact to net results due to changes in market interest rates. The carrying value of the fixed rate loans is valued at amortised cost that would not be impacted by a change in interest rates.

### (c) Contingent assets and contingent liabilities

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

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

	2021 \$'000	2020 \$'000
<b>Total estimated contingent assets - developer assets</b>	<b>52,679</b>	<b>21,573</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 2021 was 56,739ML (2020: 49,126ML).



# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 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), pursuant to section 88(1) of the State Owned Enterprises Act 1992, 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:

	2021 \$'000	2020 \$'000
<b>Comprehensive Operating Statement</b>		
Current income tax expense (paid or payable)	24,373	26,569
<b>Deferred income tax expense</b>		
Deferred tax relating to temporary differences	1,251	(682)
Deferred tax asset	(765)	(361)
(Over)/Under provision on prior year tax return	(177)	(144)
<b>Income tax as reported in the Comprehensive Operating Statement</b>	<b>24,682</b>	<b>25,382</b>
<b>Tax reconciliation</b>		
Net result before income tax expense	82,865	88,384
Tax at the Australian tax rate of 30% (2020: 30%)	24,859	25,349
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
- Adjustment in respect of income tax of previous year	(177)	(144)
- Other	-	177
<b>Income tax on profit before tax as reported in the Comprehensive Operating Statement</b>	<b>24,682</b>	<b>25,382</b>
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Balance Sheet</b>		
Opening balance at 1 July	10,650	5,571
Adjustments in respect of income tax previous year	(134)	94
Income tax paid during the year	(31,209)	(21,583)
Current income tax charge	24,373	26,568
<b>Current income tax payable</b>	<b>3,680</b>	<b>10,650</b>

*(ii) Deferred tax assets and liabilities*

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

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

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax assets</b>		
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Doubtful debts	228	192
Employee benefits	1,841	1,666
Lease liability under AASB 16	4	5
Other	581	2
<b>Total deferred tax assets at 30 June</b>	<b>2,654</b>	<b>1,865</b>
<b>Movements</b>		
Opening balance at 1 July	1,865	1,504
Credited to the Comprehensive Operating Statement	789	361
<b>Total deferred tax assets at 30 June</b>	<b>2,654</b>	<b>1,865</b>
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax asset to be recovered after more than 12 months	2,654	1,865
<b>Total deferred tax assets at 30 June</b>	<b>2,654</b>	<b>1,865</b>

## Notes to the Financial Statements

### For the financial year ended 30 June 2021

#### 8. Statutory Obligations (continued)

##### (a) Tax (continued)

	2021 \$'000	2020 \$'000
<b>Deferred tax liabilities</b>		
<b>Amounts recognised in Comprehensive Operating Statement</b>		
Depreciation	35,944	33,450
Other provisions	(1)	1,480
Prior year under/(over) provision	(19)	(238)
	35,924	34,692
<b>Amounts recognised directly in equity</b>		
Revaluation of infrastructure property, plant and equipment	112,043	91,086
	112,043	91,086
<b>Total deferred tax liabilities at 30 June</b>	<b>147,967</b>	<b>125,778</b>
	2021 \$'000	2020 \$'000
<b>Movements</b>		
Opening balance at 1 July	125,778	126,698
Charged to the Comprehensive Operating Statement	1,250	(682)
Asset revaluation	20,958	-
Prior year over provision	(19)	(238)
<b>Total deferred tax liabilities at 30 June</b>	<b>147,967</b>	<b>125,778</b>
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities to be recovered after more than 12 months	147,967	125,778
<b>Total deferred tax liabilities at 30 June</b>	<b>147,967</b>	<b>125,778</b>
<b>Net deferred tax assets / (liabilities)</b>	<b>(145,313)</b>	<b>(123,913)</b>

**(b) Environmental contribution levy**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Environmental contribution levy	4,069	3,083
<b>Total environmental contribution levy</b>	<b>4,069</b>	<b>3,083</b>

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 corporations. The Act establishes an obligation for corporations 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 2024.

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.

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 2021, Western Water had environmental contribution levy commitments to be paid as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Environmental contribution commitments</b>		
Within one year	4,069	4,069
One to five years	8,137	12,206
<b>Total environmental contribution levy commitments payable</b>	<b>12,206</b>	<b>16,275</b>

**(c) Dividends**

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. Western Water's preliminary estimate for the dividend due for the reporting period is \$nil (2020: \$nil).

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 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

	2021 \$'000	2020 \$'000
Opening balance at 1 July	160,413	160,413
Owner contributions by the State Government - appropriation for capital expenditure purposes	6,000	-
<b>Closing balance at 30 June</b>	<b>166,413</b>	<b>160,413</b>

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital.

The capital contribution of \$6,000,000 is from the National Water Infrastructure Development Fund as per the National Partnership Agreement between the State and the Commonwealth governments towards investing on the Western Irrigation Network capital project.

##### (ii) Asset revaluation reserves

	2021 \$'000	2020 \$'000
<b>Composition of the asset revaluation reserves</b>		
Land	26,068	23,199
Buildings	3,900	2,407
Infrastructure	231,027	186,747
Equipment	439	178
<b>Closing balance at 30 June</b>	<b>261,434</b>	<b>212,531</b>

##### Movements during the reporting period

Balance 1 July	212,531	212,531
Land	2,869	-
Buildings	1,493	-
Infrastructure	44,280	-
Equipment	261	-
<b>Closing balance at 30 June</b>	<b>261,434</b>	<b>212,531</b>

##### (iii) Accumulated surplus

	2021 \$'000	2020 \$'000
Accumulated surplus at beginning of financial year	323,748	264,635
Net result for the period	58,183	59,113
<b>Net result for the period</b>	<b>381,931</b>	<b>323,748</b>

**(b) Responsible Persons**

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period, as required by AASB 124 *Related Party Disclosures*.

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 2020 to 30 June 2021
The Hon. Richard Wynne MP	Acting Minister for Water	15 February 2021 to 30 June 2021
A Cairns	Chair of the Board of Directors	1 July 2020 to 30 June 2021
	Chair of the People and Culture Committee	1 July 2020 to 30 June 2021
	Chair of the Strategic Futures Committee	1 July 2020 to 30 June 2021
J Doolan	Deputy Chair of the Board of Directors	1 July 2020 to 30 June 2021
	Board Member	1 July 2020 to 30 June 2021
L Prain	Board Member	1 July 2020 to 30 June 2021
	Chair Community, Value and Environment Committee	1 July 2020 to 30 June 2021
C Filson	Board Member	1 July 2020 to 30 June 2021
M McGarvie	Board Member	1 July 2020 to 30 June 2021
J Holt	Board Member	1 July 2020 to 30 June 2021
L McLean	Board Member	1 July 2020 to 30 June 2021
L McDonald	Board Member	1 July 2020 to 30 June 2021

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 9. Other Disclosures (continued)

#### (b) 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 Western Water during the reporting period was in the range: \$670,000 - \$679,000 (2019/20: \$630,000 - \$639,999).

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

Income Band (\$)	2021 No.	2020 No.
0 - 9,999	-	2
20,000 - 29,999	-	3
30,000 - 39,999	4	4
40,000 - 49,999	3	-
60,000 - 69,999	-	1
70,000 - 79,999	1	-
340,000 - 349,999	1	1
<b>Total number of responsible persons</b>	<b>9</b>	<b>11</b>

##### (ii) Retirement benefits of responsible persons

No retirement benefits were paid by Western Water in connection with the retirement of responsible persons for the financial year 2020/21 (2019/20: \$nil).

#### (c) 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 (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by Western Water, or on behalf of Western Water, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, 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.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total remuneration of executive officers</b>		
Short-term employee benefits	1,202	1,111
Post-employment benefits	115	103
Other long-term benefits	16	25
Termination benefits	143	11
<b>Total remuneration<sup>i</sup></b>	<b>1,476</b>	<b>1,250</b>
<b>Total number of executives<sup>ii</sup></b>	<b>6</b>	<b>6</b>
<b>Total annualised employee equivalents<sup>iii</sup></b>	<b>4.86</b>	<b>5.09</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(d)).

ii. There was no non-executive staff on Standard Public Entity Executive Employment contract in 2020/2021 (2019/20: nil).

iii. Annualised employee equivalent is based on the time fraction worked over the reporting period.

#### **(d) 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.



# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 9. Other Disclosures (continued)

#### (d) Related parties (continued)

##### (i) 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*) during the financial year.

Key Management Personnel of Western Water include:

Key Management Personnel	Title
The Hon.Lisa Neville MP	Minister for Water (from 1 July 2020 to 30 June 2021)
The Hon. Richard Wynne MP	Acting Minister for Water (from 15 February 2021 to 30 June 2021)
A Cairns	Chair of the Board of Directors
J Doolan	Board Member
L Prain	Board Member
C Filson	Board Member
M McGarvie	Board Member
J Holt	Board Member (from 1 October 2019)
L McLean	Board Member (from 1 October 2019)
L McDonald	Board Member (from 1 October 2019)
J Rigby	Managing Director
J Williams	Chief Finance and Accounting Officer (to 14 July 2020)
E Rowland	Chief Finance and Accounting Officer (from 20 July 2020) Company Secretary (from 27 March 2021)
G Holt	Chief Operating Officer
N Pearce	General Manager Infrastructure and Water Resources (from 6 July 2020)
L Bonazzi	General Manager - Strategy and Innovation (to 28 May 2021)
B Moss	General Manager - People, Culture and Digital Technology
M Jeal	Company Secretary (to 26 March 2021)

### *(ii) 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.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term employee benefits	1,814	1,825
Post-employment benefits	166	171
Other long-term benefits	23	35
Termination benefits	143	11
<b>Total compensation</b>	<b>2,146</b>	<b>2,042</b>

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

### *(iii) 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.

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 9. Other Disclosures (continued)

#### (d) Related parties (continued)

##### (iv) Significant transactions with government-related entities

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

	2021 \$'000	2020 \$'000
<b>Treasury Corporation of Victoria</b>		
Borrowings received	94,750	75,750
Borrowings paid	19,750	18,500
Borrowing cost	11,016	11,083
Interest income	-	1
<b>Melbourne Water Corporation</b>		
Water purchase expense	10,133	10,042
Waterways and drainage levy paid	7,163	6,667
Waterways and drainage levy collection admin fee revenue	160	147
Contributions to Western Growth Area master plan	146	-
Contributions to Melton Growth area - Stormwater Harvesting business case	40	-
Government grants and contributions revenue	34	14
Government grants and contributions received	34	9
Employee secondment fee revenue	17	-
Contributions to Werribee environmental flows	10	10
<b>Department of Environment, Land, Water and Planning</b>		
Environmental contribution levy	4,069	3,083
Government grants and contributions received	628	110
Government grants and contributions revenue	113	50
Unallocated share of lake Merrimu in Werribee system	-	465
EPA Environmental Monitoring Services fee expense	90	82
Land valuation fee expense	37	49
Greater Melbourne Lidar data collection fee expense	20	22
Native vegetation expense	-	2
<b>State Revenue Office</b>		
Payroll tax	910	868
Return of unclaimed money	9	-
<b>Department of Treasury and Finance</b>		
NTER income tax expense	26,091	27,242
Financial accommodation levy	4,868	4,278
ESC Regional Water and Sewerage Recovery fee expense	65	38
Online training	2	-
<b>Southern Rural Water Corporation</b>		
Water purchase expense	2,195	1,955
Annual bore licence fee expense	9	9
<b>Barwon Water Corporation</b>		
Assigned water allocation – Intangible Asset	-	1,425
<b>Department of Health and Human Services*</b>		
Water and waste water service and consumption rebate received	6,610	5,266
Water and waste water service and consumption rebate invoiced	5,412	6,464
Government grants and contributions revenue	71	-
Safe Drinking Water Act Administration levy	25	27
Government grants and contributions received	-	71
Water and waste water service and consumption rebate receivable	-	1,198

\* As of 1 February 2021, the Department of Health and Human Services was separated into two new departments: The Department of Health (DH) and the Department of Families, Fairness and Housing (DFFH). The above data is for the combined department.

	2021 \$'000	2020 \$'000
<b>City West Water</b>		
Sewerage charges	1,833	601
Sewerage revenue	397	-
Consultancy cost reimbursement	122	-
Employee secondment fee expense	77	-
Employee secondment fee revenue	67	-
Long service leave and annual leave transferred out	30	-
Servicing the West (Melton- Wyndam North Potable Servicing) study contributions received	27	-
Government grants and contributions received	20	15
Government grants and contributions revenue	20	-
Long service leave transfer	-	8
GIS service fee expense	-	70
<b>Sustainability Victoria</b>		
Government grants and contributions revenue	803	-
Government grants and contributions received	532	271
<b>South East Water Corporation</b>		
After hour call centre fee expense	51	38
<b>Yarra Valley Water</b>		
Choose tap campaign	9	17
<b>Central Highlands Water</b>		
Sponsorship for Govhack programme	-	3
<b>Coliban Water</b>		
Long service leave transferred in	156	-
<b>Services Australia Collector of Public Monies (previously known as Department of Human Services)</b>		
Transaction charges incurred for Centrepay	18	17
Licence fee expense	3	-
<b>Department of Agriculture, Water, and Environment</b>		
Assessment fee expense	16	-
<b>Department of Transport</b>		
Consent fee expense	1	-
<b>Environment Protection Authority</b>		
EPA Licence fee expense	-	99
Service approval fee expense	75	-
<b>Victorian Rail Track</b>		
Licence fee expense	3	-
<b>Zero Emissions Water (ZEW) Ltd</b>		
Compensation settlement for forgone electricity LGCs income	152	611
Contract for Difference electricity income	100	-
Contract for Difference electricity expense	72	-
Administrative fee expense	22	19
Interest free loan provided and receivable	15	-
Large-scale Generation Certificates - intangible asset	109	-
Derivative financial instrument initial transaction cost	1,905	-
Derivative financial instrument current liability	1,905	-

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 9. Other Disclosures (continued)

#### (e) Remuneration of auditors

	2021 \$'000	2020 \$'000
<b>Victorian Auditor-General's Office<sup>1</sup></b>		
Audit or review of the annual financial statements	53	54
	<b>53</b>	<b>54</b>
<b>Other non-audit services</b>		
Internal audit services	145	90
Regulatory audit services	69	56
	<b>214</b>	<b>146</b>
<b>Total remuneration of auditors</b>	<b>267</b>	<b>200</b>

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

#### (f) Ex-gratia expenses

	2021 \$'000	2020 \$'000
Forgiveness or waiver of debt	711	774
Compensation for economic loss	3	34
<b>Total ex-gratia expenses</b>	<b>714</b>	<b>808</b>

Ex-gratia expenses are the voluntary payments of money or other non-monetary benefit (e.g., a write off) that is not made either to acquire goods, services or other benefits for Western Water or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against Western Water.

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.

#### (g) Subsequent events

The matters that have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of Western Water, the results of those operations, or the state of affairs of the Corporation in future financial years are discussed below:

On 29 October 2020, the Minister for Water, Lisa Neville, announced the integration of City West Water (CWW) and Western Water (WW) to form a new water corporation for Melbourne's west called Greater Western Water (GWW), effective 1 July 2021. GWW will bring together the best of both water corporations to enhance customer service, water security and provide more affordable water services. The new water corporation will provide services to more than 580,000 customers over a 3,700 square kilometre area from Melbourne's Central Business District and inner-west and north-west suburbs, through Melton and Sunbury growth corridors to Bacchus Marsh, Myrniong and Macedon Ranges townships.

The integration is overseen by a Joint Transition Committee, chaired by leading water sector expert, Cheryl Batagol. The Committee is made up of current WW Board members Jane Doolan, Liza McDonald, and Les McLean, and current CWW Board members Bruce Cohen, Tania Fryer and Sawsan Howard.

In February 2021, Ministerial Determinations were signed to enable CWW and WW to operate as GWW from 1 July 2021. These determinations confirm that CWW continued as the legal entity, trading as GWW. All functions, powers and duties of WW transferred to CWW and WW officially wound up on 30 June 2021.

A new GWW executive organisation structure was created on 12 April 2021 and a new GWW Board of Directors was appointed to govern the organisation from 1 July 2021. Management representations signed by the GWW Managing Director and the Chief Financial Officer have been provided to the GWW Board as part of the WW Financial Statement certification process.

All WW assets, liabilities and existing employees transferred to GWW from 1 July 2021. The transfer was completed as a transfer of contributed equity as per FRD 119A Transfers through contributed capital. The integration will not result in significant changes to services, prices charged to customers, maintenance and operations.

Following the integration of WW with CWW (now GWW), a write-down of infrastructure asset value of approximately \$644m is expected for GWW in the 2022 financial year. The write-down is required due to WW changing from a "Not for Profit" entity to a "for Profit" entity as GWW, and adopting the accounting policy for valuation of infrastructure assets as a 'for-profit' entity. For its 2022 financial report, GWW will obtain an independent valuation to support this change in valuation policy for WW's infrastructure assets.

The valuation write-down is an accounting book adjustment, required by the Australian Accounting Standards for measuring the fair value of infrastructure assets which differs between "Not for Profit" and "for Profit" entities.

The nature of WW's infrastructure assets and their service delivery do not change as a result of the adjustment. Importantly, there will be no resulting impact to customers or pricing (Note 1).

COVID-19 continues to change the landscape in which the Corporation operates in. Despite the challenges of COVID-19, management is of the view that the impacts of the pandemic have been adequately accounted for in the Financial Statements.

No other matter or circumstance has arisen since 30 June 2021 which has significantly affected, or may significantly affect:

- the Corporation's operations;
- the results of those operations; and/or
- the Corporation's state of affairs in the financial year subsequent to 30 June 2021.

#### **(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 2021 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.

# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 9. Other Disclosures (continued)

#### (h) Australian Accounting Standards (AASs) 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 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments	<p>Amendments to existing accounting standards, particularly in relation to:</p> <p>AASB 1 - simplifies the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;</p> <p>AASB 3 - to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;</p> <p>AASB 9 - to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;</p> <p>=AASB 116 - to require an entity to recognise the sales proceeds from selling items produced while preparing infrastructure, property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;</p> <p>AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> - to specify the costs that an entity includes when assessing whether a contract will be loss-making; and</p> <p>AASB 141 <i>Investment Property</i> - to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.</p>	1 January 2022	1 July 2022	The assessment has indicated that there will be no significant impact for the Corporation.
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2023	1 July 2023	The assessment has indicated that there will be no significant impact for the Corporation.

<b>Standard / Interpretation</b>	<b>Key requirements</b>	<b>Effective date</b>	<b>Effective date for the entity</b>	<b>Impact on Western Water financial statements</b>
AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	This standard amends AASB 101 Presentation of Financial Statements to defer requirements for the presentation of liabilities in the statement of financial position as current or non-current that were added to AASB 101 in AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current. The amendments will now apply to annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022, with earlier application permitted.	1 January 2022	1 January 2022	The assessment has indicated that there will be no significant impact for the Corporation.
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting	This Standard require entities to disclose material accounting policy information rather than significant accounting policies to ensure there is consistency in the terminology used in Australian Accounting Standards to minimise the risk of interpretation and application differences.  This Standard amends: (a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; (b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies; (c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; (d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and (e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023	1 July 2023	Ongoing work is being done to monitor and assess the impact of this standard for the Corporation.



# Notes to the Financial Statements

## For the financial year ended 30 June 2021

### 9. Other Disclosures (continued)

#### (h) Australian Accounting Standards (AASs) 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 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	<p>This Standard amends AASB 1 First-time Adoption of Australian Accounting Standards (July 2015) and AASB 112 Income Taxes (August 2015) as a consequence of the issuance of International Financial Reporting Standard Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) by the International Accounting Standards Board in May 2021.</p> <p>This Standard amends AASB 112 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration, and similar obligations. Entities are required to recognise deferred tax on such transactions. The Standard amends AASB 1 to require deferred tax related to leases and decommissioning, restoration, and similar obligations to be recognised by first-time adopters at the date of transition to Australian Accounting Standards, despite the exemption set out in AASB 112.</p>	1 January 2023	1 July 2023	Ongoing work is being done to monitor and assess the impact of this standard for the Corporation.

## Statutory Certification

### 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 2021 and financial position of the Corporation as at 30 June 2021.

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 24 August 2021.



**David Middleton**  
Chairman  
Greater Western Water  
Corporation - the successor  
in title to Western Water



**Maree Lang**  
Managing Director  
Greater Western Water  
Corporation - the successor  
in title to Western Water



**Liz Rowland**  
Chief Finance and Accounting Officer  
Greater Western Water  
Corporation - the successor  
in title to Western Water

# Independent Auditor's Report



## Independent Auditor's Report

### *To the Board of the Greater Western Water Corporation (formerly Western Region Water Corporation)*

<b>Opinion</b>	<p>I have audited the financial report of the Western Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2021</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 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**Auditor'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  
6 October 2021



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

## Appendix 1

### Disclosure Index

Western Water's 2021 Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements including Financial Reporting Directions (FRDs), Ministerial Reporting Directions (MRDs) and Standing Directions of the Assistant Treasurer. This index has been prepared to facilitate identification of Western Water's compliance with statutory disclosure requirements.

#### Charter and purpose

- FRD 22I Manner of establishment and the relevant Minister (p. 8)
- FRD 22I Purpose, functions, powers and duties (p. 8)
- FRD 22I Key initiatives and projects (p. 4)
- FRD 22I Nature and range of services provided (p. 8)

#### Management and structure

- FRD 22I Organisational structure (p. 36)

#### Financial and other information

- FRD 10A Disclosure Index (p. 148)
- FRD 12B Disclosure of major contracts (p. 48)
- FRD 22I Employment and conduct principles (p.15)
- FRD 22I Workforce data (p.13)
- FRD 22I Workforce inclusion policy (if agency has one - not compulsory) (p. 15)
- FRD 22I Occupational health and safety policy (p. 41)
- FRD 22I Summary of the financial results for the year (p. 44)
- FRD22I Five-year financial summary (p. 44)
- FRD 22I Significant changes in financial position during the year (p. 44)
- FRD 22I Major changes or factors affecting performance (p. 44)
- FRD 22I Subsequent events (nil response required) (p. 140)
- FRD 22I Application and operation of *Freedom of Information Act 1982* (p. 45)
- FRD 22I Compliance with building and maintenance provisions of *Building Act 1993* (p. 46)

- FRD 22I Statement on National Competition Policy (Competitive Neutrality Policy) (p. 47)
- FRD 22I Application and operation of the *Public Interest Disclosures Act 2012* (p. 46)
- FRD 22I Details of consultancies over \$10 000 (consultancy expenditure) (p. 44)
- FRD 22I Details of consultancies under \$10 000 (consultancy expenditure) (p. 44)
- FRD 22I Disclosure of government advertising expenditure (p. 48)
- FRD 22I Disclosure of ICT expenditure (p. 44)
- FRD 22I Disclosure of asset maturity assessment (p. 48)
- FRD 22I Statement of availability of other information (p. 51)
- FRD 24D Reporting of office-based environmental impacts (not compulsory) (p. 50)
- FRD 25D Local Jobs First (p. 47)
- FRD27C Performance Reporting (p. 54)
- FRD 29C Workforce Data disclosures (p. 13)  
Social procurement framework (p. 45)

#### Ministerial Reporting Directions

- MRD 01 Presentation and reporting of performance information (p. 54)
- MRD 02 Reporting on water consumption and drought response (pp. 20, 32)
- MRD 03 Environmental and social sustainability reporting (pp. 27-35, 18)
- MRD 04 Disclosure of information on bulk entitlements (p. 158)
- MRD 05 Annual reporting of major non-residential water users (p. 21)
- MRD 06 Greenhouse gas and energy reporting (p. 24)
- MRD 07 Disclosure of information on letter of expectations (p. 152)

### Compliance attestation and declaration

- SD 5.1.4 Attestation for Financial Management Compliance (p. 52)
- SD 5.2.3 Responsible Body Declaration in report of operations (p. 4)

### Other requirements under Standing Direction 5.2

- SD 5.2.1(a) Compliance with applicable Australian accounting standards and other authoritative pronouncements (p. 64)
- SD 5.2.1(a) Compliance with Ministerial Directions (p. 150)

### Other disclosures required by FRDs in notes to and forming part of the financial statements

- FRD 3A Accounting for dividends (p. 131)
- FRD 11A Disclosure of ex gratia payments (p. 140)
- FRD 17B Wage inflation and discount rates for employee benefits (p. 76)
- FRD 21C Disclosures of responsible persons, executive officers and other personnel (Contractors with Significant Management Responsibilities) in the Financial Report (pp. 133-135)
- FRD 103H Non-financial physical assets (p. 88)
- FRD 105A Borrowing costs (p. 110)
- FRD 106 Impairment of assets (p. 96)
- FRD 110A Cash flow statements (p. 63)
- FRD 112D Defined benefit superannuation obligations (p. 78)
- FRD 114A Financial instruments - General Government Entities and Public Non-Financial Corporations (p. 118)
- FRD 119A Transfers through contributed capital (p. 141)
- FRD 120M Accounting and reporting pronouncements applicable to the 2020-21 reporting period (p. 141)

### Legislation

- Water Act 1989*
- Water Industry Act 1994*
- Freedom of Information Act 1982*
- Building Act 1993*
- Public Interest Disclosures Act 2012*
- Local Jobs First Act 2003*
- Financial Management Act 1994*
- Disability Act 2006*

## Appendix 2

### Addressing the Minister's Letter of Expectations

Priority Area	Key Performance Indicator	Measure	Definition	Page
Undertake activities and provide services that minimise environmental impacts, mitigate climate change and demonstrate reasonable progress in integrating climate change adaptation into planning and decision making across the business.	<b>E2 Emission reductions</b>	E2	Scope 1 and scope 2 emissions only for the whole business and its activities, as specified under the National Greenhouse and Energy Reporting Scheme.	24
	Demonstrate reasonable progress toward achievement of the entity's emission reduction target specified in the Statement of Obligations (Emissions Reduction).	Total net emissions greenhouse gases in tonnes of CO <sub>2</sub> equivalent.		
	<b>E3 Adaptation to climate change and variability</b>	E3	a. NA	35
	a. Apply the <i>Guidelines for Assessing the Impact of Climate Change on Water Suppliers in Victoria</i> and demonstrate adaptation by: <ul style="list-style-type: none"> <li>• <b>Urban Water Corporations:</b> their application in drought preparedness and urban water strategies (Urban water corporations).</li> <li>• <b>Rural water corporations</b> (as applicable): to develop and/or implement low flow contingency plans that include an appropriate range of climate scenarios.</li> </ul> b. Demonstration of reasonable progress in integrating climate change adaptation into planning and decision-making across the business (all sources of water, wastewater, and where relevant drainage and flood management including In: <ul style="list-style-type: none"> <li>• source waters and demand</li> <li>• built assets</li> <li>• natural environment</li> <li>• people and workplace</li> <li>• interdependencies</li> <li>• customer and product delivery.</li> </ul>	a. Qualitative description of how the Guidelines will be used.  b. Qualitative description of how adaptation will be undertaken in each of the six business areas. Include consideration of short, medium and long-term changes.	b. The six business areas, and adaptation considerations for each, are articulated in the WSAA Climate Change Guidelines for Victorian water corporations and has chosen to follow its approach to defining six parts of the business where adaptation is relevant.	

Priority Area	Key Performance Indicator	Measure	Definition	Page
<b>Customer and community outcomes</b>  All aspects of service delivery will be customer and community centred and will continue to build extensive and effective community engagement and partnerships in planning and implementation of service delivery.	<b>C1 Customer satisfaction (Urban Water Corporations excl Melbourne Water)</b>  Note this indicator includes both direct and proxy measures. Overall, reporting on measures identified for this indicator should demonstrate high or improving levels of customer satisfaction over time.	C1(U) Customer satisfaction survey (urbans excl MW)	As per ESC definition	18
		a. CR1 Water quality complaints (urbans excl MW).	No. of water quality complaints regarding discoloration, taste, odour, stained washing, illness or cloudy water per 1000 customers.	56
		b. CR4 Number of billing payment issues (urbans excl. MW).	Billing/payment issues complaints for 1000 customers year on year.	56
		<b>C2 Customer and community engagement</b>	C2 Development and delivery of an engagement strategy/ plan/policy and publication (via the water corporation's website) of the engagement strategy/ plan/policy or equivalent explanation.	29
	Stakeholder engagement based on best practice that demonstrates approaches to engagement that are open, honest and occur frequently. The DELWP Community Charter or IAP2 framework could be considered as a guide.			



## Appendix 2

### Addressing the Minister's Letter of Expectations (continued)

Priority Area	Key Performance Indicator	Measure	Definition	Page	
<b>Water for Aboriginal cultural, spiritual and economic values</b>  Recognise and support Aboriginal cultural values and economic inclusion in the water sector	<b>AC1 Engagement of Aboriginal communities</b>  Effective and genuine engagement of Aboriginal communities for involvement in business opportunities and access to water for economic development. Measures related to this indicator will not be considered in isolation. Rather, reported information will be used to help build a broad picture of engagement, taking into account the relevant local context.	AC1.1 A strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply good/services to water corporations.*	Explore and develop opportunities for business arrangements with Traditional Owners and Aboriginal enterprises to deliver value-for-money catchment and water services.	45	
		AC1.2 Number/ explanation of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships.	Provide opportunities for cross-cultural learning in the water sector, as well as skills training and employment for Aboriginal Victorians.	29	
		AC1.3 Number of staff within the water corporation who have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last 5 years.		29	
		<b>AC2 Engagement of Traditional Owners</b>	AC2.1 Number of engagements with Traditional Owners in water planning and management and report on outcomes.	Inform Traditional Owners when opportunities arise to access water entitlements within existing framework. Incorporate traditional ecological knowledge into water planning and management using Aboriginal Waterway Assessments and other tools developed by Traditional Owners. Notify and engage with Traditional Owners to achieve shared benefits.	29, 33
		<b>AC3 Aboriginal Inclusion Plan/ Reconciliation Action Plan</b>	Development of an Aboriginal Inclusion Plan or a Reconciliation Action Plan, reflecting measures AC1.1 to AC1.3 and		29
		To be considered in conjunction with AC1 and AC2, taking into account the relevant local context.			

Priority Area	Key Performance Indicator	Measure	Definition	Page
<b>Resilient and liveable cities and towns</b>  Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments	<b>L1 Integrated Water Management (urban)</b>  In relevant IWM forums, actively facilitate and champion water's contribution to deliver liveability for cities and towns of the region consistent with the forum's objectives.	<b>L1</b> Progress towards: <ul style="list-style-type: none"> <li>a. participation in, or establishment of, IWM forums in your region</li> <li>b. contribution to development and implementation of Strategic Directions Statements in your region</li> <li>c. implementation of priority IWM projects and plans as applicable delivering IWM outcomes for the region.</li> <li>d. Delivering IWM outcomes for the region</li> </ul>	Facilitating regional stakeholder collaboration (including local government and Traditional Owners) to deliver placed-based IWM outcomes for the community projects that support the liveability and resilience of cities and towns of the region.	28-31
	<b>L2 Water efficiency (urban)</b>  Implement water efficiency programs aligned with Target 155	<b>L2</b> Continue to collaborate on the Victorian Efficiency Strategy by: <ul style="list-style-type: none"> <li>a. Water corporations working together through a coordination group to develop statewide initiatives;</li> <li>b. and reporting the number of customers in need assisted by the Community Rebate Program</li> </ul>	The Community Rebate Program provides funding to water corporations to assist vulnerable and hardship customers	18
	<b>L3 Water bills (urban)</b>  Victorian water bills are amongst the lowest in Australia	<b>L3</b> Total residential bill based on: <ul style="list-style-type: none"> <li>a. Average consumption</li> <li>b. 200kl consumption</li> </ul>	Comparison with national median for relevant utility sized groupings.	22
	<b>L4 Payment management and hardship (not MW)</b>  Overall improved access to instalment plans for management of payments. Understand year on year trends in hardship grants	<b>L4</b>  Number of instalment plans at the end of the reporting period  Number of customers awarded hardship grants	For urbans, definition as per ESC (UPP1) and (UPP6)	18

## Appendix 2

### Addressing the Minister's Letter of Expectations (continued)

Priority Area	Key Performance Indicator	Measure	Definition	Page
<b>Recognising recreational values</b>  Support the wellbeing of rural and regional communities by considering recreational values in water management	<b>Rec1 Recreational values</b>  Consideration of recreational values in carrying out functions and providing services	<ol style="list-style-type: none"> <li>1. Number of site-based projects delivered to Improve recreational enjoyment of water storages - for example, Boosting Recreational Water Use Initiative projects or other projects to improve or maintain access, infrastructure and facilities.</li> <li>2. Efforts taken around the following three themes of Water for Victoria:               <ol style="list-style-type: none"> <li>a. Number of engagement processes that identified and considered recreational objectives relating to management of waterways</li> <li>b. Number of improvements to information sources (e.g. online) to help recreational users to plan their activities</li> <li>c. Collaboration with other organisations and government agencies to explore and progress opportunities to support recreational objectives</li> </ol> </li> <li>3. Number of accessible major water storages with land and recreation management plans in place, as per Water for Victoria action 7.3.</li> </ol>	Explicit consideration of social and recreational uses and values of water ways through delivery of function areas.  Social and recreational uses and values in relation to waterways means: <ol style="list-style-type: none"> <li>a. the uses of waterways for social and recreational purposes</li> <li>b. the economic, aesthetic and well-being benefits that the community derives from the use of waterways for social and recreational purposes.</li> </ol>	23-35

Priority Area	Key Performance Indicator	Measure	Definition	Page
<b>Leadership and culture</b>  Reflect the needs of our diverse communities and develop strategies and goals that will increase cultural diversity in the workforce and gender equity in executive leadership.	G1 Diversity and inclusion  Improve gender and cultural diversity in workforce including gender equity in executive leadership. Diversity Inclusion plans to be based on best practice. The approach of the DELWP Diversity and Inclusion Strategy 2016-2020 could be considered as a guide.	G1.1 Development and delivery of a Diversity Inclusion Plan/s and publication (via the water corporation's website) of the Inclusion Plan or equivalent explanation	A Diversity Inclusion Plan/s that includes gender equity and cultural, indigenous inclusion.	15
		G1.2 Number of females occupying senior executive positions over projected five-year period.		13
		G1.3 Adopt a 1% target for Aboriginal people in the business consistent with Vic government policy and work to a stretch target of 3% by 2020 (DELWP policy).		
		G1.4 Actions taken to improve participation by Traditional Owners in Board committees and other organisational Committees.		15
		G1.5 Number of respondents to the VPSC People Matter Survey from each water corporation.	Staff participation in the Victorian Public Sector Commission (VPSC) People Matter Survey. Water corporation to encourage staff participation to complete annual survey or equivalent survey.	14
		G3 Health and Safety		41-43
	Sustained annual improvement against H&S performance benchmarks (AS/NZS standard 4801)	G3 Performance indicators adopted to monitor occupational health and safety in line with FRD 22H, section 6.10		
<b>Financial sustainability</b>  Delivering safe and cost-effective water and wastewater services in a financially sustainable way.	F1-F8 Financial Indicators  Overall reporting on these measures should demonstrate financial sustainability and provide a positive picture of a corporation's financial sustainability over time.	F1 interest cover	Financial indicators as prescribed by PRF.	54
		F2 gearing ratio		
		F3 internal financing ratio		
		F4 current ratio		
		F5 return on Assets		
		F6 return on equity		
		F7 EBITDA Margin		

## Appendix 3 The United Nations Global Compact

As a signatory to the United Nations Global Compact, we outline below where our policies, actions and programs highlighted in this annual report align with the 10 principles of the United Nations Sustainable Development Goals (SDGs).

	Global Compact Ten Principles	How our values guide our actions	Page
<p><b>Human Rights</b></p> 	<ol style="list-style-type: none"> <li>1. Businesses should support and respect the protection of internationally proclaimed human rights; and</li> <li>2. Make sure that they are not complicit in human rights abuses.</li> </ol>	<p>Western Water is committed to providing a healthy and safe workplace for all staff, contractors, customers and the community, where the wellbeing of individuals is supported and diversity is actively encouraged and championed. The following policies and programs outlined in this report reflect this commitment:</p> <ul style="list-style-type: none"> <li>• Diversity and Inclusion Plan</li> <li>• Mental Health and Wellbeing Plan</li> <li>• Health, Safety and Wellbeing Plan</li> </ul>	15, 45, 50
<p><b>Labour</b></p> 	<ol style="list-style-type: none"> <li>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</li> <li>4. The elimination of all forms of forced and compulsory labour.</li> <li>5. The effective abolition of child labour; and</li> <li>6. The elimination of discrimination in respect of employment and occupation.</li> </ol>	<p>Western Water is committed to a diverse and inclusive workplace culture free of discrimination.</p> <p>Western Water staff have access to unions and professional associations, with local delegates engaging in regular meetings with the Western Water executive.</p> <p>Western Water recognises the importance of unions and staff representation when negotiating enterprise agreements and consulting on significant work changes.</p> <p>The <i>(Commonwealth) Modern Slavery Act 2018</i> came into effect from January 2019. As required Western Water will report annually (from 2020) on the risks of modern slavery in our operations and supply chains, and the action we have taken to assess and address those risks, and the effectiveness of their response.</p>	15, 45

	<b>Global Compact Ten Principles</b>	<b>How our values guide our actions</b>	<b>Page</b>
<b>Environment</b>	<p>7. Businesses should support a precautionary approach to environmental challenges;</p> <p>8. Undertake initiatives to promote greater environmental responsibility; and</p> <p>9. Encourage the development and diffusion of environmentally-friendly technologies</p>	<p>The protection and enhancement of our environment is embedded in Western Water's vision for the future. Western Water is dedicated to benefiting customers and the community, and understands the intrinsic link between water, the environment and human health and wellbeing. The following actions and strategies highlighted in this annual report, reflect this commitment:</p> <ul style="list-style-type: none"> <li>• Sustainable water use</li> <li>• Collaboration on environmental projects</li> <li>• Reducing energy use and emissions</li> </ul>	23-35
<b>Anti-Corruption</b>	<p>10. Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>Western Water is committed to ensuring transparency and accountability in its administrative and management practices, and the corporation supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources or conduct involving substantial risk to public health and safety or the environment.</p> <ul style="list-style-type: none"> <li>• Commitment to compliance with the <i>Public Interest Disclosures Act 2012</i></li> <li>• Compliance with the <i>Freedom of Information Act 1982</i></li> <li>• Oversight of the corporation's financial reports and information by the Audit and Risk Committee</li> <li>• Reporting on related party transactions as part of our Financial Statements.</li> </ul>	45-51

## Appendix 4

### Bulk water entitlement reporting

#### Western Water owns the following bulk entitlements

Bulk Entitlement (BE) System	BE Clause	Water source and storage	General information for bulk entitlements
Barringo	11	Barringo Creek. Pierce Reservoir	Pierce Reservoir is an emergency off stream storage supplied by Barringo Creek and was not used for supply during the year.
Lancefield	14	Garden Hut Creek (G), Monument Creek (M), Garden Hut Reservoir	The Lancefield bores and Garden Hut Creek are used together as the sources of water for this town, after being treated at the Lancefield Water Filtration Plant. The transfer network from Romsey allowed water to be transferred from Romsey, Riddells and Maribyrnong BE during the year. No water taken from Monument Creek.
Macedon	14	Railway Creek, Turitable Creek, Willimigongon Creek and Reservoir (W), Kitty English (K), Frank Mann (F), Andersons (A), McDonalds (MC) and Orde Hill (O) Reservoirs	Storages are closely monitored to ensure adequate levels are maintained for fire-fighting (i.e. > 60%). This was always achieved during the year. The Macedon system allows for storages to be grouped for efficient monitoring of the total volume taken from these groups of storages. These groups are Kitty English and Frank Mann reservoirs (Railway Creek), Andersons and McDonalds reservoirs (Turitable Creek), and Orde Hill and Willimigongon reservoirs (Willimigongon Creek).
Maribyrnong	19	Slatey Creek, Jacksons Creek, Salty Creek, Gisborne Creek, Rosslynne Reservoir	Rosslynne Reservoir is operated by Southern Rural Water (SRW). WW has BE to take water from this storage. WW supplied water from Rosslynne, and significant inflows resulted in a storage increase during the year.
Myrniong	12	Pykes Creek, Pykes Creek Reservoir	Small entitlement from Pykes Creek Reservoir for supply to Myrniong. No water was taken under this entitlement at any other works other than Pykes Creek Reservoir by Western Water.
Riddells Creek	11	Main Creek, Forster and Wright Reservoirs	A volume of Maribyrnong BE was transferred to Riddells Creek and, combined with Riddells Creek BE, was transferred to Kerrie Reservoir to supplement supply and security in Romsey and Lancefield.
Romsey	12	Bolinda Creek, Kerrie Reservoir	Extra inflows were sent to this BE from Riddells Creek and Maribyrnong BEs. Bore water was used during 2020-2021 to supplement surface water supplies for Romsey.
Werribee	13	Lerderderg River, Goodmans Creek, Coimadai Creek, Lake Merrimu (M) Djerriwarrh Creek, Djerriwarrh Reservoir (DJ)	Djerriwarrh Reservoir was not used to supply to Bacchus Marsh during 2020-2021. A small raw water supply is provided for local properties. Merrimu Reservoir is operated by SRW, WW has BE to take water from this storage.
Woodend	14	Campaspe River, Falls and Smokers Creeks, Barbour and Kavanagh Springs, Straws Lane Bore, Campaspe (CR), Graham Brock (GB) Reservoir, Reservoir C (C)	Woodend is supplied by local sources from Campaspe River and storages located on Mt Macedon. The connection to Macedon also means Woodend can be supplied from the Maribyrnong BE and Melbourne Headworks. Supply from the Maribyrnong BE was not required during the year.
Melbourne Headworks System	16	Various catchments via Melbourne Water's supply system	The total taken shown in the table can be split into 6,333 ML taken via the Hillside interface point to Melton and 7,590 ML taken via the Loemans Rd interface point to Sunbury and the Macedon Ranges region.

## Bulk entitlement performance for 2020-21 is outlined in the following table

Bulk Entitlement	Barrigo		Lancefield		Macedon		Maribyrnong		Myrniong		Riddells Creek		Romsey		Werribee		Woodend		Melbourne Headworks	
Annual rainfall (mm)	1,030	715	1,030	856	674	832	902	562 (M) 683 (DJ)	1,048	1,257										
Capacity of storage (ML)	64	46	475	25,368	22,119	76	297	32,516 (M) 1,014 (DJ)	366	18,712,175										
Annual bulk entitlement (ML)	585ML in any one year 1,600ML over 5 years	315	873 in one year 3,225 over 5 years	6,100	58	300	460	12,263 (M) 1,486 (DJ)	470	18,250										
Volume in storage at the start of the FY (ML) and % full	16 25%	46 100%	443 99%	5,105 20%	58 100%	68.7 90%	321.9 78%	8526 (M) 26% (M) 732 (DJ) 72% (DJ)	361 99%	33,584 184% of BE										
Inflows to storages from this BE water source (ML)	0	1,133	591	5,844	SRW	19.2	637	6736 (M) 840 (DJ)	3,405	13,776										
Extra inflows (diversions) or local catchment runoff	9	0	0	157	0	0	0	0 (M) 21 (DJ)	303	0										
Volume taken from the storage (ML)	0	67	513	1,163	41	0	475 See note 6	2514 (M) 45 (DJ)	583	13,924										
Maximum extraction rate from storage or water source (ML/day)	0	0.67	1.7	20.1	0.4	0.9	8.79	22 (M) 0 (DJ)	2	50										
Estimated evaporation (ML)	-1.8 -10%	2.8 0%	-17 -2%	Included in other losses – SRW See note 2	SRW See note 2	1.9 2%	-2.3 0%	SRW (M) See note 2 48.65 (DJ)	-26 -3%	MW										
Other losses e.g. seepage, plant losses (ML)	6.9	Included in passing flows	71.4	1162	See note 2	9	131	2705 (M) 72 (DJ)	11	-124										
Environmental releases (ML)	0	0	0	478	SRW	0	0	372 (M) 456 (DJ)	25	MW										
Volume of environmental and passing flows (ML)	770	All Monument Creek and 1066 (G)	394	SRW	SRW	297	577	SRW	3,109	MW										
Amendments to the bulk entitlement	No	No	No	No	No	No	No	No	No	No										
Failure to comply with the BE, or compliance difficulties experienced or anticipated in the future	No	No	No See Note 1	No	No	No See Note 4	No	No See Note 3	No	No										
Western Water's entitlement unused or remaining in storage at end of financial year (ML) and % full for the storage	19.7 31%	45.9 100%	466 98%	8,845 35%	17 29%	80 101%	266 89%	2062 (M) 37% (M) 1014 (DJ) 100% (DJ)	364 100%	33,560 184%										

**Notes:**

1. Passing flow requirements for Willimigongon Creek became automated in December 2019. As a result, there were only a small number of non-compliant days over the year, equalling 2.2ML of missed flows. This was compensated by releasing an extra 166ML of flows, resulting in overall compliance of the bulk entitlement.
2. SRW provides net inflows which include adjustments for Merrimu, Rosslyne and Pykes Creek reservoirs. The estimated evaporation for Merrimu and Rosslyne reservoirs is included in 'Other losses' and is part of the SRW volume correction water balance.
3. Western Water has relied on changes in storage volume to determine inflows to Djerrirwarh Reservoir. These reservoir volumes are recorded weekly. This has been adequate in the past due to the stop / start nature of inflows.
4. During 2017-18, a level sensor was installed to improve data collection frequency which has enabled passing flows requirements to be more readily met during 2020-2021.
5. Western Water released an extra 87ML than needed, to compensate for passing flow shortfalls of 0.3ML over 2 occurrences.
6. Passing flow requirements for Woodend were non-compliant during one month of the year due to very high rainfall events over short periods of time. These factors coupled affected the response time to adjust the flow accordingly. To compensate, extra flows were released to sustain a healthy waterway.
7. Total volume taken for the Romsey Bulk Entitlement includes 15ML from the drought reserve.





## Greater Western Water

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