



City West Water™

# Annual Report 2019



# Acknowledgement of Country

City West Water respectfully acknowledges the Traditional Custodians of the lands and waters upon which we work and operate, the people of the Kulin Nations - The Wurundjeri Nation, The Bunurung Nation and the Wadawurrung Nation. We pay our deepest respects to their elders past, present and emerging. We acknowledge the continued cultural, social and spiritual connections that First Nations people have with the lands and waters, and recognise and value the knowledge and practice of caring for country for over thousands of generations.

We will continue to build our knowledge of First Nations Values of Water, through engagement with Traditional Custodians and the Wider First Nations Communities to ensure their contributions to the future of the water management landscape and to maintain their cultural and spiritual connection.



ARTWORK DESCRIPTION: City West Water's commitment to reconciliation during National Reconciliation Week 2019 included a unique opportunity for artistic expression by our employees. The canvas, prepared by Terori Hareko-Samios, City West Water's Senior Project Manager, First Nation Values of Water, was designed to include hand-painted additions on the theme of 'what reconciliation means to you.' The canvas hangs in our Footscray office.

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# Our Year in Review



David  
Middleton  
Chair



David Ryan  
Managing  
Director

## Message from the Chair and Managing Director

**City West Water is privileged to service one of the fastest growing regions in Melbourne. More than one million people rely on us each and every day to provide safe, efficient and affordable services across the CBD, inner suburbs and the vibrant communities of the west.**

**As our customer base continues to grow, so too does the demand on both our new and existing infrastructure. The impacts of a changing climate also require us to think differently, to act with agility and strive for greater efficiency wherever possible.**

**As such, this Annual Report 2019 outlines our achievements that reflect our vision to consistently put customers first and benefit the community, while equipping our people with the skills and capability to thrive during this period of rapid transformation.**

### Our customers

At City West Water, a customer is more than just someone who pays a bill. Our customers are anyone who lives, works or visits our service area: from households to small cafes, large manufacturers and multinational corporations. As our customers don't get to choose their water provider, it is our responsibility to choose how we deliver our services, and we choose to be exceptional.

This year we delivered our *Customers First* strategy, which sets out our commitments over the next three years to provide greater digital experiences, enhanced tailored services, additional channels for customer engagement, support for our people to thrive via an achievement culture, as well as upgrades in business processes and technologies.

A live outages map is now available on our website, providing real-time information to customers – available anywhere, any time. We also replaced our manual change of tenancy process with an accessible online form, providing our customers with a simple and easy-to-use service.

The voice of our customer is now also being captured via Voice of the Customer dashboards, which provide us with greater visibility of customer data and analytics. Improved data means we can be more agile and proactive, quickly identifying and responding to hot spots. Customer insights will continue to help us enhance our service offering as we shift toward greater digitisation of transactions.

### Our community and growing city

Much of the core of our organisation's work happens out in the field, where we are also applying innovative technologies to deliver greater customer value. Managing the maintenance of our infrastructure received a boost this year with fresh enhancements to our online field mobility system, Focus3. The enhancement now provides a structured channel of two-way communication between City West Water and our contractors to ensure our work in the community continues to be delivered with efficiency and best practice in safety performance.

Renewals of major assets in and around the CBD have also been a major focus this year, including completing our \$20.8 million Spencer Street Sewer Upgrade and embarking on a significant installation of 2.3km of new water pipe along Canning Street as part of the M205 Carlton Water Main Renewal Project. Additional projects across the CBD included the Collins Street Water Main Renewal and the upcoming \$21 million upgrade of the Lonsdale Street sewer, set for completion by late 2020.

Due to the high-density and high-profile nature of each project location, significant customer engagement and close collaboration with key stakeholders was critical to successful project completion.

Resilient, liveable cities require healthy waterways and high quality public open space with which the community can engage. While renewing and maintaining our assets to support our growing city, we have also continued to focus our efforts on urban greening and re-naturalisation of unused assets. In October, we celebrated the planting of our one-millionth tree as part of Greening the West's 1 Million Trees project, and in July, we proudly launched our industry-leading Stormwater Harvesting Partnership Fund. Each initiative is a fabulous example of strong partnerships with local councils and organisations to enhance the health and prosperity of the local community.

In accordance with the *Drought Preparedness Plan*, we again collaborated with South East Water, Yarra Valley Water and Melbourne Water to publish the annual *Water Outlook*, providing our customers with our water security position. While Melbourne's water availability is assessed as secure for the coming year, the last 30 years has seen historical changes in temperature and rainfall patterns across the state, and we expect our climate to continue changing over the coming decades. As Victoria becomes warmer and drier, there will be less runoff entering our water storage reservoirs. These

changes have implications for water planning, which are reflected in our strategies and actions. During 2018-19, we continued to work on actions to improve future drought response, including programs to inform the community of the importance of wise water use; works to detect leaks and renew mains; and development and operation of stormwater harvesting and recycled water schemes.

A changing climate drives us to source more of the energy we use from sustainable sources through opportunities for energy recovery within our operations. This year we entered a partnership with 12 other leading Victorian water corporations to purchase solar power from Kiamal Solar Farm in north-west Victoria. This partnership, titled 'Zero Emissions Water', will support our work towards achieving the goal of net zero greenhouse gas emissions as a sector by 2050. It will also help City West Water achieve our pledge to reduce our total carbon emissions by 80 per cent (compared to our baseline of 12,401 tonnes CO<sub>2</sub>-e) by 1 July 2025 and adopt a leading pathway to achieve net zero emissions by 2030.

Working across City West Water, from our Board through to operations, we have taken great steps over the past year to implement our *Climate Resilience Strategy*. This includes some important work on the Water Sector Climate Adaptation Action Plan, such as estimating the potential costs of climate change and updating the climate change projections that inform our long-term planning.

### Our people

Our goal is to live a culture where everyone is a leader, where our people are valued, provided with opportunity to learn and grow as well as supported to drive performance in everything they do.

Our culture score achieved this year reflects this, moving from 46 per cent of our people feeling we have the right culture to deliver on our strategy in 2017 to 71 per cent in 2019. This is due to maintaining a focus on connecting with our people, for example through our Choose Exceptional integration sessions; introduction of a fortnightly face-to-face people leader communication channel to identify important matters; and mobilising Cultural Leaders across the business to support a top down and bottom up approach to growing our culture.

Our Choose Exceptional program has embedded our achievement culture throughout the year, and the launch of our supporting *Capability Framework* equips our people with the capabilities and skills required to implement our strategic objectives.

We have also focused on recruiting with purpose. In order for our people to reflect the wonderfully diverse community we serve, we must tap into the greatest talents, regardless of gender, ability, race or cultural background. This year, we are proud to have achieved over 50 per cent female representation on our Executive Leadership Team, and had

three of our leaders recognised in the Top 50 Women in Public Sector awards.

Protection and enhancement of the safety and wellbeing of our people remains critical, and we continue to evolve our practices to improve outcomes. We recognise that we have more to do to improve our performance for the benefit of all who either access or interact with our places of work – our employees, our contractors, our customers and the community. The launch of The Bridge – an integrated digital platform to support proactive health, safety, environment, and quality and risk management – as well as the launch of a staff-wide human resources system – myplace – are representative of this commitment. Close consultation and engagement with our contractors will continue to be a key focus for the *Annual Health and Safety Plan 2019-20*.

### Our financial performance

This year, we delivered a profit before tax of \$95.7 million against a budget of \$79.8 million. These results were driven by favourable outcomes on trade waste, recycling and water trading revenues, gifted assets, labour costs, other operating costs, depreciation and net interest expenses, as well as below budget bulk changes.

Furthermore, the improved performance also results in favourable returns to the State Government of Victoria through tax and dividend payments. During 2018-19, we made total dividend payments of \$20.4 million, paid income tax equivalent of \$45.7 million and capital repatriation of \$10.9 million.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that our Annual Report for the year ending 30 June 2019 is compliant with all statutory reporting requirements.

We extend a sincere thank you to all our people for their support, efforts and achievements throughout the year, and we are grateful for having such a dedicated team at City West Water. We look forward to another successful year in 2019-20.



**David Middleton**  
Chair



**David Ryan**  
Managing Director

27 August 2019

# About Us

**City West Water is a statutory water authority incorporated under the Water Act 1989. It is one of three retail water corporations in metropolitan Melbourne owned by the State of Victoria. The Minister for Water for the period from 1 July 2018 to 30 June 2019 was the Hon. Lisa Neville MP.**

Our core business is the supply of water, sewerage, trade waste and, where available, recycled water services to customers in accordance with our Customer Charter. We service approximately 431,600 residential properties, 41,600 non-residential properties (which include schools, councils, industrial, commercial and small businesses) and more than 1.1 million customers. We manage \$1.9 billion of infrastructure across a service area of more than 700km<sup>2</sup>.

In 2018-19, we supplied approximately 105 billion litres of drinking water to residential and non-residential customers and transferred approximately 94 per cent of sewage and trade waste collected to Melbourne Water's Western Treatment Plant at Werribee. The remaining six per cent was treated at our Altona Treatment Plant.

We operate under Statements of Obligations issued by the Minister for Water under section 4I of the *Water Industry Act 1994*. The statements impose obligations on us regarding the performance of our functions and exercise of powers. We are required to monitor compliance with the obligations set out in the statements, report on non-compliance and take remedial action as required.

The Essential Services Commission is our economic regulator. It approves the prices we charge our customers, as well as the standards of service we deliver. We are required to submit a five-year Pricing Submission to the Essential Services Commission which details outcomes we intend to achieve, as well as proposed prices. The commission undertakes a public review of our Pricing Submission in consultation with all stakeholders. The new Pricing Determination took effect from 1 July 2018 and is effective for five years.

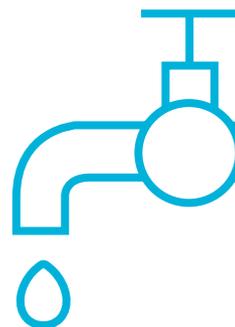
Our drinking water quality is regulated by the Department of Health and Human Services under the *Safe Drinking Water Act 2003*. Our recycled water quality is regulated by the Environment Protection Authority under the *Environment Protection Act 1970*. The operation of our sewage treatment plant is also regulated by the Environment Protection Authority.

2018-19



APPROXIMATELY  
**473,200**  
HOMES AND  
BUSINESSES SERVED

MORE THAN  
**105 BILLION**  
LITRES OF DRINKING  
WATER DELIVERED TO  
OUR CUSTOMERS



**94% OF SEWAGE  
AND TRADE WASTE  
COLLECTED WAS TRANSPORTED  
TO MELBOURNE WATER'S  
WESTERN TREATMENT PLANT  
AND 6% TO CITY WEST WATER'S  
ALTONA TREATMENT PLANT**

## Our vision

**To be an exceptional service provider that puts customers first and benefits the community.**

### Our ambition

**Customer value is at the heart of all we do.**

We are driven to:

- deliver exceptional services that are affordable, safe and reliable
- be accessible and easy to deal with
- make all decisions in our customers' best interests and with future generations in mind.

**We are passionate about community liveability and wellbeing.**

We strive to:

- care for and, where possible, to enhance the environment with an eye to the future and the challenges imposed by a changing climate
- be vibrant partners in the life of our community
- anticipate community needs and take the lead within our areas of influence
- provide a fair return to the State Government of Victoria, to support it to meet its objectives to improve the lives of all Victorians.

### Our people

**Our ambition is enabled by our people.**

Our people are:

- agile – responsive to customer needs and a changing world
- diverse – reflect the community we serve
- trusted – make evidence-driven judgements, exercised with integrity.

Successful achievement of our ambition is built on six strong foundations:



**ACHIEVEMENT  
CULTURE**



**DYNAMIC  
TECHNOLOGY**



**STREAMLINED  
DELIVERY**



**GREAT  
PARTNERSHIPS**



**PURPOSEFUL  
LEADERSHIP**



**EXTENSIVE  
KNOWLEDGE OF  
THE WATER CYCLE**

## Key initiatives and projects 2018

### July

- Launched water industry cadetship
- Installed 171kW solar photovoltaic system at Altona Salt Reduction Plant
- Launched Stormwater Harvesting Partnership Fund, initially funding six schemes
- Property+ went live enabling customers to submit development applications online

### August

- Launched our *Customers First* strategy
- Submitted to the United Nations Sustainable Development Goals Inquiry
- Three of our leaders recognised in the 2018 Top 50 Public Sector Women in Victoria

### September

- Completed Collins Street Water Main Renewal project
- Completed field trial to refurbish a sewer concrete manhole using a PVC liner

### October

- Celebrated one-millionth tree planted by Greening the West project
- Launched our *Capability Framework*
- Signed Chain of Ponds Collaboration to transform Moonee Ponds Creek
- Launched interactive Outage Map to inform customers of outages and restored services

### November

- Proudly sponsored the 2018 Walk Against Family Violence
- Fran Duiker, General Manager Customers & Community, appointed WaterAid Australia Ambassador

### December

- Completed Spencer Street Sewer Upgrade project (\$20.8 million)
- Launched *Customer Charter 2018-23*
- Migrated website platform as part of Cloud First strategy
- Launched *Melbourne Sewerage Strategy* in collaboration with Melbourne's other water retailers and Melbourne Water

## Key initiatives and projects 2019

### January

- Launched myplace, our new human resources information system
- Introduced LinkedIn Learning for all employees

### February

- Sponsored Victoria University's Celebrating Women in STEM (Science, Technology, Engineering and Maths) Scholarship
- Announced Carlton Water Main Renewal project (\$13.2 million)
- Welcomed first two graduates who were recruited through the Collaborative Graduate Program
- Completed Sanctuary Lakes sewer upgrade (\$1.2 million)

### March

- Celebrated 10 years of great service by nine of our first ever cadets

### April

- Launched Zero Emissions Water with 12 other water corporations
- Participated in water conservation activity 'Shower Superstars' at Melbourne Museum
- Supported customers by enabling them to request payment extensions online
- Upgraded cyber security environment and Payment Card Industry compliance

### May

- Launched The Bridge, an integrated health, safety, environment, quality and risk digital platform
- Launched our *Wellbeing Framework*
- Hosted our 11th annual Day at the Zoo as part of Cultural Diversity Week
- Started work on the Burnley Street Water Main Renewal project (\$0.5 million)
- Completed Alexandra Parade Sewer Main Renewal project (\$1.8 million)

### June

- Delivered a record number of training and development programs
- Launched our internal mentoring program
- Digitised Change of Tenancy process as part of Customers First implementation
- Commenced Proof of Concept trial for digital metering
- Completed a six-month trial of proactive leak and burst detection in the CBD
- Voice of the Customer enhanced to drive improved performance and understanding of customer needs

# Our People

## People enable our ambition

City West Water is committed to becoming an exceptional service provider that puts customers first and benefits the community. We aim to do this by putting the customer at the heart of everything we do, and by being passionate about community liveability and wellbeing.

We know that enabling our people is the most fundamental success factor in our transformation journey, and this year, work continued on the development of our achievement culture – a culture where we:

- value people
- learn and grow
- drive performance

## Who we are

FEMALE REPRESENTATION  
**47%**

TOTAL NUMBER OF EMPLOYEES | AVERAGE AGE OF EMPLOYEES  
**455** | **44 YEARS**

MALE REPRESENTATION  
**53%**

PART-TIME EMPLOYEES  
**19%**

FEMALE LEADERS  
**45%**

FULL-TIME EMPLOYEES  
**79%**

MALE LEADERS  
**55%**

CASUAL/FIXED TERM EMPLOYEES  
**2%**

## We value people

We continued our personal leadership development program, Choose Exceptional, for all employees, and also undertook significant work to create a Wellbeing Framework. Launched in May 2019, this framework seeks to support our people along the 'whole health' continuum by taking a preventative and proactive approach to wellbeing at work through a focus on behavioural change.

The framework takes a five-year strategic, integrated and connected approach to support the physical, emotional (mental) and financial wellness of our workforce. Each initiative is aligned with our commitment to our people being agile, diverse and trusted.

***"Wellbeing is the critical building block in an achievement culture, where people are valued, have the ability to learn and grow, and are able to drive performance. Our Wellbeing Framework will seek to support each and every one of our people to thrive."*** Louise Meadows, General Manager, People and Capability

Choose Exceptional  
This year we have held:



### We learn and grow

Our *Capability Framework*, which we launched in October 2018, supports our people to build their capability and skills, grow their careers and improve performance within their roles. It also enables us to invest in the capabilities needed to be an exceptional service provider. Our framework will guide us in ensuring we attract and retain a diverse workforce and reflect the community we serve.

### We drive performance

Throughout 2018-19, there has been an emphasis on improving our systems and processes. A key achievement was the introduction of a new Human Resources Information Management system called 'myplace'. myplace is designed to enhance the employee experience throughout the employee lifecycle, from recruitment, onboarding and induction to access to training and management, through the collection of all of our people-related data in one single source. This has also provided us with an opportunity to improve our people processes.

***myplace gives our people leaders more accountability over their people management activities, as well as making it easy for our employees to manage things that matter including their leave, overtime and training record.***

# Diversity and inclusion

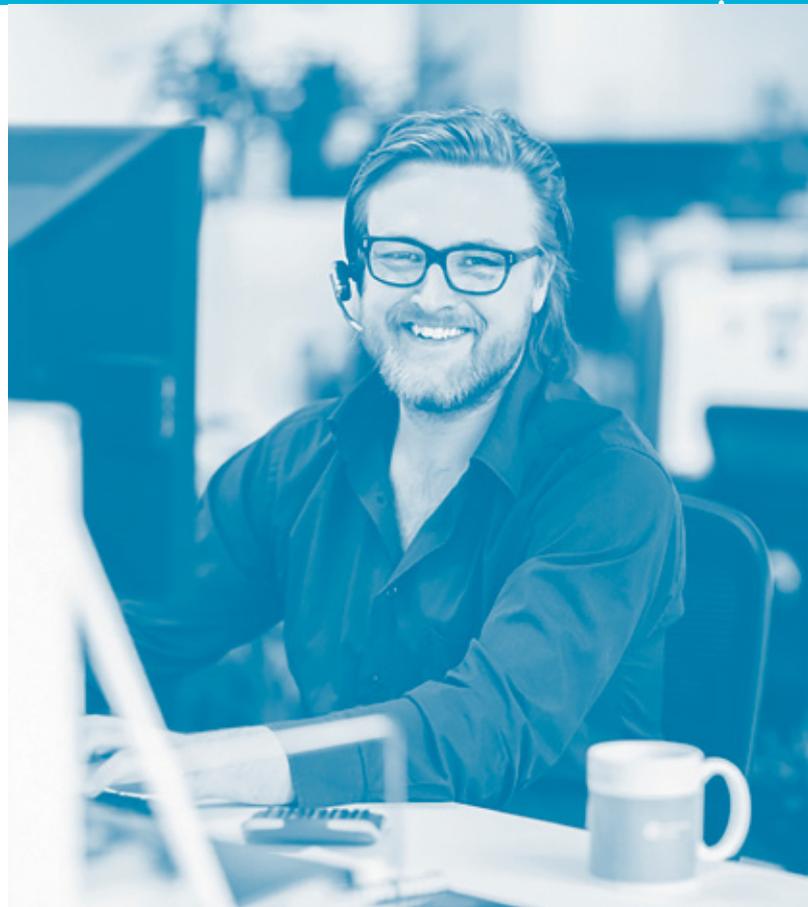
We are committed to embedding diversity and inclusion into our business. The following outcomes have been achieved this financial year, in support of our *Diversity and Inclusion Strategy 2016-2020*.

	2020 TARGET	2019 ACTUAL
<b>OUR WORKFORCE WILL BE GENDER BALANCED</b>	<b>50% WOMEN</b>	<b>47% WOMEN</b>
<b>WOMEN IN LEADERSHIP</b>	<b>50%</b>	<b>45%</b>
<b>EMPLOYEES IDENTIFY AS ABORIGINAL OR TORRES STRAIT ISLANDER PEOPLES</b>	<b>2.5%</b>	<b>0%</b>
<b>EMPLOYEES CAN SPEAK A LANGUAGE OTHER THAN ENGLISH</b>	<b>25%</b>	<b>32%</b>
<b>EMPLOYEES IDENTIFY AS HAVING CARING RESPONSIBILITIES OUTSIDE OF CITY WEST WATER</b>	<b>35%</b>	<b>42%</b>
<b>EMPLOYEES IDENTIFY AS HAVING A DISABILITY</b>	<b>10%</b>	<b>11%</b>
<b>EMPLOYEES IDENTIFY AS BELONGING TO THE LGBTQI COMMUNITY</b>	<b>7%</b>	<b>2%</b>

We apply the employment principles of the *Public Administration Act 2004*. Employees are selected and promoted on the basis of ability, knowledge and skills in fair and open competition that ensures equal opportunity. Employees 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 have in place a Disability Policy and a Disability Action Plan. 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.

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





### Women in leadership recognised

Three of our female leaders were honoured as being part of the Top 50 Public Sector Women in Victoria for 2018. Fran Duiker, General Manager, Customers and Community; Elisa Hunter, Strategy and Policy Manager, Strategy and Planning; and Maree Lang, General Manager, Infrastructure and Delivery were recognised for outstanding leadership in building high performing teams and transforming communities. Their success reflects our commitment to developing women in leadership through our *Diversity and Inclusion Strategy*, as well as our everyday practices including supporting flexible working, gender-balanced recruitment and challenging traditional gender bias in the workforce.

City West Water is spearheading the water industry's approach to gender diversity. Five of the seven members of our Executive Leadership Team are women and 45 per cent of senior leaders across the organisation are women.

### Partnership to support First Nation peoples participation

Melbourne's water businesses have joined forces to support participation of First Nation peoples with the Melbourne water industry. Recognising that over many generations First Nation peoples have managed land and water sustainably, the water businesses are looking to tap into their knowledge and experience.

Our Senior Project Manager – First Nation Values of Water has started work to connect City West Water, Melbourne Water, South East Water and Yarra Valley Water with First Nation peoples. The role, established in June 2018, is focused on building strong relationships with the First Nation community and Traditional Custodians and building First Nation Water Values knowledge.

Initiatives undertaken during 2018-19 include:

- capacity building and knowledge sharing through facilitation of 8 Ways of Knowing: First Nation Cultural Knowledge Exchange training sessions
- establishment of a First Nations Advisory Committee to share knowledge and First Nation values
- metropolitan industry sharing forum collaborating and sharing knowledge across the businesses to agree on areas of focus for collective action
- initiating water industry engagement with Traditional Custodians and the broader First Nations community.

### Partnerships to support women in STEM

City West Water, in partnership with Victoria University, is proud to support Dawt Hnem Sung Sarum (Nunu) as the first recipient of the Celebrating Women in STEM (Science, Technology, Engineering and Maths) Scholarship. This scholarship supports the education of a future female engineer through one-on-one mentoring by a senior female leader at City West Water.

In May 2019, our Altona Treatment Plant was brought to life for 20 budding female scientists from Taylors Lakes Secondary College and Werribee Secondary College in a bid to showcase future STEM employment opportunities available to Victorian public school students in Melbourne's west. The touring group was able to see STEM in action and learn how the Altona Treatment Plant, since its origins in the late 1960s, has developed into a sophisticated recycled water treatment plant.

***"City West Water is committed to improving the representation of women in the water industry and in other STEM-related industries. Our partnerships with local secondary schools and Victoria University are an important step in achieving this vision."***

*David Ryan, Managing Director, City West Water*

### Providing opportunities for graduates

The Melbourne Metropolitan Water Industry Graduate Program continued in 2018-19, providing opportunities for graduates to learn, grow and develop a whole-of-lifecycle view of how the water industry operates in Melbourne. Graduates also have access to networking opportunities, mentoring and project experience across the water businesses. They become part of their respective workforce of engineers, planners, surveyors and environmental experts tackling the opportunities and challenges of the future. We recruited two graduates through this program in 2018-19 with a further six graduates across the disciplines of data science, economics, engineering and information technology to join the business in 2019-20.

During the year we also launched the Collaborate Cadet Program. The 12-week program includes a six-week rotation with Programmed Facility Management and six weeks with City West Water. We hosted two cadets, who were placed in different departments across the organisation.

### Virtual asset tour

This year, we unveiled our first Virtual Asset Tour which provides new staff with an exciting way of visiting and learning about our assets.

Using 360 degree photospheres with voiceovers and graphic overlays, virtual tours allow users to explore our sites and assets while receiving insights into their purpose and operation. Virtual reality enhances visualisation and means staff can visit sites without the risks, hazards and personal protective equipment that are generally associated with a physical site visit.

Our first Virtual Asset Tour covered recycled water from our treatment plants at Altona and West Werribee, as well as sewer, stormwater and potable water assets. The training has been used in induction for our Operational Control Centre staff who don't generally get a chance to visit sites but are often required to provide information to our customers.



### Comparative workforce data

The Comparative Workforce Data table below provides a snapshot of the diversity of employees in our organisation. Employees have been correctly classified in workforce data collections based on working arrangement and employee level.

#### Comparative Workforce Data

	2019	2018
Full time	358	357
Part time	89	75
Casual/fixed term	8	11
Total Employees	455	443
Key management personnel	9	9
Executives	6	5
Operational/Administrative staff	440	429
Total Employees	455	443
Full time equivalent	421	423

## Health and safety

At City West Water, we foster an environment where people make safe choices to improve outcomes and where everyone is responsible for workplace safety. We are committed to providing healthy and safe workplaces, for our employees, contractors, customers and the wider community who access and interact with our places of work.

A positive safety culture, with shared attitudes, values and beliefs, is vital to our health and safety. Our *Health and Safety Policy* commits us to:

- enable a positive health and safety culture
- strive to continually improve
- provide effective health and safety leadership
- upskill and engage our people
- manage risks to health and safety and prevent adverse incidents
- consult on, and communicate about, health and safety
- comply with the law
- provide effective, transparent and user-friendly systems.

Demonstrating our strong commitment to health and safety, this year we:

- achieved a targeted uplift in health and safety cultural maturity, from 'Developing' to 'Established' (verified through an independent assessment by Ernst & Young, Australia)
- successfully delivered on initiatives outlined in the *Annual Health and Safety Plan 2018-19* including:
  - established working groups to address critical health and safety risks, such as confined space and high pressure water jetting
  - implemented a new health, safety, environment, quality and risk software system - The Bridge.

## Employee Health and Safety Performance

	2019	2018	2017
Hazards per 100 full time equivalent employees	3.0	7.9	7.9
Incidents per 100 full time equivalent employees	6.5	9.0	8.8
Lost time standard claims per 100 full time equivalent employees	0.2	0.0	0.0
Average cost per claim (includes non-lost time claims or medical) <sup>1</sup>	\$13,610	\$7,250	\$10,065
<b>Total recordable injury frequency rate per million hours worked</b>	<b>7.7</b>	<b>3.6</b>	<b>5.9</b>

Notes:

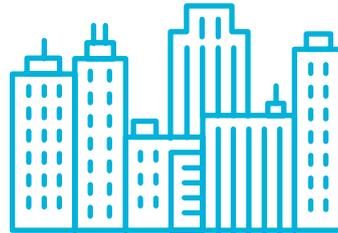
1. City West Water experienced fewer claims, at a higher monetary amount, than previous years.

The Total Recordable Injury Frequency Rate (TRIFR) has ended the year at 7.7, against a target of <3.0, with 10 TRIFR impacting incidents during the 2018-19 financial year. Our contractors have been the primary source of TRIFR impacting incidents over 2018-19, therefore contractor management is

a key element of our *Annual Health and Safety Plan 2019-20*. The plan focuses on a more collaborative approach to management of critical health and safety risks and high-potential incident management.

# Our Customers

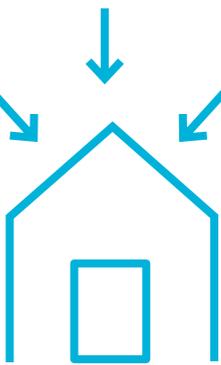
2018-19



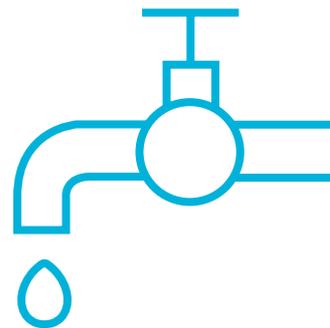
**41,600**  
NON-RESIDENTIAL  
PROPERTIES SERVED

MORE THAN  
**1.1 MILLION**  
RESIDENTIAL  
CUSTOMERS USE  
OUR SERVICES

**431,600**  
RESIDENTIAL PROPERTIES  
SERVED (AND RISING WITH  
SOME OF THE FASTEST  
GROWING AREAS IN AUSTRALIA  
IN OUR SERVICE AREA)

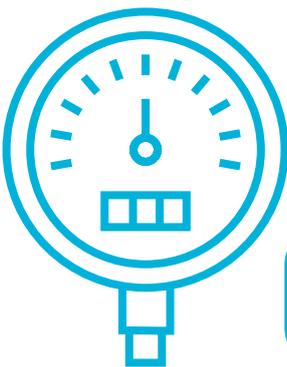


MORE THAN  
**105 BILLION**  
LITRES OF DRINKING WATER  
DELIVERED TO OUR CUSTOMERS



**95 BILLION**  
LITRES OF WASTEWATER  
COLLECTED

**1.83 MILLION**  
METER READINGS



**7,800** TRADE WASTE CUSTOMERS  
(PRODUCING 50% OF METROPOLITAN  
MELBOURNE'S TRADE WASTE)

## Customer service results

At City West Water, we choose to be an exceptional service provider that adopts a 'customers first' approach in everything we do.

Being exceptional means we always strive to deliver services that are affordable, safe and reliable; to be accessible and easy to deal with; and to make decisions in our customers' best interests.

In 2018-19, our Customer Operations Centre responded to more than 365,000 calls and 320,000 emails and customer applications, assisting customers with a range of enquiries including moving house, payment plans, and usage and service charges. Our Customer Operations Centre reduced email turnaround time from 10 days to one day. This was achieved through a program of upskilling, workload monitoring and allocation, and buddy coaching led by our Customer Service Centre Team Leaders.

Through implementation of our *Customers First* strategy, this year we focused on becoming easier to deal with and more accessible. We made significant progress, for example

enabling customers to request payment extensions online by launching an online form for tenancy move-in and move-out applications. This means the 97,000 manual forms received per year can now be processed seamlessly online.

***"Our Customer Operations Team has been committed to ensuring that the voice of the customer is embedded into our decision making and initiatives. We are proud of the work we have achieved this year and we are excited to realise the benefits of future technology investments in the pipeline."***

*Geoff Wigglesworth, Customer Service Manager*

We continued to offer assistance to vulnerable customers through implementation of our financial hardship and family violence policies. We provide information about these policies in our *Customer Charter Summary* given to new customers.



**EMAIL TURNAROUND TIME REDUCED FROM 10 DAYS TO 1 DAY**

**YEARLY AVERAGE OF 97,000 TENANCY APPLICATIONS BEING PROCESSED ONLINE**



## Understanding our customer experience

A new data and analytics platform, Voice of the Customer, is providing insights into what our customers need and want and will help us improve the customer experience.

By integrating data sources, for example Closed Circuit TV (CCTV) footage of our assets, billing, call recording, customer surveys, social media and our spatial system, we can better understand customer interactions and service requests.

Using a collaborative design approach between IT, the vendor and business process and data owners, this platform is helping to shift the mindset towards using data insights to drive innovation.

For the first time we asked customers who had been in phone contact with us if they felt that City West Water has a good reputation in the community. The Customer Reputation Score for 2018-19 was 73 out of a possible 100. In 2019-20 we will ask this question monthly and annually to enable comparison of responses and gain a better understanding of what impacts on our reputation.

## Providing easy access to service outage and fault information

Customers can access an interactive map that highlights reported faults and outages as well as recently restored services. The Faults and Outages map, launched on our website in November 2018, is a simple, accessible way to understand where water or sewer services are disrupted and when services are restored. It is also part of our broader plan to enhance digital services for customers.

## Digital metering trial

With Melbourne's population set to almost double and forecasts of more extreme weather conditions, we are working on new ways to provide better service to customers, make every drop count and optimise the operation of our water network. We are working with South East Water and Yarra Valley Water to deliver a Proof of Concept for digital water meters to provide greater value to customers and the community. We see digital metering as integral to our vision to create an intelligent water network that will:

- provide customers with proactive leak alerts
- provide customers with near real-time consumption information so that they can choose to change their consumption behaviour to save water, reduce their bill and avoid bill shock
- connect to other detection devices to proactively identify leaks within our networks.

We have started the operational phase of the Proof of Concept, in consultation with our customers, deploying devices into small trial areas in Docklands and Richmond.

## Sharing Customer Charter summary

From January 2019, new customers received a summary of the *Customer Charter 2018-23* with their first water bill. The summary is an important guide to the level of service customers can expect.

The Customer Charter outlines customers' rights and responsibilities as well as our commitments to provide safe and reliable water, sewerage and trade waste services, and recycled water services where available. The charter also contains information about our hardship, vulnerability and family violence provisions.

Faults and Outages	
Street	Status
NICHOLSON ST FITZROY 3065	In progress
TRUMAN ST SOUTH KINGSVILLE 3015	In progress
WILSON STREET MOONIE PONDS 3039	In progress
PACKARD STREET KEILOR DOWNS 3038	In progress
PARAWEENA DR TRUGANINA 3029	In progress
ROSTELLA CR KEILOR EAST 3033	In progress
APPLETON STREET RICHMOND 3121	In progress
MELFIN DRIVE HILLSIDE 3037	In progress

← List view      View planned works



## Community service obligations

City West Water provided the following community service obligations.

### Supporting Vulnerable Customers

	2019 \$'000	2018 \$'000
Provision of concessions to customers	22,901	21,252
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	559	403
Utility relief grant scheme	382	334
Water concessions to those on life support machines (haemodialysis)	10	13

We value the community we operate in and are committed to finding the best ways to support our most vulnerable customers.

### 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 2018-19 maximum was \$320.90. If a customer is receiving one service only, they are entitled to a concession of up to half the annual maximum. We invoice the Department of Health and Human Services (DHHS) 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 provides assistance to residential customers who are unable to pay their utility bills as a result of a temporary financial crisis. Assistance is provided to low income households which, as the result of a short-term (within the last 12 months) financial crisis, are

unable to pay a current account and are at risk of restriction of supply. A grant is available to a holder of a pension concession card, a health care card or a Department of Veterans Affairs gold card which is not marked 'dependant'. Applicants must meet certain criteria to demonstrate that unexpected financial hardship has left them unable to meet their water bill obligations. We invoice the Department of Health and Human Services for the value of those concessions.

### 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 Health and Human Services 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 Health and Human Services for the value of those concessions. The number of concessions paid has decreased due to fewer customers seeking the concession.

## Water awareness campaigns and community involvement

### Day at the Zoo

Now in its eleventh year, the annual Day at the Zoo was held on 21 May 2019.

Seventeen government organisations were at Melbourne Zoo providing newly-arrived communities with information to improve their understanding of essential services. The event attracts more than 9,000 culturally diverse community members from 70 countries speaking 52 languages. We welcomed 1,000 participants from 24 English as a Second Language schools from across Melbourne. In a joint activity with Yarra Valley Water and South East Water, we handed out information on safe drinking water, what not to flush and how to get in contact with us if experiencing hardship. Our mobile water fountain was also on site for participants to fill up their water bottles.

City West Water is proud to co-host Day at the Zoo with the Victorian Multicultural Commission as supporting and promoting cultural diversity is an important part of our philosophy.

### Raising water awareness

We are committed to raising awareness with customers about the water cycle and water efficiency. We achieve this through educational and cultural programs, as well as actively promoting the State Government's Target 155 campaign that encourages customers to limit their water consumption to 155 litres per person per day.

We are proud of our water awareness and community involvement campaigns. This year the following activities were launched or continued:

#### WaterAid

In November 2018, WaterAid Australia announced Fran Duiker, City West Water's General Manager, Customers and Community, as its newest Ambassador. WaterAid Australia is an international not-for-profit organisation determined to make clean water, decent toilets and good hygiene accessible for everyone, everywhere within a generation. In support of this, we have committed to the UN Sustainable Development Goals and will continue to work with WaterAid to help change lives.

#### Trees for Schools

Twenty schools in the western suburbs received 50 native six-month-old tube stock, including eucalypts, correas and grevilleas, and planted them on Trees for Schools Day on 27 July 2018. The Trees for Schools project picks up on Greening the West's goal of doubling the tree canopy of Melbourne's west by 2050.





### National Water Week

In 2018, National Water Week was held from 21 to 27 October, with the theme 'Water for me, water for all'. The aim of National Water Week is to assist the community to understand and take action to protect and conserve our precious water resources and habitats. In Victoria, we participate in a primary school poster competition. This year, more than 150 posters were received from Prep to Grade 6 students.

### Kids Teaching Kids

The Kids Teaching Kids program is an education model that empowers young people to drive action on local and global environmental issues. The program uses peer teaching and learning as a way of ensuring the environment is front of mind and in good hands for the future. We have supported Kids Teaching Kids for five years. The theme was 'Water: Enhancing life and liveability' and events included:

- Kids Teaching Kids Conference – we have been sponsoring and presenting at Collingwood Children's Farm for five years. This year 55 schools from across Australia participated and we sponsored Rob Hyatt from the Koorie Heritage Trust to present three sessions to 35 students about water from an indigenous perspective.

- Kids Teaching Kids Satellite Event – in September 2018, we supported Truganina South Primary School to host Point Cook Primary School, Spotswood Primary School and Werribee Primary School for their first Kids Teaching Kids satellite event. Ten to 15 students and two or three teachers from each school attended. Spotswood Primary School, Werribee Primary School and Point Cook Primary School presented to students on a rotating basis. These satellite events help schools rehearse their presentations ahead of the 'big' conference and also allow schools that have not previously been involved with Kids Teaching Kids to see first-hand what it is all about.

### Shower Superstars at Melbourne Museum

In April 2019, we joined with Yarra Valley Water, South East Water and Melbourne Water to run an activity hub at Melbourne Museum to teach kids about the importance of saving water. The Shower Superstars activity focused on saving water in the shower, which accounts for 32 per cent of household water use. Primary school and kindergarten children participated in the activities, which included a mock shower, karaoke and making stickers.

***This year our mobile water fountain attended 117 events, reaching 1.1 million event goers. Events included community and cultural festivals and celebrations, sporting events and fundraising activities.***

# Our Communities

## Sustainable water use

**Population growth, the potential impacts of climate change and other factors influence the long-term supply and demand for water. We expect Melbourne's population to continue to grow and our climate to continue its trend of becoming warmer and drier. It is forecast that in the long term demand for water will exceed supply. Uncertainty around future water needs highlights the importance of taking a strategic approach to planning and preparing for the decades ahead.**

**The following strategies and activities illustrate the extensive work we are undertaking to ensure ongoing water availability.**

### Urban Water Strategy

Our *Urban Water Strategy* helps prepare our service area for a challenging water future, as we navigate the impacts of climate change and population growth. It outlines the likely increase in our residential population, from just over 1.1 million in June 2019 to an estimated 2.3 million by 2066.

The strategy sets a benchmark for service provision now and into the future and will help us understand, adapt to and provide for growing demand for water. It outlines a number of key actions, such as our ambitious plan to deliver 9.7GL\* per year of alternative water by 2065.

We currently supply approximately:

- 2.6GL per year of recycled water to residential and non-residential customers
- 0.12GL per year of stormwater to councils for open space irrigation.

Our Stormwater Harvesting Partnership Fund is contributing funding to a number of projects across our service area that will deliver up to an additional 0.1GL per year of recycled stormwater.

In addition, we aim to explore opportunities in established areas which have the potential to substitute 6-8GL per year of drinking water with alternative water. The *Urban Water Strategy* also includes our *Drought Preparedness Plan* for the next five years which ensures long-term sustainable water use.

### Water Resource Management

We work closely with Melbourne Water and the other metropolitan water retailers to provide timely advice and recommendations on matters relating to short-term and long-term water security for Melbourne. The Water Resource Management group is in place to:

- prepare, monitor, deliver and review long-term strategic responses as outlined in urban water strategies, the *Melbourne Water System Strategy* and *Water for a Future-Thriving Melbourne*
- coordinate timely and efficient actions to achieve water security objectives in a manner that sustains the health, liveability and prosperity of Melburnians
- ensure preparedness to proactively manage any periods of water shortage through development of the annual *Water Outlook* and drought preparedness planning.

### Integrated Water Management Forums

Integrated water management considers the entire water cycle and the multiple services it provides when planning, delivering and operating infrastructure.

The Department of Environment, Land, Water and Planning (DELWP) established Integrated Water Management forums to identify, coordinate and prioritise opportunities and areas that would most benefit from collaborative water cycle planning and management. These forums help local governments, water corporations, catchment management authorities, the Victorian Planning Authority and Traditional Custodians work together to ensure the water cycle efficiently contributes to the liveability of a region. They are based on waterway catchment boundaries and there are five forums across Melbourne.

We continue to be a key contributor and participant in three Integrated Water Management forums (Werribee, Maribyrnong and Yarra catchments). This has involved attendance at nine forum meetings, and significantly more working group meetings. We are collaborating on several projects across each catchment, such as the Western Growth Integrated Water Management Plan – Phase 1, where we are one of eight collaborative partners.

### Water Security Campaign

In February 2019, we committed to work with South East Water, Yarra Valley Water and Melbourne Water to commence a water security public awareness campaign - the first major campaign undertaken since the Millennium Drought.

The first stage of the campaign sought to prepare stakeholders and the community for the State Government's biggest desalinated water order in March 2019 and highlight the continued need for water orders with rapid population growth coupled with warmer and drier weather conditions.

The campaign has been further developed to inform and educate the community and business about the environmental, social and economic context of water security in 2019 and beyond, with a key message around the importance of everyone contributing to our water security. That context setting will be followed by future campaigns and specific behaviour change initiatives over the next three years.

With changing residential water use behaviour over the last decade, it has been established that Melbourne's water retailers need to target in-house water use to further reduce per-capita water use. A customer segmentation study, based on cross-Melbourne consumer research delivered in 2019, found that generally customers underestimate how much water is used for showers and overestimate how much is used outdoors. The study identified that shower efficiency would be the most effective water use behaviour to target, although there was potential for more efficient use of water across the average home.

This highlights a renewed focus by Melbourne's water corporations on the importance of working together to deliver more value to the community, and to better manage our precious water resources for future generations.

### Melbourne Sewerage Strategy

The metropolitan water retailers worked collaboratively to develop the *Melbourne Sewerage Strategy*, representing an innovative approach to facilitate transformational change of the sewerage system in the face of complex challenges and opportunities, including population growth, the effects of climate change and the pace of urban development.

\* 1GL = one billion litres

The *Melbourne Sewerage Strategy* explains how our sewerage system can further evolve from a waste disposal system to one that plays a critical role in meeting urban water demands, sustainably managing waste and enhancing resource recovery.

The strategy supports a 50-year vision for a liveable, thriving Melbourne. The goals are aspirational, yet underpinned by the fundamental principle of ensuring affordability for our customers and community:

- Human health and wellbeing - the evolution of Melbourne's sewerage system enhances human health and wellbeing, now and in the future.
- Enhancing the environment - Melbourne's sewerage system leads the world in protecting and enhancing natural assets including waterways, green spaces, biodiversity and marine environments.
- Leveraging resources - Melbourne will be recognised as a world leader in advancing the circular economy through our commitment to beneficially using 100 per cent of our water and resources while ensuring affordability for current and future generations of Melburnians.
- Community stewardship - our customers and community understand and care about the role the sewerage system plays in Melbourne's liveability. This fosters shared stewardship and informs the services we provide.
- An enabling policy and regulatory environment - our collaborative policy, pricing, and regulatory environment fosters an adaptive, scalable, agile and innovative system that enables us to equitably meet Melbourne's needs for the next 50 years and beyond.

### Stormwater Harvesting Partnership Fund

As part of our commitment to our customers to invest in stormwater recycling, we are investing \$12 million over five years to support sustainable stormwater harvesting projects. These projects aim to improve the health and wellbeing of our community, create greener open spaces and reduce our reliance on much of our limited potable water resources for irrigating sporting reserves and recreational parklands.

Since launching our Stormwater Harvesting Partnership Fund in July 2018, we have co-funded approximately \$4 million towards a number of key projects and reduced our reliance on potable water by 100ML/year.

The following key projects began in 2018-19 and are underway:

- Melbourne Tennis Centre (Melbourne & Olympic Park Trust) - augmenting an additional 12ML/year of water to irrigate the 44ha precinct of sporting reserves that would otherwise have been lost in drainage discharging to the Yarra River.
- Woodlands Park (Moonee Valley Council) - restoring existing ponds to native wetlands, harvesting 12ML/year of stormwater to support aquatic wildlife habitats and to irrigate open parkland.
- Balmoral Park (Brimbank City Council) - receiving water from two nearby Melbourne Water drains to irrigate sporting reserves, reducing reliance on potable water by up to 20ML/year.
- Arndell Park and Greening the Pipeline (Wyndham City Council) - reducing reliance on potable water by 26ML/year while providing opportunities to link communities along the federation trail easement from Wyndham to the CBD.

- Edinburgh Gardens (Yarra Council) - augmenting an existing stormwater harvesting facility for the iconic garden that will increase the storage capacity by 1ML and reduce demand for potable water by a further 20ML/year.
- State Baseball and Softball Centre (Hobsons Bay Council) - providing 8ML/year of harvested stormwater from our existing Laverton Recreation Reserve stormwater harvesting facility, which currently supplies harvested stormwater to Laverton sporting reserve.

### Recycled water provision

We currently provide high-quality recycled water from our Altona and Werribee treatment plants to a number of residential developments, public open spaces and for industrial purposes to reduce the demand on potable water and to demonstrate sustainable water use. Customers we continue to support include:

- Riverwalk Estate in Wyndham - to irrigate gardens, for toilet flushing and laundry use
- Qenos Pty Ltd - for steam production and cooling water in manufacturing processes
- Sanctuary Lakes and Koorinal Golf Clubs - to irrigate green spaces
- Manor Lakes Estate, Wyndham Vale - to irrigate gardens and for toilet flushing
- Sunshine Golf Course - to irrigate grounds at the site (a standalone sewer mining plant supplies irrigation for the golf course).

### Aquifer storage and recovery

Operational trials on the West Werribee Aquifer Storage and Recovery scheme are using Class A recycled water from the Werribee recycled water plant. Recycled water has been injected, stored and recovered in several short cycles, and extensive monitoring of the aquifer and water quality has taken place. The trials have been used to optimise performance of the scheme. The trial injected recycled water over a period of five months and has now reached the storage phase. The recycled water will be held in storage for about three months before being extracted and extensively tested for quality and yield. The outcomes of the trial will inform the ongoing viability of the scheme.

### Woodlands Park

In December 2018, in partnership with Melbourne Water and Moonee Valley City Council, we committed \$0.58 million towards a project to restore existing ponds to native wetlands at Woodlands Park in Essendon. The \$1.3 million project will include re-lining and upgrading the existing ponds, new drainage infrastructure, the installation of rockwork and erosion protection, wetland planting and a bridge crossing between the ponds, as well as an innovative stormwater catchment system to irrigate the park's open spaces.

The project aims to harvest more than 53ML of water per annum from a nearby Melbourne Water drain to irrigate the parkland. The harvested water will be treated in a wetland and then further treated through a filter and ultraviolet unit before being pumped throughout the parkland to irrigate the native vegetation and open community spaces. The treated water will also be used to sustain aquatic wildlife habitat in and around the wetland.

These works will improve water quality, provide a more sustainable water supply to irrigate the park, and reduce the demand on drinking water.

Construction began in May this year, with completion expected in December 2019.

## Water consumption

City West Water provides a range of different types of water to customers in our service area. The table below details how much water was used in our service area by residential and non-residential customers in 2018-19.

### 2018-19 Total Water Consumption Data

	Number	Volume (ML) <sup>12</sup>
<b>Residential customers</b>		
Drinking water	431,574	62,703 <sup>1</sup>
Recycled wastewater	7,630 <sup>2</sup>	212 <sup>3</sup>
Recycled stormwater		
<b>Non-residential customers</b>		
Drinking water	41,561	42,599 <sup>4</sup>
Recycled wastewater	75 <sup>2</sup>	2,527 <sup>5</sup>
Recycled stormwater	7	113
<b>Total customers<sup>6</sup></b>	<b>473,135</b>	
<b>Total drinking water volume</b>		<b>105,302</b>
<b>Total recycled water volume</b>		<b>2,852</b>
<b>Total consumption</b>		<b>108,154</b>
Average annual consumption <sup>7</sup>		101,649
Weekly residential drinking water consumption <sup>8</sup>		1,206
<b>Non-revenue water</b>		
	Leakage <sup>9</sup>	6,743
	Firefighting <sup>10</sup>	575
	Other <sup>11</sup>	2,226
<b>Total non-revenue water</b>		<b>9,544</b>
<b>Total water all sources</b>		<b>117,698</b>

Average residential consumption	Litres per person per day (L/pp/day)
Average per capita daily residential drinking water consumption	154

Notes:

<sup>1</sup> Includes potable water supplied to customers with recycled meters but not connected to the recycled water network.

<sup>2</sup> Only includes recycled water customers who are connected and able to receive recycled water

<sup>3</sup> Includes 82ML of potable water used in blend or backup to the recycled supply system and used in the determination of non-revenue water.

<sup>4</sup> Includes potable water supplied to customers with recycled meters but not connected to the recycled water network.

<sup>5</sup> Includes 142ML of potable water used in blend or backup to the recycled supply system and used in the determination of non-revenue water.

<sup>6</sup> Customers that receive recycled wastewater or stormwater also receive drinking water.

<sup>7</sup> Five-year average annual consumption from 2015 to 2019 reporting periods.

<sup>8</sup> Weekly residential water consumption.

<sup>9</sup> Balance of non-revenue water, known as real losses, which includes bursts, leaks and background losses.

<sup>10</sup> 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.

<sup>11</sup> Other non-revenue water is known as apparent losses which includes unauthorised usage such as theft, misuse, illegal tampering and incorrect meter reads.

<sup>12</sup> ML = million litres

## Corporate Water Consumption

The table below shows water use at our Footscray head office. The increase in water usage for this financial year is largely attributable to a water leak in our shared office building in August 2018. The building is managed by a third party and City West Water is one of several tenants. The leak occurred in an area of the building not accessible to City West Water staff and was identified and rectified within 24 hours. All building tenants were allocated a share of the cost of the leak.

2019	2018
Water consumed 2,008kL	Water consumed 1,585kL
4.8kL per full time equivalent employee	3.7kL per full time equivalent employee
326 litres per m <sup>2</sup> of office space	257 litres per m <sup>2</sup> of office space

## Drought response reporting

Metropolitan water retailers are required to prepare a Drought Preparedness Plan to manage the event of water shortage. Permanent water use rules are in place for metropolitan Melbourne as at 30 June 2019.

### Annual Water Outlook

In accordance with the *Drought Preparedness Plan*, each year we collaborate with South East Water, Yarra Valley Water and Melbourne Water to publish the *Melbourne Water Outlook*, which provides our customers with our water security position and actions over the coming year. This is part of our adaptive management framework, comprising a number of interrelated long-term and short-term processes, which enables us to:

- monitor the dynamic balance of supply and demand each year
- guide the implementation of actions identified previously by long-term strategic planning exercises to influence the observed and potential future balance of supply and demand
- provide regular information about the balance of supply and demand and any actions being undertaken by water utilities.

The performance of Melbourne's water supply is evaluated according to storage levels on 30 November each year relative to three zones:

- high zone – optimising supplies to secure our water supply
- medium zone – taking action to reduce demand and improve supply
- low zone – emergency actions required to maintain our water supply.

Released on 1 December 2018, the most recent *Water Outlook* assessed that Melbourne's water availability is secure for the coming year. A number of short-term and medium-term actions to improve future drought response were outlined:

- Continue to inform the community about the 'common sense' rules that ensure the wise use of water at all times.
- Continue to deliver the Victorian Government's Target 155 voluntary water efficiency program, which encourages metropolitan Melbourne households to use water efficiently, aiming for 155 litres per person per day. The *Victorian Water Efficiency Strategy* identifies opportunities to work together to deliver water efficiency measures.

- Continue to monitor water availability throughout the year to ensure we can meet the needs of our growing community.
- Continue the schools program, which helps schools identify leaks, faulty appliances and inefficient practices. Since 2012, the Schools Water Efficiency Program has saved participating Victorian schools more than 4.7 billion litres of water, equating to a saving of more than \$13.7 million.
- Undertake active leak detection, reticulation mains renewals, district metering and trialling intelligent network technologies to minimise non-revenue water.
- Operate and develop schemes to supply recycled water to commercial, industrial and residential customers, and for the irrigation of open spaces.
- Continue to work with residential and non-residential customers to deliver water efficiency projects, focusing on sector-specific programs.
- Deliver a co-investment fund that partners with local government to deliver stormwater harvesting projects aimed at increasing alternative water supplies to priority open space precincts.

The Minister for Water announced a 125GL order of desalinated water from the Victorian Desalinated Water Project, our largest order to date. This was based on advice from the metropolitan water businesses due to declining water storage volumes, weather outlook and water security requirements for greater Melbourne.

### Drought Preparedness Plan and by-law

Developed in accordance with the *Guidelines for Assessing the Impact of Climate Change on Water Supplies in Victoria*, the *Drought Preparedness Plan* in its current form has been in place since June 2012, with the Permanent Water Use Plan in place since November 2011.

Under Permanent Water Use Rules, playing fields and other open spaces are able to be watered all year round. The water restrictions schedule (which is contained in the City West Water Corporation Water Restrictions By-law 001/2012 as enacted by the *Drought Preparedness Plan*) also allows for an approved Water Use Plan at all four stages of restrictions. This is designed to allow watering to take place during water restrictions to maintain open spaces and playing fields so as to be available all year round.

## Sustainable and resilient water services systems

### Spencer Street Sewer Upgrade completed

This major (\$20.8 million) infrastructure project to build an additional sewer along Spencer Street in Melbourne's CBD was completed in December 2018, ahead of deadline and within budget. The upgraded sewer is now connected and working for the thousands of residents and commuters who live and work along Spencer Street.

The two-year project increased the capacity of the 122 year-old sewer and it now has 25 times more capacity to cater for the rapid population growth along this busy thoroughfare.

Construction of the additional sewer involved a pipeline 700 metres long and buried 11 metres underground. Crews worked 24 hours a day including weekends for just over a year to complete the project with minimal disruption to commuters.

The project was a significant team effort and involved many stakeholders including Southern Cross Station personnel, Yarra Trams and VicRoads as well as local community and businesses. Visitors to the city and countless commuters displayed patience and tolerance while the works were underway.

The greater sewerage capacity along Spencer Street now means less reliance on older infrastructure and confidence that we will be able to meet the growing needs of the area. The completion of the project is an important milestone in the Melbourne CBD Sewer Augmentation Strategy to service the city's rapid growth. Capacity is now set to meet future demand and population expansion for the next 35 years.

### Collins Street Renewal Project

The 1915 cast iron water main in Collins Street had served us well but was in need of replacement. A condition assessment determined that approximately 200 metres of 225mm diameter water main between Elizabeth Street and Swanston Street needed to be renewed. Construction works began in July 2018 and the project was successfully completed in September 2018, with minimal disruption in this busy part of the CBD.

The works program was developed with stakeholders to minimise impacts on major events, including Melbourne Fashion Week. A customer-focused engagement strategy was developed for all stakeholders, building on established relationships with the City of Melbourne and other authorities and businesses. Consultation and communication with key stakeholders and customers, through face-to-face meetings, email alerts and social media helped ensure smooth completion of the project.

### Carlton Water Main Renewal Project

The M205 Carlton Water Main Renewal Project will dig a new water pipeline along most of the length of Canning Street, Carlton, to replace the current water pipe that runs under Nicholson Street and was constructed in 1878. Increased traffic density and future tram stop upgrades on Nicholson Street require the pipe to be relocated.

During the year, we established a Community Reference Group in Carlton/Carlton North to share information with stakeholders and the community about construction impacts, answer questions on construction activities and provide an opportunity for input into community projects that will be delivered at the completion of our works. The group meets bi-monthly, and members are asked to share information with their respective community networks.





The Community Reference Group comprises of stakeholders and community members from City West Water, Jaydo (Construction Partner), City of Yarra, City of Melbourne and Bicycle Network Victoria, as well as community representatives.

### Greening The West: 1 Million Trees Project

In October 2018, Greening the West celebrated planting its one-millionth tree as part of the 1 Million Trees Project supported by the Australian Government's 20 Million Trees Program (National Landcare Program).

We contributed to the project by planting 10,000 trees across key sites including 6,000 trees at our West Werribee Salt Reduction Plant/Aquifer Storage Recovery site.

The project created a unique opportunity to make substantial, wide-ranging improvements to the region's liveability and sustainability. It also increased the number of trees in Melbourne's west to add ecological value to parks, creek corridors and open spaces. Increasing canopy cover also provides much-needed cooling and refuge spaces for wellbeing during extreme heat conditions.

### Lonsdale Street Sewer Upgrade

This major project, set for completion by 2020, will involve construction of a new sewer line that will span approximately 900 metres, from Elizabeth Street to the new connection at Spencer Street to the west. The new sewer line will replace the 120-year-old sewer, which is nearing capacity. While more than a century ago Melbourne's planners had the foresight to build infrastructure for a growing city, the expected growth of residents and workers in the CBD means it is essential that we increase the capacity of the network. During the year, work focused on the business case, reference design and stakeholder engagement.

### Exploring new digital technologies

Our asset, operations and maintenance teams have been at the forefront of adopting new technology, and we are also partnering across the water sector in Australia and internationally to make the most of local and global advances.

Initiatives and investigations progressed over the year include:

- Artificial Intelligence (AI) - participating in a horizon scan for AI in the water industry led by Isle Utilities, and using AI machine learning to create new insights for our asset management program.
- 3D modelling and scanning – used for live recording of asset condition, provision of information for hard-to-access assets and assistance with design.
- CBD proactive leak detection trial - using acoustic hydrophones, transient pressure sensors and analytics.
- New technology (SEAMS) trial - to optimise asset planning through the use of data analytics that feed into asset investment and management plans.
- Field trial to refurbish a 70-year-old concrete manhole using a Polyvinyl Chloride (PVC) liner - this is the first trial of its kind in Victoria and represents a significant saving (up to 80 per cent) compared to the traditional method of rehabilitating sewer manholes.
- Internet of Things (IoT) – exploring sensors and devices, which have the potential to help us anticipate bursts and leaks on our network.

We have also been investigating the use of drones to obtain asset information at our West Werribee site, Ballan Road Recycled Tank site, Laverton Sewer asset locations and Sunshine Golf Course Treatment Plant. The drones used incorporate a high quality camera as well as stereo vision sensors and infrared sensing systems. We have trained drone pilots within our workforce involved in the program and drones are being incorporated into our ongoing activities.

Maintenance of asset infrastructure also received a boost through further enhancements to our online field mobility system – Focus3. These enhancements have introduced real-time data capture and validation and case closure warnings, and included maps displaying asbestos-affected areas. Benefits for our people in the office and in the field include access to more information, simplified administration, greater accuracy of data and improved hazard awareness.

# Our Environment

## Environmental management

***“This year we continued our strong focus on reducing our emissions and supporting community resilience to a changing climate. Through participation in Zero Emissions Water and Integrated Water Management Forums, we are playing a leading role on climate action.”***

*Sean Hanrahan, Senior Strategist, City West Water*

Our vision is built upon streamlined delivery, great partnerships and purposeful leadership. We are driven to care for and, where possible, enhance the environment with an eye to the future and the challenges imposed by a changing climate. This year, we have focused on:

- working towards reducing our total carbon emissions by 80 per cent compared to our emissions baseline of 12,401 T CO<sub>2</sub>-e by 1 July 2025 and adopting a leading pathway to achieve net zero emissions by 2030
- partnering with 12 other water corporations to form Zero Emissions Water, which will purchase 78GWh of renewable energy (our allocation is 3.7GWh) from Australia’s largest solar farm, to be built in northern Victoria
- supporting implementation of the Water Sector Climate Adaptation Action Plan
- playing a leading role in the Werribee, Maribyrnong and Yarra Integrated Water Management (IWM) forums.

### Climate Resilience Strategy

Our vision is to become a leader in climate adaptation and respond to the impacts of climate change on our services, customers and the broader community. Our commitment to climate resilience aligns with our support of the United Nation’s Sustainable Development Goals, in particular Goal 13: Climate Action.

Our *Climate Resilience Strategy* outlines the actions we will take over the next three years to become a leader in climate adaptation and build a shared understanding with our community of the impacts of climate change.

This strategy is based on the latest climate science and commits us to:

- invest in water efficiency, with the aim of assisting our customers to become the most water efficient in the state
- leverage renewable energy and battery storage to provide energy security and reduce emissions
- play a leading role in increasing canopy cover in Melbourne’s west
- invest in infrastructure that delivers functional and liveability benefits to our community.

This year we completed the following activities in line with our strategic objectives:

- Joined the project team for the Port Phillip Bay Coastal Hazard Assessment. The project will define the extent of land expected to be threatened by the coastal processes of inundation, erosion and groundwater change under present and future climate change conditions.
- Worked closely with Department of Environment Land Water and Planning to implement the Water Sector Climate Adaptation Action Plan, which includes contributing to the Estimating the Costs of Climate Change to Water Corporations project.
- Installed a 171kW roof-mount solar photovoltaic (PV) system at the Altona Salt Reduction Plant to partially offset plant power demand.

Our *Climate Resilience Strategy* is supported by a comprehensive framework of annual targets and initiatives that will improve how we plan for and operate in a changing climate.

## Zero Emissions Water

***In April 2019, City West Water joined 12 other leading Victorian water corporations in a new energy partnership that will help to minimise greenhouse gas emissions, reduce operating costs and put downward pressure on water bills for customers.***

*From October 2019, the water corporations will purchase solar power together from Kiamal Solar Farm in north-west Victoria under a new umbrella organisation called Zero Emissions Water. Purchasing energy as one large organisation, instead of separately, means the water corporations will procure energy at a cheaper rate, which will translate to reduced operating costs.*

*The Victorian water industry is committed to advancing projects that benefit the environment and create more return on investment for customers. This key project will help us achieve an ambitious target of net zero emissions by 2030 and the partnership will allow City West Water to purchase 3.76 Gigawatt hours (GWh) per year of renewable energy which is 30 per cent of our annual energy needs.*

*Victorian water corporations are leading the way for other water corporations and industries. This deal is the first of its kind in Australia and is a major step towards the sector achieving net zero emissions by 2050.*



## Environment Policy

Our *Environment Policy* provides guidance on meeting our obligations and strategic objectives to protect the environment and drive continual improvement.

The policy outlines the following actions:

- Maintain an ISO 14001 certified Environmental Management System to align strategic objectives with targets and actions through our Environmental Sustainability Plan while continually improving our environmental performance.
- Take actions necessary to respond to the challenges of climate change, such as our involvement in the Zero Emissions Water partnership.
- Regularly review targets and actions set out in the Environmental Sustainability Plan, which include the safe and secure management of water and optimisation of the environmental performance of our contractors.
- Report progress against targets and actions set out in the Environmental Sustainability Plan to our Board.
- Publicly report on environmental performance via our Annual Report and website.

## Environmental Targets

		2019 Actual	2019 Target	Variance (%)	2018 Actual
<b>Essential Services Commission regulated standards</b>					
Interruptions to sewerage services restored within five hours	%	97.7	98.0	(0.3)	97.5
Unaccounted for water <sup>1</sup>	%	8.3	9.3	10.8	11.2
Average time to attend sewer spills and blockages	minutes	25.8	31.0	16.8	30.5
<b>Other targets</b>					
Response to sewer spills within 1 hour	%	100.0	100.0	-	100.0
Spills due to pump station equipment failure	number	0.0	0.0	0.0	0.0
Non-food waste customers non-compliant with trade waste agreements	%	0.8	≤ 2.0	60.0	0.8
Compliance with Environment Protection Authority licence for discharge from Altona Treatment Plant	%	100.0	100.0	0.0	100.0
ISO 14001: 2004 (Environmental Management)		Retained	Retain	-	Retained
ISO 22000: 2005 (Sewage quality)		Retained	Retain	-	Retained
HACCP (Water Quality)		Retained	Retain	-	Retained

<sup>1</sup>The reduction in unaccounted water is due to a continued proactive leak detection program, including a survey of approximately 1,800km of our network; and an initiative of establishing targeted District Metered Areas and Pressure Management Areas to improve monitoring of local leaks and bursts and ensure timely response and repair.

## Environmental Management System

Our Environmental Management System provides the framework to ensure we manage environmental risks and impacts on the environment in a coordinated and effective manner. It follows the 'plan, check, do and act' cycle outlined in the ISO 14001 Environmental Management System 2015 standard. Environmental Management System certification was retained for the system in 2019. The system has an Operational Risk Register that is integrated with health and safety and product quality risks, which ensure the organisation has in place appropriate controls to manage environmental risks and meet statutory obligations. In addition, the Environmental Management System provides a framework for contributing to broader environmental outcomes through the delivery of our Environmental Sustainability Plan.

## Environmental targets

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

## Greenhouse gas and energy reporting

The table below measures our corporate energy performance.

### Corporate Energy Performance 2018-19<sup>1</sup>

Performance Indicator	Tonnes CO <sub>2</sub> -e			Variance % (2018-19 Projected vs. 2018-19 Result)	Commentary
	Baseline	2018-19 Projected	2018-19 Result		
Water treatment and supply <sup>2</sup>	300	430	582	35	Increase driven by population growth in the region
Sewerage collection, treatment and recycling <sup>3</sup>	8,757	9,734	11,461	18	Increase driven by population growth in the region and increased demand for recycled water from customers
Transport	1,118	1,174	865	-26	There has been a change in our fleet from diesel to fuel efficient petrol vehicles which has seen a reduction in emissions.
Other	2,226	1,302	1,090	-16	Efficient use of energy in depot offices
<b>Total</b>	<b>12,401</b>	<b>12,640</b>	<b>11,627<sup>4</sup></b>		

Notes:

<sup>1</sup> 2018-19 emissions include Scope 1 and Scope 2 emissions, and exclude Scope 3 emissions except emissions from waste. This is to meet the requirements of Ministerial Directions to align reporting with Essential Services Commission indicators which include only Scope 1 and Scope 2 emissions.

<sup>2</sup> Water treatment and supply includes energy expended from stormwater harvesting schemes.

<sup>3</sup> Wastewater treatment volumes are supplied only for sewage treated at City West Water sewage treatment plants. The majority of sewage is conveyed to Melbourne Water's Western Treatment Plant. Energy expended by City West Water in this conveyance is included in the energy use figure.

<sup>4</sup> Total net emissions excludes a total of 2,371 tonnes of CO<sub>2</sub>-e which are a combination of behind the meter solar energy generated at Altona Treatment Plant and renewable energy purchased for large City West Water sites.

## Landscape masterplan

This year, we produced a landscape masterplan for our Werribee Recycled Water Plant site that will transform the landscape into an educational hub. This hub will demonstrate integrated water management principles on the ground using stormwater, recycled water and aquifer storage and recharge.

The proposed elements for the site include facilities that will demonstrate and promote:

- integrated water management and liveability benefits to the community
- delivery of recycled water to the West Werribee residential areas and industrial/agricultural customers
- stormwater harvesting capabilities on site and benefits of low salt, high quality recycled water
- greening opportunities across the landscape
- conservation values of the lower Werribee catchment and surrounding open space such as Werribee Zoo and Werribee Park.

Part of the site is also proposed to be restored using native vegetation to achieve biodiversity outcomes in line with our Biodiversity Action Plan.

We are working with a number of councils and government stakeholders to identify further synergies and future liveability opportunities for surrounding communities.

## Contributing to a sustainable future

City West Water seeks to make a meaningful contribution to a more sustainable energy future through renewable energy opportunities and energy efficiency initiatives – making better use of our assets to lower carbon emissions. This year,

we installed a 171 kW roof-mounted solar photovoltaic (PV) system at the Altona Salt Reduction Plant (ASRP) to partially meet the plant's power demand. We have also begun investigating opportunities to install a ground-mounted solar PV system at our Werribee Recycled Water Plant to fully meet the plant's power demand (behind the meter) and also offset the demand of our other sites via export of power to the electricity distribution network (the grid).

Projects of this kind remove the need to import the equivalent amount of electrical energy from the grid. Removing this load from the grid contributes to its reliability, particularly in times of high network demand, and helps to reduce the risk of power outages that commonly occur during these periods and can have a negative impact on us and our customers. These projects also contribute to our progress towards meeting our carbon emissions reduction pledge.

## Micro-hydro

This year, we committed \$0.9 million to harness energy from our water supply network at the Terror Street Pressure Reducing Station. This will involve the installation of a 75kW micro-hydro turbine system that will use excess network pressures to generate an estimated 280 megawatt-hours (MWh) of electricity per annum, representing approximately 2.3 per cent of our annual electrical demand (based on our consumption for 2017-18).

Suppliers have been engaged to deliver the detailed design of the Terror Street Micro-Hydro project and to fabricate the containerised turbine. When the design and turbine are completed, we will start installation with the goal of generating power from Terror Street in early 2020.



## Trade waste

This year, the City West Water Trade Waste team played a significant role in supporting major infrastructure projects across Melbourne, including the West Gate Tunnel and Metro Tunnel projects.

Excavations for the West Gate and the Metro Tunnel projects have at times intercepted groundwater, which needs to be disposed of to sewer as trade waste. We have developed Trade Waste Agreements at multiple work sites across the city, working closely with our stakeholders to monitor and record the volume and composition of the treated wastewater.

As population growth continues, the demand on our services continues to grow. We work with food businesses to accept the wastewater they generate during cooking and preparation, after it has been pre-treated by an appropriately sized grease trap. This year our commercial team signed up their 5,500th customer – the highest number we've had and one that continues to grow as the number of cafes, restaurants and food businesses increases across our service area.

***"We are proud to have worked closely with project managers at both the West Gate Tunnel and Metro Tunnel works to ensure a smooth development process."***

- Nathan Bennett, Business Customer Services Manager

## Pump-out compliance

With greasy waste comes the risk of sewer blockages, and that's why we have also escalated our grease trap pump-out compliance program. The past year we've had a record number of grease trap pump-outs, averaging 1,000 per month.



**OUR PUMP-OUT NUMBERS  
(COMMERCIAL & INDUSTRIAL)  
INCREASED BY  
MORE THAN 17%  
FROM THE PREVIOUS FINANCIAL YEAR**

**THE PERCENTAGE OF NON-COMPLIANT  
INDUSTRIAL CUSTOMERS DECREASED FROM  
1.0% TO 0.8%**



## Further statutory obligations

### Victorian Biodiversity Strategy

We remain committed to meeting statutory biodiversity requirements and working with stakeholders to value and improve biodiversity.

As part of our commitment, we have developed our Biodiversity Plan for Action which was launched in late 2018.

Implementing this plan will allow us to deliver on our statutory obligations more effectively and, most importantly, deliver improved environmental outcomes for Melbourne's west.

The plan aims to:

- value biodiversity
- protect ecosystems to make sure they are healthy, connected and resilient to threats
- engage stakeholders and provide synergies with other land managers, as well as achieve landscape level benefits.

We have a native vegetation offset site on our land at Ballan Road, Wyndham Vale. The site is actively managed to offset native vegetation removed to construct water supply and sewerage assets. This site is also home to rare and endangered flora and fauna. We are in the seventh year of a ten-year timeframe to restore and improve the site before maintaining it in perpetuity.

Projects undertaken regularly at the site to improve habitat value include:

- managing weeds and pests
- maintaining fencing and security
- assessing the habitat
- conducting ecological burning.

### Victorian Waterway Management Strategy

The *Victorian Waterway Management Strategy* emphasises the proactive minimisation of impacts on waterways by water corporations and catchment management authorities.

We have been actively involved in the development of Melbourne Water's *Healthy Waterways Strategy*. This strategy sets out a vision for healthy and valued waterways that are integrated with the broader landscape to enhance life and liveability. It sets out targets and performance objectives for each of the waterway catchments across our region.

We continue to work with Melbourne Water and local councils to maximise the use of water sources such as stormwater and recycled water, while balancing use from traditional catchments and dams by implementing integrated water cycle management projects.

### State Environment Protection Policy (Waters)

The *State Environment Protection Policy (Waters)* governs how we and other agencies must work together to protect and restore Victoria's water environments.

We operate a sewage treatment plant at Altona which has a wastewater discharge licence from the Environment Protection Authority. A summary of the performance of the Altona Treatment Plant is reported to the Environment Protection Authority on an annual basis. Additionally, water quality and flow data is reported to the Essential Services Commission and the National Pollutant Inventory.

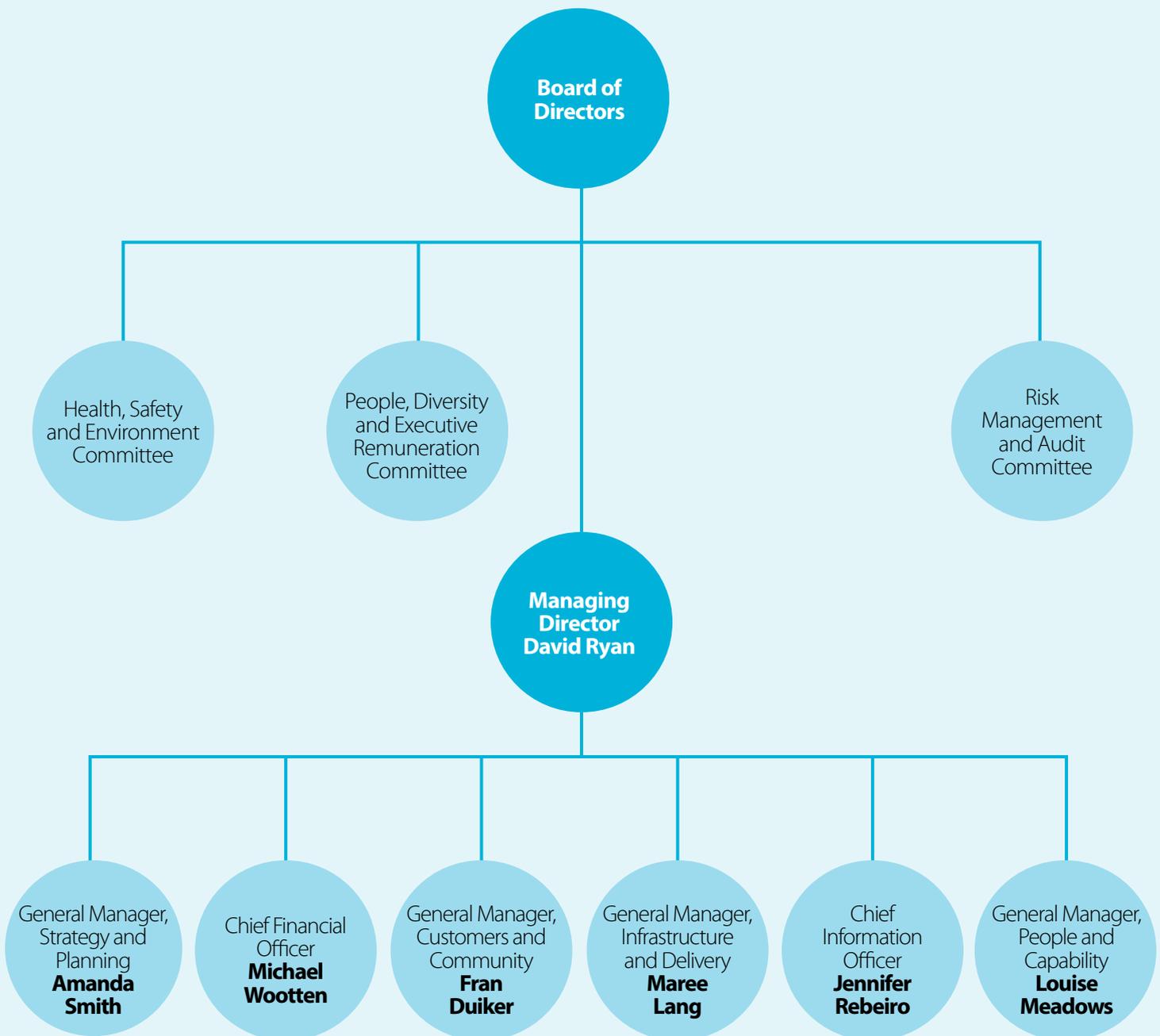
We meet the requirements of the policy through a range of activities, including:

- renewing assets and undertaking preventative maintenance to minimise spills and seepage of wastewater through sewer overflows, leakages and collapses
- complying with Environment Protection Authority guidelines on environmental management for managing wastewater recycling
- ensuring that protected beneficial uses are not impacted outside the licensed mixing zone, as verified by monitoring in accordance with an Environment Protection Authority approved monitoring program
- entering into trade waste agreements to divert contaminated stormwater to sewer.

We run a sewer hydraulic compliance program to progressively bring the sewerage system into compliance with the required standard to contain flows associated with a one-in-five-year rainfall event. Non-compliant catchments are identified through standardised hydraulic modelling exercises in line with the rest of the industry. From there, options are developed to address any identified deficiencies and put forward for internal approval for capital works.

# Our Business

## Organisational structure



## 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. As Minister for Water, the Hon. Lisa Neville 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 appoints the directors of City West Water and the State Government sets their remuneration. Directors are eligible for reappointment for subsequent terms. The Board is responsible for setting and overseeing the policies, objectives and strategies of City West Water and for ensuring that risk is appropriately managed.

The Board met nine times in 2018-19. It is committed to performing its role in accordance with the highest standards of corporate governance. There were three committees of the Board: the Risk Management and Audit Committee met five times; the Health, Safety and Environment Committee, and the People, Diversity and Executive Remuneration Committee both met four times.

The Board comprises eight non-executive directors and the Managing Director. Each director brings specialist skills to City West Water. All non-executive directors (including the Chair) are appointed by the Minister for Water. The Managing Director is appointed by the Board.

The Board seeks independent review of its performance on an annual basis and reports to the Minister for Water and the Treasurer of Victoria on the outcomes of these reviews.



## Members of the Board

### DAVID MIDDLETON

#### Chair

B. Eng, M. Eng, MBA, GAICD

Mr Middleton was appointed to the Board on 1 October 2015.

Mr Middleton was a Director at Yarra Valley Water from October 2011 to September 2015. Mr Middleton has held various roles at Jacobs (previously CH2M Hill) and is currently Executive Director Water for the Middle East Asia Pacific region. He is currently Chair at CH2M Beca Limited, and serves on both CH2M Hill Australia Pty Ltd and Halcrow Pacific Pty Ltd boards. Mr Middleton has extensive international experience in the water industry and brings a background and experience in the design and construction of water and wastewater infrastructure.

#### Committee membership:

People, Diversity and Executive Remuneration Committee  
Health, Safety and Environment Committee  
Ex-officio member of Risk Management and Audit Committee

### DAVID RYAN

#### Managing Director

B.Env.Sc, MBA, MCorp Env & Sus Mgt, GAICD

Mr Ryan was appointed as Managing Director on 14 June 2016.

Mr Ryan has over 15 years' experience in the water sector. Mr Ryan is a graduate of the Australian Institute of Company Directors, a Director of VicWater and is a past President and current Director of the Institute of Water Administration.

#### Committee membership:

Health, Safety and Environment Committee  
Attends all committee meetings

### ELIZABETH PARKIN

#### Director, Deputy Chair

B. Bus, F. Fin, ANZCA, FINSIA

Ms Parkin was appointed to the Board on 1 October 2015.

Ms Parkin has held a number of executive management roles and is currently Group Manager - Business and Organisational Performance at Dairy Australia. She is Deputy Chair of First Samuel and a Trustee of the Northcote Trust Fund. She was previously a Director at Yarra Valley Water and North East Region Water Authority.

#### Committee membership:

Risk Management and Audit Committee (Chair)  
People, Diversity and Executive Remuneration Committee

### MARY BETH BAUER

#### Director

BA, FAICD, ACA, CPA (US)

Ms Bauer was appointed to the Board on 1 October 2015.

Ms Bauer has over 20 years' experience as a senior executive, advising CEOs and boards across Australia in a diverse range of industries. Ms Bauer has a very strong focus on governance and her professional experience includes finance, audit and risk, business strategy development, financial markets, mergers and acquisitions and all aspects of investor and stakeholder relations and strategic communications. She also serves on the Fisher Leadership Board.

#### Committee membership:

People, Diversity and Executive Remuneration Committee (Chair)  
Risk Management and Audit Committee

### BRUCE COHEN

#### Director

B.Comm, LLB, M.Comm, Ph.D (Pub. Pol.)

Dr Cohen was appointed to the Board on 1 October 2015.

Dr Cohen is the principal at BKE Consulting. During his career he has been a Director at Melbourne Water, Snowy Hydro Ltd and Victorian Energy Networks Corporation, as well as the Chair of VicTrack and the Victorian Commission for Gambling and Liquor Regulation.

#### Committee membership:

Risk Management and Audit Committee

### CONSTANTINA DERTIMANIS

#### Director

Grad Dip. International Studies, Bachelor of Arts, University of Sydney

Ms Dertimanis was appointed to the Board on 28 April 2016.

Ms Dertimanis is a public policy professional who has extensive experience as a senior advisor to State and Federal Ministers and has worked in both State and Federal public services. She has worked on high profile United Nations projects advocating in partnership with global NGOs. Ms Dertimanis is a Trustee of the Queen Victoria Women's Centre Trust where she provides advice to the government on the impact of issues that affect women in the community.

#### Committee membership:

Health, Safety and Environment Committee  
People, Diversity and Executive Remuneration Committee

## TANIA FRYER

### Director

LLB(Hons), BA, LLM(Comm), GAICD

Ms Fryer was appointed to the Board on 1 October 2017.

Ms Fryer has over 20 years' experience in technology, telecommunications and law. Ms Fryer was previously an executive at Telstra and prior to this was a lawyer at Allens Linklaters, specialising in technology and intellectual property. Ms Fryer also serves on the board of Grey Innovation Group, Potential(x) and the State Committee JDRF (Juvenile Diabetes Research Foundation).

#### Committee membership:

Risk Management and Audit Committee  
Health, Safety and Environment Committee

## BILL JABOOR

### Director

MBA, BA, Grad.Dip Local Government Management, Assoc. Dip. Business Studies

Mr Jaboor was appointed to the Board on 1 October 2015.

Mr Jaboor has over 45 years' experience working in different roles within local government across Victoria and Queensland. Over the past 20 years he has been CEO at the cities of Brimbank, Hobsons Bay, Greater Shepparton and Benalla. He is currently Chair of Victoria Legal Aid, a Member of the Department of Justice and Regulation Independent Review Panel and Board Member of Community Chef.

#### Committee membership:

Health, Safety and Environment Committee (Chair)  
People, Diversity and Executive Remuneration Committee

## CHRISTOPHER LOVELL

### Director

BA, LLM, FAICD

Mr Lovell was appointed to the Board on 1 October 2017.

Mr Lovell was previously a Director of the Barwon Region Water Corporation and Deputy Chair. Mr Lovell is the Chair of Holding Redlich Lawyers, a Director of Clemenger Group Limited, VicForests, and the Victorian Managed Insurance Authority (VMIA), and a member and past Chairman of the Executive Committee of Law Exchange International. Mr Lovell is also chair of the North Melbourne/Parkville Community Reference Group for Metro Rail and the current Independent Chair of Parkville Precinct Reference Group and the CBD Community Reference Group for the Melbourne Metro Tunnel.

#### Committee membership:

Health, Safety and Environment Committee  
People, Diversity and Executive Remuneration Committee



## Board committees

### Risk Management and Audit Committee

The Risk Management and Audit Committee assists the Board of Directors in fulfilling its governance responsibilities by providing financial reports and other financial information produced by City West Water. In addition, it provides oversight of, and direction to, City West Water's internal control systems, legal and regulatory compliance processes, auditing and reporting processes, and risk management systems. All members of the Risk Management and Audit Committee are independent.

### Health, Safety and Environment Committee

The Health, Safety and Environment Committee assists the Board in fulfilling its governance responsibilities in relation to workplace health and safety and environment issues. It does this by providing oversight of, and direction

to City West Water's occupational health and safety and environment policies and procedures and related audit and reporting processes. In addition, it ensures the continuous improvement of City West Water's policies and procedures for health and safety and the environment.

### People, Diversity and Executive Remuneration Committee

The People, Diversity and Executive Remuneration Committee is responsible for setting City West Water's policy on executive remuneration and individual remuneration packages for senior executives. The committee is also responsible for oversight of City West Water's Diversity Action Plan, reviewing the effectiveness of the corporation's organisational structure and monitoring the effectiveness of the corporation's people management activities.

### Attendance at Board and Committee Meetings

	Board Meeting		Risk Management and Audit Committee Meeting		Health, Safety and Environment Committee Meeting		People, Diversity and Executive Remuneration Committee Meeting	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
David Middleton	9	8	n/a	n/a	4	2	4	3
Elizabeth Parkin	9	8	5	5	n/a	n/a	4	4
David Ryan	9	8	n/a	n/a	4	4	n/a	n/a
Mary Beth Bauer	9	8	5	5	n/a	n/a	4	4
Bruce Cohen	9	9	5	5	n/a	n/a	n/a	n/a
Constantina Dertimanis	9	7	n/a	n/a	4	3	4	4
Tania Fryer	9	9	5	5	4	4	n/a	n/a
Bill Jaboor	7	7	n/a	n/a	3	3	3	3
Christopher Lovell	9	9	n/a	n/a	4	4	4	4

## Financial overview

### 2019 highlights

Full year profit before tax of \$95.7 million was \$15.9 million above budget. This was due mainly to favourable outcomes on trade waste, recycling and water trading revenues, gifted assets, labour costs, other operating costs, depreciation and net interest expenses, as well as below budget bulk charges. The favourable result was partly offset by lower than budget service, usage and disposal charges, as well as lower than budget developer contributions and miscellaneous charges, higher than budget responsive maintenance costs, and higher than budget abnormal costs.

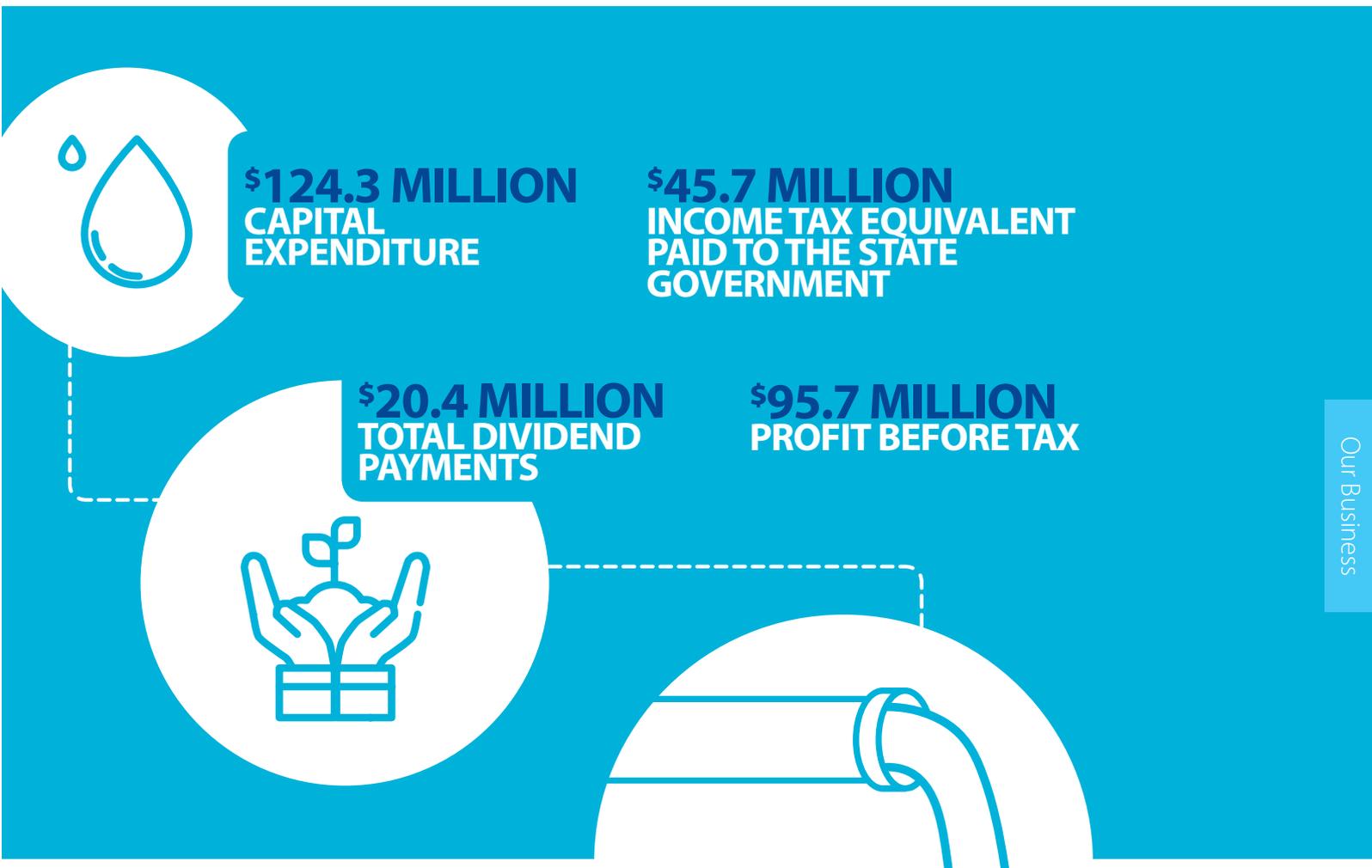
Revenue increased by \$7.0 million in 2019. This was despite a net deferral of \$17.4 million of revenue due to the introduction of AASB 15 - *Revenue from Contracts with Customers*. During 2018-19, City West Water made total

dividend payments of \$20.4 million, a capital repatriation of \$10.9 million and paid income tax equivalent of \$45.7 million to the Victorian Government.

Total borrowings increased by \$69.7 million during the year. The increase in borrowing was primarily for the purpose of funding capital expenditure to support growth in our service area as well as continued investment in network and information and communications technology (ICT) assets. Capital expenditure for the year was \$124.3 million.

Return on equity was 7.5 per cent (2018 9.4 per cent) while cash interest cover was 3.0 times (2018 3.1 times).

Gearing, as measured by total debt/total assets, increased to 50.5 per cent (2018 49.8 per cent).



## Summary of Financial Results

	2019 \$'m	2018 \$'m	2017 \$'m	2016 \$'m	2015 \$'m
Revenue from contracts with customers	704.8	697.9	684.0	669.6	598.8
Other income	0.5	0.4	0.5	0.5	0.3
<b>Total revenue</b>	<b>705.3</b>	<b>698.3</b>	<b>684.5</b>	<b>670.1</b>	<b>599.0</b>
Bulk charges	349.2	341.6	337.0	355.1	323.6
Environmental contribution	26.5	18.6	18.6	18.6	18.6
Employee benefits	41.9	45.1	42.5	40.4	37.8
Depreciation and amortisation	52.5	50.9	47.9	47.3	42.0
Finance expenses	66.4	64.9	63.5	63.3	62.9
Other operating expenses	73.1	64.5	64.8	79.6	66.9
<b>Total expenses</b>	<b>609.6</b>	<b>585.5</b>	<b>574.2</b>	<b>604.4</b>	<b>551.7</b>
<b>Profit before tax</b>	<b>95.7</b>	<b>112.8</b>	<b>110.3</b>	<b>65.7</b>	<b>47.3</b>

## Summary of Financial Position

	2019 \$'m	2018 \$'m	2017 \$'m	2016 \$'m	2015 \$'m
Current assets	111.5	114.9	119.9	113.5	108.1
Non-current assets	2,362.6	2,255.2	2,163.3	2,050.3	2,051.6
<b>Total assets</b>	<b>2,474.1</b>	<b>2,370.1</b>	<b>2,283.2</b>	<b>2,163.8</b>	<b>2,159.6</b>
Current liabilities	168.2	145.6	101.3	105.7	152.3
Non-current liabilities	1,455.1	1,388.2	1,342.1	1,315.4	1,267.4
<b>Total liabilities</b>	<b>1,623.3</b>	<b>1,533.7</b>	<b>1,443.4</b>	<b>1,421.1</b>	<b>1,419.7</b>
<b>Net assets</b>	<b>850.8</b>	<b>836.3</b>	<b>839.8</b>	<b>742.7</b>	<b>739.9</b>
Net cash flows from operating activities	88.1	92.0	73.9	64.4	63.5
Payments for infrastructure, property, plant and equipment	126.6	101.8	83.4	82.9	81.7

## Summary of Capital Expenditure

	2019 \$'m	2018 \$'m	2017 \$'m	2016 \$'m	2015 \$'m
Total capital expenditure	124.3	109.8	90.6	88.3	77.2

City West Water manages a number of capital projects. For information on recent capital projects undertaken by City West Water and the broader Victorian public sector refer to the most recent Budget Paper 4 State Capital Program (BP4) available on the Department of Treasury and Finance's website. This publication also contains information on the asset investment program of the Department of Treasury and Finance and its related portfolio agencies.

## Summary of Financial Performance

	2019	2018	2017	2016	2015
Cash interest cover (times)	3.0	3.1	2.6	2.3	2.2
Gearing ratio (%)	50.5	49.8	48.3	50.4	48.9
Internal financing ratio (%)	44.9	18.2	73.0	57.9	58.6
Current ratio (times)	0.9	0.8	1.3	1.2	0.8
Return on assets (%)	6.7	7.6	7.8	6.0	5.2
Return on equity (%)	7.5	9.4	9.3	5.9	5.0
EBITDA margin (%)	30.4	32.7	32.4	26.4	25.6

Further information on current year financial performance can be found in the Performance Report section of this report.

## Information and Communication Technology Expenditure

During the 2019 reporting period, City West Water had a total Information and Communication Technology (ICT) expenditure of \$30.7 million, with details shown below.

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 <sup>1</sup> \$'m	Capital expenditure \$'m	
2019	15.8	14.9	0.0	14.9	30.7
2018	14.2	9.8	0.0	9.8	24.0
2017	16.7	9.8	0.0	9.8	26.5
2016	14.3	13.3	0.0	13.3	27.6
2015	19.5	14.1	0.0	14.1	33.6

<sup>1</sup> City West Water does not incur operational expenditure relating to projects to create or enhance ICT capabilities.

ICT expenditure refers to City West Water's costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non Business As Usual (Non BAU) ICT expenditure. Examples of projects worked on during 2019 include purchase of additional hardware (meeting room equipment, field mobility devices), robotic process automation; a new health, safety, environment and quality system; and a new human resources information system. Non BAU ICT expenditure relates to extending or enhancing City West Water's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain current ICT capability. Examples of this include licence fees, external support, maintenance costs and help desk services.

## Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 which has significantly affected, or may significantly affect:

- the corporation's operations
- the results of those operations, or
- the corporation's state of affairs in the financial year subsequent to 30 June 2019.

## Consultancies

During 2018-19, City West Water engaged no consultants where the total fee payable to the consultant was less than \$10,000 (GST exclusive).

We engaged 16 consultants on various consultancies where the total fees payable to the consultant was \$10,000 or greater (GST exclusive). The total expenditure during 2019 in relation to these consultancies was \$720,078 (GST exclusive). Details of individual consultancies can be viewed at [citywestwater.com.au](http://citywestwater.com.au).

These consultancies include arrangements where an individual or organisation is engaged to provide expert analysis to facilitate decision making and perform a specific one-off task that involves skills or perspective which would not normally be expected to reside within City West Water. Examples of these consultancies include projects such as a health and safety maturity assessment, a guideline for design and construction of stormwater harvesting schemes and the development of a sewer flow monitoring strategy.

City West Water engages a number of individuals and organisations to provide works or services on behalf of the corporation. This includes services such as interpreting, recruitment and facilitation. These contract services are not considered to be consultants, and are not included in the above numbers.

## Other information

### Freedom of Information

The *Freedom of Information Act 1982* (the Act) allows the public a right of access to documents held by City West 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.

City West Water is subject to the *Freedom of Information Act 1982*.

An applicant has a right to apply for access to documents held by City West Water. This comprises documents both created by City West Water or supplied to City West 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 City West Water is available at [citywestwater.com.au](http://citywestwater.com.au)

The Act allows City West Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: 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 City West Water in confidence.

From 1 September 2017, the Act was amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

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

During 2018-19 City West Water received 40 requests for access to documents under the Act.

Request	No.
Access in full	21
Access in part	9
Access denied	0
Other - withdrawn	3
Other – outside the Act	2
Other – no documents	1
Not finalised	4
<b>Total</b>	<b>40</b>

Of these 40 requests:

- eight were from law firms
- seven were from insurance companies
- the remainder were from the general public.

City West Water made 43 FOI decisions during the 12 months ended 30 June 2019:

- 26 decisions were made within the statutory 30 day time period
- 14 decisions were made within an extended statutory 30-45 day time period
- three decisions were made within 46 to 90 days. These were also within the statutory time period as clarification was required for two requests and the application fee was paid late with the other.

The average time taken to finalise requests in 2018-19 was 25 days.

No requests were subject to a complaint or internal review by the Office of the Victorian Information Commissioner.

FOI requests can be lodged online via the City West Water website at [www.citywestwater.com.au/about\\_us/who\\_we\\_are/freedom\\_of\\_information](http://www.citywestwater.com.au/about_us/who_we_are/freedom_of_information). An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large, and the search for material is time consuming.

	From 1 July 2019
Application fee	\$29.60
Search charge	\$22.20 per hour
Photocopying (black & white)	\$0.20 per A4 page

Access to documents can also be sought through a written request to City West Water's FOI team, as detailed in s17 of the Act.

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 City West Water should be addressed to:

Freedom of Information Officer  
 City West Water  
 Locked Bag 350  
 Sunshine Vic 3020

For further information about FOI, refer to the Act and regulations or go to the government's website at [foi.vic.gov.au](http://foi.vic.gov.au)

### Building Act 1993

City West Water owns or controls:

- four buildings at 293 Queen St, Altona Meadows
- two buildings at William Thwaites Drive, West Werribee
- one building at 218 Kensington Road, West Melbourne
- one building at 73 Old Geelong Road, Brooklyn.

### In 2018-19:

Number of major works projects undertaken by City West Water (greater than \$50,000)	0 major projects
Number of building permits, occupancy permits or certificates of final inspection issued in relation to buildings owned by City West Water	0 building permits 8 occupancy permits 8 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

Consequently, City West 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 2018-19:

- our buildings were inspected by a competent inspector
- occupancy permits were issued
- assets were maintained under the required standards and codes
- the Oracle Asset Management System was used to maintain the assets.

City West Water requires that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by City West 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 in Altona Meadows and West Werribee, City West Water's Asset Maintenance Unit is responsible for:

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

Programmed Facility Management is responsible for the same works at the buildings at West Melbourne and Brooklyn as they run the day-to-day operations at these sites.

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

## Protected Disclosure Act 2012

The *Protected Disclosure Act 2012* (the Act) encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectification action to be taken.

City West Water does not tolerate improper conduct by employees or the taking of reprisals against those who come forward to disclose such conduct. City West Water is committed to ensuring transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources or conduct involving a substantial risk to public health and safety or the environment.

City West Water will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. City West Water will also afford natural justice to the person who is the subject of the disclosure to the extent that it is legally possible. City West Water's *Protected Disclosure Act 2012 Guidelines and Procedures* are available on our website.

City West Water is not able to receive protected disclosures. Disclosure of improper conduct or detrimental action by City West Water or any of its employees and/or officers may be made directly to the Independent Broad-based Anti-corruption Commission.

Independent Broad-based Anti-corruption Commission (IBAC) Victoria

Level 1, North Tower, 459 Collins Street  
Melbourne VIC 3000

**Phone:** 1300 735 135

**Internet:** [ibac.vic.gov.au](http://ibac.vic.gov.au)

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

## Competitive Neutrality Policy Victoria

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete, with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

City West Water has an independent Board of Directors with independent and objective performance monitoring. City West Water pays income tax equivalent and dividends to the Victorian Government, and pays a Financial Accommodation Levy to the Victorian Government for its borrowings through Treasury Corporation of Victoria. City West Water operates in

an environment where the Essential Services Commission determines cost-based pricing. City West Water lodged a Price Submission to the commission to enable it to make a Pricing Determination for 2019 to 2023. The commission made a final determination on prices in June 2018. These prices took effect from 1 July 2018.

City West Water's processes continue to be consistent with the requirements of the Competitive Neutrality Policy Victoria statement.

## Local Jobs First – Victorian Industry Participation Policy

The *Local Jobs First Act 2003* requires public sector bodies to report on the implementation of the Local Jobs First Policy Departments and apply the Local Jobs First-Victorian Industry Participation Policy (VIPP) in all procurement activities valued at \$3 million or more in metropolitan Melbourne and statewide projects, and \$1 million or more for procurement activities in regional Victoria.

During 2018-19, City West Water commenced two contracts totalling \$11,182,254 for which Local Jobs First - VIPP plans were required:

- Design and construction of West Werribee Sewer Pump Station (SPS44) - \$7,946,648
- Construction of Davis Road Dual Water Mains and MGP Connections \$3,235,606

These jobs occurred in metropolitan Melbourne, and 93.4 per cent of the goods and services employed for these projects were supplied, produced or carried out by local industry.

The total Local Jobs First - VIPP plan or Local Industry Development Plans (LIDPs) commitments achieved as a result of contracts commenced include:

- local content of 93 per cent of the total value of the contracts
- a total of 14 retained jobs (Annualised Employee Equivalent (AEE)) were committed
- one retained apprenticeship/traineeship.

The total Local Jobs First – VIPP plan or LIDP commitments achieved as a result of contracts completed during 2018-19 for remediation of Werribee Recycled Water Plant include:

- estimated 91 per cent of content was local
- 23.7 FTE (49,310 hours) split 50/50 between new and retained employees
- one apprenticeship, one traineeship and a graduate engineer were retained.

## Government advertising expenditure

City West Water did not incur any expenditure on government advertising campaigns during either the current or previous reporting periods.

## 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.

## 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 City West Water and are available 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 City West Water about itself and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by City West Water
- details of any major external reviews carried out on City West Water
- details of major research and development activities undertaken by City West 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 City West Water to develop community awareness of City West Water and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the corporation and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by City West 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, and
  - expenditure committed to for each engagement.

Requests for documents in the possession of City West Water should be addressed to:

Freedom of Information Officer  
City West Water  
Locked Bag 350  
Sunshine VIC 3020

## Disclosure of major contracts

City West Water did not enter into any major contracts during 2019. A 'major contract' is a contract entered into during the reporting period valued at \$10 million or more.



## Annual reporting of major non-residential water users

### Names of Major Customers and their Participation in Water Efficiency Programs

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 of water per year. Farmers, irrigators and domestic users may decline or opt out of the requirement to have their names published. The Water Act also requires water corporations to indicate if these customers have participated in water efficiency programs.

These customers have participated in water efficiency programs:

Name of Customer <sup>1</sup>	
AMP Capital Investors	Melbourne Central Pty Ltd
Asahi Premium Beverages - Laverton	Melbourne Health
Asahi Premium Beverages - Tullamarine	Melbourne Water – Hoppers Crossing Pumping Station
Baybrick Landco Pty Ltd	Merpalm Pty Ltd
Campari Australia Pty Ltd	Mobil Refining Australia Pty Ltd
Carlton & United Breweries Ltd	Mr P C Song
Choldame Nominees	Nufarm Australia Limited
CSF Proteins Proprietary Limited	Orica Australia Pty Ltd <sup>2</sup>
CSR Building Product Limited	Peerless Holdings Pty Ltd
Department of Health and Human Services - VCCC	Qenos Pty Ltd <sup>3</sup>
Department of Justice - Port Phillip Prison	Seqirus Pty Ltd
Department of Justice and Regulation - Ravenhall Prison	St Vincent's Hospital, Melbourne
Diamond Valley Pork Pty Ltd	Swancomb Pty Ltd
Epworth Hospital (Richmond)	Telstra Corporation
Essendon Fields	The Australian Steel Company (Operations) Pty Ltd
G H Operations Pty Ltd	The Royal Childrens Hospital
GPT Funds Management Limited	University of Melbourne
Integro Foods Australia Pty Ltd	Victoria Racing Club Limited
Ixom Operations Pty Ltd	Wadren Pty Ltd & QIC Werribee Pty Ltd
Jeskan Nominees Pty Ltd	Western Health
Melbourne Airport	Wilmar Sugar Pty Ltd
Melbourne & Olympic Parks Trust	Zoos Victoria – Melbourne Zoo

Notes:

<sup>1</sup> Two customers have elected not to be named in this table

<sup>2</sup> Business Park consumption for all tenants

<sup>3</sup> includes recycled water use

## Customers by Volume Range

Customers by volume range ML/Year <sup>1</sup>	Number of customers
Equal to or greater than 100ML and less than 200ML	29
Equal to or greater than 200ML and less than 300ML	6
Equal to or greater than 300ML and less than 400ML	2
Equal to or greater than 400ML and less than 500ML	2
Equal to or greater than 500ML and less than 750ML	1
Equal to or greater than 750ML and less than 1,000ML	2
Greater than 1,000ML	4
<b>Total number of customers</b>	<b>46</b>

<sup>1</sup>The smallest volume category (100ML – 200ML) would equal 40-80 Olympic swimming pools, while the largest category (>1,000ML) is more than 400 Olympic swimming pools

## Total residential bill

Over the past five years we have worked hard to reduce prices for our customers. In the 2018-19 financial year, City West Water customers had the lowest average residential water bills of any capital city in Australia. We understand that affordability is a key priority for our customers and we will continue to look for ways to provide exceptional services at the lowest possible prices.

### 2018-19 Total Residential Water Bill for a City West Water Customer Based on Average Consumption During the Year

	150kL average usage	200kL average usage
Water service charge	\$231.16	\$231.16
Water usage charges	\$375.00	\$515.45
Sewerage service charge	\$256.52	\$256.52
Sewage disposal charge	\$92.05	\$122.74
<b>TOTAL</b>	<b>\$954.73</b>	<b>\$1,125.87</b>

- City West Water price changes for future years in the current regulatory period will be limited to changes in financing costs, inflation and the cost of any desalination water orders.
- The actual change in a customer's bill will depend on their water usage.
- 15GL of desalinated water was ordered for the 2018-19 financial year, of which City West Water received 3.9GL. Customers did not face additional charges on their water bills as the order was funded from the Victorian Government's sale of surplus Renewable Energy Certificates.

# Financial Management Compliance Attestation

I, David Middleton, on behalf of City West Water Corporation, certify that City West Water Corporation has complied with the applicable Standing Directions 2018 under the *Financial Management Act 1994* and Instructions.



**David Middleton**  
Chair

Melbourne  
27 August 2019

# Performance Report

As part of their annual reporting obligations, metropolitan 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 indicators

KPI Number	Key performance indicator	2018 Result	2019 Result	2019 Target	% Variance to prior year	Notes	% Variance to target	Notes
F1	<b>Cash interest cover</b> Net operating cash flows before net interest and tax / net interest payments	3.1	3.0	2.3	-3.2%		30.4%	1
F2	<b>Gearing ratio</b> Total debt (including finance leases) / total assets *100	49.8%	50.5%	52.2%	1.4%		-3.3%	
F3	<b>Internal financing ratio</b> Net operating cash flow less dividends and capital repatriation / net capital expenditure * 100	18.2%	44.9%	32.9%	146.7%	2	36.5%	3
F4	<b>Current ratio</b> Current assets / current liabilities (excluding long term employee provisions, contract liabilities and deposits)	0.8	0.9	1.3	12.5%	4	-30.8%	5
F5	<b>Return on assets</b> Earnings before net interest and tax / average assets * 100	7.6%	6.7%	6.5%	-11.8%	6	3.1%	
F6	<b>Return on equity</b> Net profit after tax / average total equity *100	9.4%	7.5%	6.5%	-20.2%	7	15.4%	8
F7	<b>EBITDA Margin</b> Earnings before interest, tax, depreciation and amortisation / total revenue *100	32.7%	30.4%	31.0%	-7.0%		-1.9%	

- 1.) Cash interest cover exceeded target in 2019 mainly as a result of lower than expected interest payments due to lower than expected interest rates and borrowing levels. The interest payments budget for the 2020 financial year has been revised downwards as a result.
- 2.) The internal financing ratio was higher in 2019 mainly because of higher dividend payments in 2018. Dividend payments were higher in 2018 as a result of the \$11.4m special dividend and the deferral of the 2017 interim dividend into 2018. The 2019 interim dividend has also been deferred into 2020. The ratio is expected to smooth out in future years when the business returns to its traditional dividend regime.
- 3.) The 2019 internal financing ratio was higher than target due to the deferral of the 2019 interim dividend. The ratio is expected to smooth out in future years when the business returns to its traditional dividend regime.
- 4.) The current ratio was higher in 2019 mainly due to the favourable tax position which has been driven by the lower profit before tax in 2019. The current ratio is expected to smooth out in future years.
- 5.) The 2019 current ratio was below target due mainly to higher than expected short term borrowings. In addition, contract liabilities were higher than expected due to a larger than expected deferral of contract revenue as a result of the implementation of AASB 15 - *Revenue from Contracts with Customers*.
- 6.) Return on assets was lower in 2019 compared to prior year due mainly to the deferral of revenue as a result of the first-time application of AASB 15 - *Revenue from Contracts with Customers*. As AASB 15 remains in place going forward, return on assets is expected to smooth out in future years.
- 7.) Return on equity was lower in 2019 compared to prior year due mainly to lower net profit after tax which was impacted by higher bulk charges, Environmental Contribution and operating expenses. The business continues to prudently manage its costs in order to maximise returns to its shareholder.
- 8.) Return on equity was higher in 2019 compared to target due to higher than expected net profit after tax which was driven by lower than expected bulk charges, depreciation and interest expenses. As a result of factors taken into account during the 2020 budget setting process it is expected that return on equity will be in line with budget in future years.

## Water and sewerage service performance indicators

KPI Number	Key performance indicator	2018 Result	2019 Result	2019 Target	% Variance to prior year	Notes	% Variance to target	Notes
<b>WS1</b>	<b>Unplanned water supply interruptions</b> Number of customers receiving more than five unplanned water supply interruptions in the year / total number of water (domestic and non-domestic) customers *100	0.0%	0.0%	0.0%	0.0%		0.0%	
<b>WS2</b>	<b>Interruption time</b> Average duration of unplanned water supply interruptions (minutes)	119.6	112.7	120.0	-5.8%	1	-6.1%	1
<b>WS3</b>	<b>Restoration of unplanned water supply interruptions</b> Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions *100	97.0%	97.9%	99.0%	0.9%		-1.1%	
<b>SS1</b>	<b>Containment of sewer spills</b> Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers *100	100.0%	100.0%	100.0%	0.0%		0.0%	
<b>SS2</b>	<b>Sewer spills interruptions</b> Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	97.2%	99.7%	98.0%	2.6%		1.7%	

1.) Average duration of unplanned water supply interruptions for 2019 saw a year on year improvement and an improvement against target. This can be attributed to factors such as operations supervisors re-attending sites during works to ascertain progress and guide and assist crews to ensure interruption times are kept to a minimum. Hydrovac units are being used where possible to facilitate shorter excavation durations.

This has had the effect of moving interruptions into a planned environment which has the added benefit of providing customers with ample notification of an impending water supply interruption. While the target remains at 120.0 minutes for the duration of the current pricing submission, it will be reviewed as part of the next pricing submission process.

## Customer responsiveness performance indicators

KPI Number	Key performance indicator	2018 Result	2019 Result	2019 Target	% Variance to prior year	Notes	% Variance to target	Notes
CR1	<b>Water quality complaints</b> Number of complaints per 1,000 customers	0.7	1.2	0.7	71.4%	1	71.4%	1
CR4	<b>Billing complaints</b> Number of complaints per 1,000 customers	1.3	1.0	1.2	-23.1%	2	-16.7%	2

1.) Of the 555 water quality complaints received in 2019, approximately 120 were attributable to an operational decision by our wholesaler. Had this event not occurred, the complaints figure would have been 0.91, which is within City West Water's historical range of between 0.45 and 0.98. In the second half of the year, City West Water experienced a higher than normal incidence of water quality complaints. This can be attributed to a higher number of bursts and leaks, which often lead to complaints of discoloured water due to recharging of water mains after repair. While water quality complaints are highly variable from year to year, it is anticipated that in the absence of any large events the target will be met in future years.

2.) City West Water has worked over the last year to better understand the needs of our customers and take action to address their issues proactively. Initiatives such as the Customer First Strategy, changes in the operation of the Customer Service team and the digitising of simple customer interactions have all led to a decrease in billing complaints both against target and year on year. While the target remains at 1.2 for the duration of the current pricing submission it will be reviewed as part of the next pricing submission process.

## Environmental performance indicators

KPI Number	Key performance indicator	2018 Result	2019 Result	2019 Target	% Variance to prior year	Notes	% Variance to target	Notes
E1	<b>Effluent reuse volume (end use)</b> Effluent reuse volume (%)	42.3%	40.0%	40.0%	-5.4%	1	0.0%	
E2	<b>Total net CO<sub>2</sub> emissions</b> Net tonnes CO <sub>2</sub> equivalent	13,013.0	11,627.0	12,640.0	-10.7%	2	-8.0%	2

1.) Customer service levels were delivered for the supply of recycled water, although total volume supplied was slightly lower than last year. Recycled water supply is optimised across inflows, customer demand and operational factors such as energy requirements.

2.) Net CO<sub>2</sub> emissions reduced in 2019 due mainly to a reduction in fuel consumption as well as extra procurement of green energy. The target for 2020 has been reduced to 12,080 tonnes.

# Certification of Performance Report

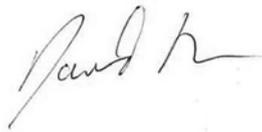
We certify that the accompanying Performance Report of City West Water Corporation in respect of the 2019 financial year is presented fairly and in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the corporation's 2019 Corporate Plan. The actual and comparative results achieved for the financial year are measured against predetermined performance targets. Performance against these targets and subsequent explanation of any significant variance between the current year and prior year has been fairly presented.

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



**David Middleton**  
Chair



**David Ryan**  
Managing Director



**Michael Wootten**  
Chief Financial Officer

Melbourne  
27 August 2019

# Independent Auditor's Report



## Independent Auditor's Report

### To the Board of the City West Water Corporation

#### Opinion

I have audited the accompanying performance report of the City West Water Corporation (the corporation) for the year ended 30 June 2019, which comprises the:

- financial performance indicators
- water and sewerage service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- certification of performance report.

In my opinion, the performance report of the City West Water Corporation in respect of the year ended 30 June 2019 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

#### Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's responsibilities for the audit of the performance report* section of my report.

My independence is established by the *Constitution Act 1975*. 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 *Code of Ethics for Professional Accountants* (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.

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

#### Board's responsibilities for the performance report

The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994*, 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.

Level 31 / 35 Collins Street, Melbourne Vic 3000  
T 03 8601 7000 [enquiries@audit.vic.gov.au](mailto:enquiries@audit.vic.gov.au) [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

**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 the 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 the 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.

MELBOURNE  
30 August 2019



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

# Financial Report

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# Comprehensive Operating Statement

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Income</b>			
Revenue from contracts with customers	2.1	704,800	697,916
Other income	2.6	498	401
<b>Total income</b>		<b>705,298</b>	<b>698,317</b>
<b>Expenses</b>			
Bulk charges	3.2	(349,235)	(341,601)
Environmental Contribution	4.5.1	(26,457)	(18,563)
Employee benefits	3.3.1	(41,884)	(45,069)
Depreciation and amortisation	5.1, 5.5	(52,510)	(50,875)
Finance expenses	7.1.2	(66,418)	(64,939)
Other operating expenses	3.5	(73,087)	(64,493)
<b>Total expenses</b>		<b>(609,591)</b>	<b>(585,540)</b>
<b>Profit before income tax expense</b>		<b>95,707</b>	<b>112,777</b>
Income tax expense	4.1	(32,608)	(33,735)
<b>Profit after income tax expense</b>		<b>63,099</b>	<b>79,042</b>
<b>Other comprehensive income/(expense)</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Increase/(decrease) in physical asset revaluation surplus due to revaluation of assets	5.1	(11,655)	(16,272)
Actuarial gain/(loss) on defined benefit superannuation plan	3.3.3	176	3,087
Deferred income tax relating to components of other comprehensive income	4.1	2,140	4,158
<b>Other comprehensive income after tax</b>		<b>(9,339)</b>	<b>(9,027)</b>
<b>Total comprehensive income after tax</b>		<b>53,760</b>	<b>70,015</b>

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

# Balance Sheet

As at 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7.2	1,327	746
Receivables	6.1	100,492	107,872
Inventory	6.5	2,474	1,698
Other non-financial assets	6.6	7,231	4,571
<b>Total current assets</b>		<b>111,524</b>	<b>114,887</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	5.1	2,191,376	2,086,215
Intangible assets	5.5	167,148	164,442
Defined benefit superannuation asset	3.3.3	4,085	4,526
<b>Total non-current assets</b>		<b>2,362,609</b>	<b>2,255,183</b>
<b>TOTAL ASSETS</b>		<b>2,474,133</b>	<b>2,370,070</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6.2	96,240	90,732
Advances and deposits	6.3	7,172	6,135
Borrowings	7.1	19,900	22,700
Current tax liability	4.3	-	10,430
Provision for employee benefits	3.3.2	13,613	12,571
Contract liabilities	6.4	29,889	1,348
Other provisions	6.7	1,385	1,669
<b>Total current liabilities</b>		<b>168,199</b>	<b>145,585</b>
<b>Non-current liabilities</b>			
Borrowings	7.1	1,230,000	1,157,500
Deferred tax liabilities	4.2.2	223,432	228,819
Provision for employee benefits	3.3.2	1,686	1,833
<b>Total non-current liabilities</b>		<b>1,455,118</b>	<b>1,388,152</b>
<b>TOTAL LIABILITIES</b>		<b>1,623,317</b>	<b>1,533,737</b>
<b>NET ASSETS</b>		<b>850,816</b>	<b>836,333</b>
<b>EQUITY</b>			
Contributed equity	9.3.1	189,248	200,128
Physical asset revaluation surplus	9.3.2	171,256	180,718
Retained profits	9.3.3	490,312	455,487
<b>TOTAL EQUITY</b>		<b>850,816</b>	<b>836,333</b>

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

# Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Contributed equity \$'000	Physical asset revaluation surplus \$'000	Retained profits \$'000	Total equity \$'000
<b>Opening balance at 1 July 2017</b>		<b>211,008</b>	<b>191,906</b>	<b>436,884</b>	<b>839,798</b>
<b>Comprehensive income for the year</b>					
Profit after income tax expense	9.3.3	-	-	79,042	79,042
Other comprehensive income after tax	9.3.2, 9.3.3	-	(11,188)	2,161	(9,027)
<b>Total comprehensive income after tax</b>		<b>-</b>	<b>(11,188)</b>	<b>81,203</b>	<b>70,015</b>
<b>Transactions with the State in its capacity as owner</b>					
Dividends paid	4.4	-	-	(62,600)	(62,600)
Capital repatriation	9.3.1	(10,880)	-	-	(10,880)
<b>Total transactions with the State in its capacity as owner</b>		<b>(10,880)</b>	<b>-</b>	<b>(62,600)</b>	<b>(73,480)</b>
<b>Closing balance at 30 June 2018</b>		<b>200,128</b>	<b>180,718</b>	<b>455,487</b>	<b>836,333</b>
<b>Opening balance at 1 July 2018</b>		<b>200,128</b>	<b>180,718</b>	<b>455,487</b>	<b>836,333</b>
Adjustments on adoption of new accounting standards	1.3	-	-	(7,997)	(7,997)
<b>Revised opening balance</b>		<b>200,128</b>	<b>180,718</b>	<b>447,490</b>	<b>828,336</b>
<b>Comprehensive income for the year</b>					
Profit after income tax expense	9.3.3	-	-	63,099	63,099
Other comprehensive income after tax	9.3.2, 9.3.3	-	(9,462)	123	(9,339)
<b>Total comprehensive income after tax</b>		<b>-</b>	<b>(9,462)</b>	<b>63,222</b>	<b>53,760</b>
<b>Transactions with the State in its capacity as owner</b>					
Dividends paid	4.4	-	-	(20,400)	(20,400)
Capital repatriation	9.3.1	(10,880)	-	-	(10,880)
<b>Total transactions with the State in its capacity as owner</b>		<b>(10,880)</b>	<b>-</b>	<b>(20,400)</b>	<b>(31,280)</b>
<b>Closing balance at 30 June 2019</b>		<b>189,248</b>	<b>171,256</b>	<b>490,312</b>	<b>850,816</b>

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

# Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from customers, developers and others		676,384	697,064
Goods and Services Tax refunded by the Australian Tax Office <sup>1</sup>		20,295	11,931
Interest received		198	83
<b>Payments</b>			
Payments to suppliers and employees		(477,453)	(450,094)
Interest and other finance costs paid		(66,265)	(64,167)
Income tax paid		(45,679)	(43,540)
Environmental Contribution paid		(19,843)	(18,563)
Government Water Rebate paid		473	(40,685)
<b>Net cash inflow/(outflow) from operating activities</b>	7.2.1	<b>88,110</b>	<b>92,029</b>
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant, equipment, and intangibles		(126,552)	(101,808)
Proceeds from sale of infrastructure, property, plant, equipment and intangibles		603	401
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(125,949)</b>	<b>(101,407)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings (new and refinanced)		195,000	202,700
Repayment of borrowings (paid down and refinanced)		(125,300)	(125,000)
Dividends paid		(20,400)	(62,600)
Capital repatriation paid		(10,880)	(10,880)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>38,420</b>	<b>4,220</b>
Net increase/(decrease) in cash and cash equivalents		581	(5,158)
Cash and cash equivalents at the beginning of the financial year		746	5,904
<b>Cash and cash equivalents at the end of the financial year</b>	7.2	<b>1,327</b>	<b>746</b>

<sup>1</sup> Goods and services tax refunded from the Australian Taxation Office is presented on a net basis.

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

# 1 About this report

City West Water is a statutory water authority incorporated under the *Water Act 1989*.

The principal address of the corporation is:

City West Water Corporation  
1 McNab Avenue  
Footscray 3011

## 1.1 Basis of preparation

These financial statements are presented in Australian dollars. The historical cost convention is used unless a different measurement basis is specifically disclosed for the relevant item. All amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

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

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 Section 8 of this report. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates. Areas involving a high degree of estimates and assumptions that can materially impact the financial statements include:

- fair valuation of infrastructure, property, plant and equipment
- actuarial assumptions used to determine the assets and liabilities of City West Water's defined benefit superannuation fund
- estimated useful lives of assets
- impairment of assets
- provisions
- income tax
- contract liabilities
- accrued revenue (unbilled charges)
- deferred tax recognition.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

These financial statements cover City West Water as an individual reporting entity.

## 1.2 Accounting policies

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

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

## 1.3 Changes in accounting policies

The following standards have been adopted by the corporation during the financial year.

- AASB 9 *Financial Instruments*, effective for periods starting on or after 1 January 2018 and thus to the corporation on 1 July 2018.

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*. It introduces new requirements for recognition, classification and measurement of financial instruments, a new impairment model for financial assets based on expected credit losses and simplified hedge accounting. On adoption, City West Water has applied the standard on a modified retrospective basis. As a result, comparatives for 2018 have not been restated. The impact of the change on City West Water's 2018 accounts would have been an increase in the expected credit loss allowance of \$0.4m. Further disclosures in relation to AASB 9 can be found in note 6.1.1 of this report.

- AASB 15 *Revenue*, effective for periods starting on or after 1 January 2018 and thus to the corporation on 1 July 2018.

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue*. AASB 15 introduces a five-step model for recognising revenue:

- 1.) Identify the contract
- 2.) Identify performance obligations under the contract
- 3.) Determine the transaction price
- 4.) Allocate the transaction price
- 5.) Recognise revenue.

On adoption, City West Water has applied the new standard on a modified retrospective basis to contracts that are not completed at 1 July 2018. As a result, comparatives for 2018 have not been restated. Further disclosures in relation to AASB 15 can be found in Note 2 of this report.

The tables on page 59 show the adjustment recognised for each individual line item as a result of the adoption of AASB 15. Line items that have not been affected by the changes have not been included.

## 1.4 Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, which include Interpretations issued by the Australian Accounting Standards Board.

Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

These annual financial statements were authorised for issue by the Board of Directors of City West Water on 27 August 2019.

**Impact on Balance Sheet of transitional adjustments made on 1 July 2018**

	Note	2018 as reported \$'000	Adjustment \$'000	Restated as at 1 July 2018 \$'000
Contract liabilities	6.4	(1,348)	(11,425)	(12,773)
Deferred tax assets	4.2.1	5,729	3,427	9,156
Retained profits	9.3.3	455,487	(7,997)	447,490

**Impact on Comprehensive Operating Statement for the year ended 30 June 2019**

	Note	2019 per AAASB 15 \$'000	2019 per AASB 118 \$'000	Movement \$'000
<b>Revenue</b>				
Developer contributions	2.3	71,407	100,232	(28,825)
<b>Total revenue</b>		<b>71,407</b>	<b>100,232</b>	<b>(28,825)</b>
<b>Profit before income tax expense</b>		<b>95,707</b>	<b>124,532</b>	<b>(28,825)</b>
Income tax expense	4.1	(32,608)	(41,256)	8,648
<b>Profit after income tax expense</b>		<b>63,099</b>	<b>83,276</b>	<b>(20,177)</b>

**Impact on Balance Sheet as at 30 June 2019**

	Note	2019 per AASB 15 \$'000	2019 per AASB 118 \$'000	Movement \$'000
<b>Current assets</b>				
Income tax refundable	6.6	2,821	-	(2,821)
<b>Total current assets</b>		<b>2,821</b>	<b>-</b>	<b>(2,821)</b>
<b>Current liabilities</b>				
Current tax liability	4.3	-	6,650	(6,650)
Contract liabilities	6.4	29,889	1,065	28,824
<b>Total current liabilities</b>		<b>29,889</b>	<b>7,715</b>	<b>22,174</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	4.2.2	223,432	222,608	824
<b>Total non-current liabilities</b>		<b>223,432</b>	<b>222,608</b>	<b>824</b>
<b>Total liabilities</b>		<b>253,321</b>	<b>230,323</b>	<b>22,998</b>
<b>Net assets</b>		<b>250,500</b>	<b>230,323</b>	<b>20,177</b>
<b>Equity</b>				
Retained profits	9.3.3	490,312	510,489	(20,177)
<b>Total equity</b>		<b>490,312</b>	<b>510,489</b>	<b>(20,177)</b>

## 2 Funding delivery of services

City West Water's core business is the supply of water, sewerage, trade waste and, where available, recycled water services to customers in accordance with the corporation's Customer Charter. City West Water collects revenue from residential and non-residential customers, developers and others in order to fulfil its vision to be an exceptional service provider that puts customers first and benefits the community.

Revenue is measured as the fair value of consideration received or receivable. City West Water recognises revenue when the amount can be reliably measured, it is probable that the future economic benefits will flow to the corporation and specific criteria have been met for each of the corporation's activities.

### Structure

- 2.1 Summary of revenue from contracts with customers
- 2.2 Sales of goods and services
- 2.3 Developer contributions
- 2.4 Other revenue
- 2.5 Timing of recognition of revenue from contracts with customers
- 2.6 Other income

### 2.1 Summary of revenue from contracts with customers

	Note	2019 \$'000	2018 \$'000
Sale of goods and services	2.2	609,388	587,898
Developer contributions	2.3	71,407	82,260
Other revenue	2.4	24,005	27,758
<b>Total revenue from contracts with customers</b>		<b>704,800</b>	<b>697,916</b>

### 2.2 Sales of goods and services

	2019 \$'000	2018 \$'000
Service charges - water	106,996	104,490
Usage charges - water	268,601	253,844
Service charges - sewerage	121,018	118,045
Disposal charges - sewage	72,731	113,605
Trade waste charges	29,000	29,614
Recycled water charges	6,336	7,168
Water trading revenue	4,233	1,817
Government Water Rebate provided to customers	473	(40,685)
<b>Total sales of goods and services revenue</b>	<b>609,388</b>	<b>587,898</b>

City West Water has an ongoing obligation to provide water and sewerage services to customers in its area. The corporation is obligated to provide a continuous supply of services across its network, so customers simultaneously receive and consume benefits in line with City West Water performing its obligation. Therefore, revenue is recognised over time.

City West Water recognises revenue for water and sewerage services in the amount which it has a right to receive, as this amount is considered by management to correspond directly with the value to the customer of City West Water's performance to date. This accounting treatment is an application of the practical expedient given in paragraph B16 of AASB 15 - *Revenue from Contracts with Customers*.

Service charges represent charges for access to water and sewerage services provided to customers. This performance obligation is satisfied over time. At balance date, any portion of service charges that are billed in advance and the performance obligation is not satisfied is recognised as contract liabilities (refer Note 6.4).

Water usage charges, sewage disposal charges, trade waste charges and recycled water charges are all recognised as revenue over time as the performance obligation is satisfied. City West Water measures these charges based on the regulated prices and the volume of water consumed by customers, and sewage and trade waste disposed by customers. At balance date, the charges for fully satisfied performance obligations that are unbilled are estimated and contract assets are recognised (refer Note 6.1).

Water trading revenue is recognised at a point in time when the trade occurs. This is when the performance obligation is satisfied.

## 2.3 Developer contributions

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Developer contributed assets	47,315	48,137
Developer cash contributions	24,092	34,123
<b>Total developer contributions</b>	<b>71,407</b>	<b>82,260</b>

Developer contributed assets arise when developers pay for the cost of construction of new assets and subsequently 'gift' these assets to City West Water, which maintains them in perpetuity. In accordance with the requirements of AASB 15 - *Revenue from Contracts with Customers*, revenue is recognised at a point in time when City West Water has satisfied its performance obligation either:

- when a Statement of Compliance is issued to the customer, or
- when the customer is connected to City West Water's network for the provision of water and sewerage services.

Developer contributed assets are recognised at their fair value when the corporation obtains control over them. Fair value is determined as cost. Where actual cost is not available, City West Water deems cost by assessing the value of works using a schedule of rates determined by the corporation.

Developer cash contributions represent charges levied on developers to recover the costs of augmenting or constructing infrastructure assets to meet the future demands of urban growth. Developers are required to make a fair and reasonable contribution towards the cost of developing City West Water's water supply distribution systems and sewage disposal systems. In accordance with the requirements of AASB 15 - *Revenue from Contracts with Customers*, revenue is recognised at a point in time when City West Water has satisfied its performance obligation either:

- when a Statement of Compliance is issued to the customer
- when the customer is connected to City West Water's network for the provision of water and sewerage services, or
- when the customer receives consent from City West Water to connect to the corporation's network.

The point in time when the corporation satisfies its performance obligation will vary depending on the type of application submitted by the customer.

Rates applicable to developer cash contributions are regulated by the Essential Services Commission.

## 2.4 Other revenue

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
Fees and charges	15,129	20,391
Works and services provided to third parties	7,836	6,372
Other	1,040	995
<b>Total other revenue</b>	<b>24,005</b>	<b>27,758</b>

Fees and charges are recognised as revenue at a point in time when City West Water has completed its performance obligations. Fees and charges represent a variety of services provided by City West Water such as processing of application fees and making new connections or alterations to the corporation's network. City West Water uses pricing principles to calculate the price of individual services rather than direct regulation by the Essential Services Commission.

Revenue from works and services provided to third parties is recognised as revenue at a point in time when City West Water has completed its contractual obligations. Revenue represents charges for services to third parties such as the collection of drainage and parks rates on behalf of Melbourne Water and the Department of Environment, Land, Water and Planning respectively.

Other items are recognised as revenue on completion of City West Water's contractual obligations. Other items consist mainly of administration fees and one-off charges for services provided.

## 2.5 Timing of recognition of revenue from contracts with customers

The corporation derives revenue from the transfer of goods and services over time and at a point in time for the following charges.

	Service charges - water \$'000	Usage charges - water \$'000	Service charges - sewerage \$'000	Disposal charges - sewerage \$'000	Trade waste charges \$'000	Recycled water charges \$'000	Water trading revenue \$'000	Government water rebate \$'000	Developer contributions \$'000	Other revenue \$'000	Total revenue from contracts with customers \$'000
<b>2018</b>											
At a point in time	-	-	-	-	-	-	1,817	(40,685)	82,260	27,758	71,150
Over time	104,490	253,844	118,045	113,605	29,614	7,168	-	-	-	-	626,766
<b>Total</b>	<b>104,490</b>	<b>253,844</b>	<b>118,045</b>	<b>113,605</b>	<b>29,614</b>	<b>7,168</b>	<b>1,817</b>	<b>(40,685)</b>	<b>82,260</b>	<b>27,758</b>	<b>697,916</b>
<b>2019</b>											
At a point in time	-	-	-	-	-	-	4,233	473	71,407	24,005	100,118
Over time	106,996	268,601	121,018	72,731	29,000	6,336	-	-	-	-	604,682
<b>Total</b>	<b>106,996</b>	<b>268,601</b>	<b>121,018</b>	<b>72,731</b>	<b>29,000</b>	<b>6,336</b>	<b>4,233</b>	<b>473</b>	<b>71,407</b>	<b>24,005</b>	<b>704,800</b>

## 2.6 Other income

	2019 \$'000	2018 \$'000
Interest income	191	89
Rental income	185	191
Net gain on sale of non-current physical assets	122	121
<b>Total other income</b>	<b>498</b>	<b>401</b>

Interest income is recognised when earned.

Rental income is billed in advance and recognised over the period to which the income relates.

A gain on sale of non-current physical assets is recognised on disposal of an asset. It is measured as income from the sale of an asset less the asset's book value and costs of disposal.

# 3 Cost of delivering services

This section provides an account of the expenses incurred by City West Water in delivering services and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

## Structure

- 3.1** Summary of cost of delivering services
- 3.2** Bulk charges
- 3.3** Employee benefits
- 3.4** Remuneration of auditor
- 3.5** Other operating expenses
- 3.6** Commitments for operating lease expenditure

### 3.1 Summary of cost of delivering services

	Note	2019 \$'000	2018 \$'000
Bulk charges	3.2	349,235	341,601
Employee benefits in the Comprehensive Operating Statement	3.3.1	41,884	45,069
Other operating expenses	3.5	73,087	64,493
<b>Total cost of delivering services</b>		<b>464,206</b>	<b>451,163</b>

### 3.2 Bulk charges

	2019 \$'000	2018 \$'000
Bulk water and sewerage charges <sup>1</sup>	349,235	341,601
<b>Total bulk charges</b>	<b>349,235</b>	<b>341,601</b>

<sup>1</sup> 2019 bulk water and sewerage charges include \$1.2m for desalinated water costs

Bulk water and sewerage charges are levied by Melbourne Water Corporation for the cost of water City West Water purchases and for sewage treated at Melbourne Water's Western Treatment Plant. Variable charges are levied in arrears and are payable on a weekly basis. Fixed charges are levied once a month, and are payable on the 15th of the month to which they refer. Any variable charges that remain outstanding at period end are accrued.

### 3.3 Employee benefits

#### 3.3.1 Employee benefits in the Comprehensive Operating Statement

	2019 \$'000	2018 \$'000
Salaries and wages, annual leave and long service leave	36,797	40,157
Accumulation fund superannuation expense	3,390	3,528
Defined benefit superannuation expense	617	811
Termination benefits	1,080	573
<b>Total employee benefits in the comprehensive operating statement</b>	<b>41,884</b>	<b>45,069</b>

Employee benefits refers to all payments made to employees during the year. It includes payments to all City West Water staff as well as contract and agency staff. Payments are made for ordinary time, overtime, allowances, on-costs, Fringe Benefits Tax, redundancy costs and Workcover. Any employee benefits outstanding at year end are accrued. A portion of employee benefits directly attributable to capital projects is capitalised and depreciated so as to apportion the cost of a capital project over the life of the asset created by the project.

The amount recognised in the Comprehensive Operating Statement in relation to superannuation is employer contributions for members of both defined benefit and accumulation superannuation plans that are paid or payable during the reporting period. Contributions to accumulation superannuation funds are made in accordance with the *Superannuation Guarantee (Administration) Act 1992*.

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

### 3.3.2 Employee benefits in the Balance Sheet

	2019 \$'000	2018 \$'000
<b>Provision for employee benefits</b>		
<b>Current</b>		
Annual leave unconditional and expected to be paid within 12 months	2,151	2,176
Annual leave unconditional and expected to be paid after 12 months	386	410
Long service leave unconditional and expected to be paid within 12 months	858	717
Long service leave unconditional and expected to be paid after 12 months	5,905	5,651
On-costs unconditional and expected to be paid within 12 months	440	434
On-costs unconditional and expected to be paid after 12 months	959	930
Other employee benefits	2,914	2,253
<b>Provision for employee benefits - current</b>	<b>13,613</b>	<b>12,571</b>
<b>Non-current</b>		
Long service leave conditional	1,462	1,589
On costs conditional	224	244
<b>Provision for employee benefits - non-current</b>	<b>1,686</b>	<b>1,833</b>
<b>Total provision for employee benefits</b>	<b>15,299</b>	<b>14,404</b>
<b>Reconciliation of movement in provision for employee benefits</b>		
	<b>2019 \$'000</b>	
Opening balance	14,404	
Additional provisions recognised	8,126	
Movements due to transfers in/(out)	(38)	
Reductions arising from payments/other sacrifices of economic benefits	(7,193)	
<b>Closing balance</b>	<b>15,299</b>	

### 3 Cost of delivering services (continued)

Provision is made for benefits accruing to employees in respect of annual leave, long service leave (LSL), on-costs, termination benefits and bonuses for services rendered to reporting date.

Liabilities for wages and salaries, including non-monetary benefits, and annual leave are all recognised in the provision for employee benefits as current liabilities as the corporation does not have an unconditional right to defer settlement of these liabilities.

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

- nominal value - component that the corporation expects to settle wholly within 12 months, and
- present value - component that the corporation does not expect to settle wholly within 12 months.

Unconditional LSL is disclosed as a current liability even when the corporation does not expect to wholly settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of LSL liability are measured at:

- nominal value - component that the corporation expects to settle wholly within 12 months, and
- present value - component that the corporation does not expect to settle wholly within 12 months.

Conditional LSL is disclosed as a non-current liability. In this case there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is recognised at present value. Any gain or loss following revaluation of the present value of the non-current LSL liability is recognised as income or an expense.

Performance bonuses are an element of other employee benefits. Performance bonuses for the corporation's executive officers are based on a percentage of the annual salary package provided under their contract of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

#### 3.3.3 Superannuation

All City West Water employees are members of either the Equisuper defined benefit fund or an approved accumulation fund of their choice.

The majority of employees of City West Water are members of either the Equisuper fund or the Vision Super fund. All new City West Water employees who are not already members of the Equisuper defined benefit fund must join an accumulation fund.

#### Defined benefit fund

Defined benefit fund members receive a lump sum benefit on retirement, death, disablement or withdrawal from the fund. Benefits are calculated on a multiple of an employee's final salary. The multiple is dependent on an employee's length of service and their contribution rate.

A liability or asset in respect of defined benefits superannuation is recognised and measured as the difference between the present value of employees' accrued benefits at reporting date and the net market value of the superannuation plan's assets at that date.

City West Water is not the trustee of the defined benefit fund.

The plan's trustee is responsible for the governance of the plan. The trustee has a legal obligation to act solely in the best interests of plan beneficiaries. The trustee has the following roles:

- administration of the plan and payment to beneficiaries from plan assets when required in accordance with the plan rules
- management and investment of the plan assets
- compliance with superannuation law and other applicable regulations.

There are a number of risks to which the plan exposes the corporation. The more significant risks relating to the defined benefits are investment risk, salary growth risk, legislative risk and pension risk.

City West Water's plan assets are invested by the trustee in a pool of assets with assets from other employers' plans. The assets have a benchmark weighting to equities of 50 per cent and therefore the plan has a significant concentration of equity market risk. However, within the equity investments the allocation both globally and across sectors is diversified.

The Equisuper Contribution and Funding Policy provides for a review of the financial position of the plan every six months as at 30 June and 31 December, with the contribution rate comprising a long-term contribution rate and an adjustment to meet the financing objective of a target funding ratio of 105 per cent. City West Water's current funding ratio is 126.4 per cent.

There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

	Fair value of plan assets \$'000	Defined benefit obligation \$'000	Net defined benefit liability/ (asset) \$'000
Opening balance at 1 July 2017	31,021	28,771	(2,250)
Current service cost	-	859	859
Interest income	705	-	(705)
Interest expense	-	657	657
Actuarial return on plan assets less interest income	1,813	-	(1,813)
Contributions by plan participants	237	237	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	(717)	(717)
Actuarial (gains)/losses arising from liability experience	-	(557)	(557)
Benefits paid	(2,577)	(2,577)	-
Taxes, premiums and expenses paid	(136)	(136)	-
<b>Closing balance at 30 June 2018</b>	<b>31,063</b>	<b>26,537</b>	<b>(4,526)</b>
Opening balance at 1 July 2018	31,063	26,537	(4,526)
Current service cost	-	723	723
Interest income	788	-	(788)
Interest expense	-	682	682
Actuarial return on plan assets less interest income	819	-	(819)
Contributions by plan participants	220	220	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	1,048	1,048
Actuarial (gains)/losses arising from liability experience	-	(405)	(405)
Benefits paid	(4,942)	(4,942)	-
Taxes, premiums and expenses paid	(110)	(110)	-
<b>Closing balance at 30 June 2019</b>	<b>27,838</b>	<b>23,753</b>	<b>(4,085)</b>
<b>Fair value of plan assets</b>			
<b>As at 30 June 2019</b>	<b>Total</b>	<b>Level 2<sup>1</sup></b>	
	<b>\$'000</b>	<b>\$'000</b>	
Investment funds	27,838	27,838	
<b>Total</b>	<b>27,838</b>	<b>27,838</b>	

<sup>1</sup> Inputs based on observable market data (either directly using prices or indirectly derived from prices).

**Significant actuarial assumptions at reporting date**

	2019	2018
<b>Assumptions to determine defined benefit cost</b>		
Discount rate	2.7% p.a.	2.4% p.a.
Expected salary increase rate	4.0% p.a.	4.0% p.a.
<b>Assumptions to determine defined benefit obligation</b>		
Discount rate	1.3% p.a.	2.7% p.a.
Expected salary increase rate	3.0% p.a.	4.0% p.a.

The assumptions used to determine the defined benefit cost are based on the assumptions used to calculate the defined benefit obligation for the prior year. The assumptions used to calculate the defined benefit obligation are determined as follows:

- discount rate - based on the yield on Commonwealth Government bonds of the same duration as the liabilities that make up the defined benefit obligation.
- expected salary increase rate - determined by reference to City West Water's expected salary increases under its enterprise agreement.

**Sensitivity analysis**

The defined benefit obligation as at 30 June 2019 under several scenarios is presented below.

Scenarios A and B relate to discount rate sensitivity. Scenarios C and D relate to salary increase rate sensitivity.

	Base case	Scenario A	Scenario B	Scenario C	Scenario D
		-0.5% p.a. discount rate	+0.5% p.a. discount rate	-0.5% p.a. salary increase rate	+0.5% p.a. salary increase rate
Discount rate	1.3% p.a.	0.8% p.a.	1.8% p.a.	1.3% p.a.	1.3% p.a.
Salary increase rate	3.0% p.a.	3.0% p.a.	3.0% p.a.	2.5% p.a.	3.5% p.a.
Defined benefit obligation 1 (\$'000)	23,753	24,826	22,745	22,878	24,671

<sup>1</sup> includes contributions tax provision.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above while retaining all other assumptions.

The Equisuper Contribution and Funding Policy provides for a review of the financial position of the plan each six months, as at 30 June and 31 December, with the contribution rate comprising a long term contribution rate and an adjustment to meet the financing objective of a target funding ratio of 105 per cent. City West Water's current funding ratio is 126.4 per cent. As such, City West Water is not currently required to contribute to the defined benefit superannuation plan.

**Expected contributions**

City West Water does not expect to make any employer contributions for the year ending 30 June 2020.

**Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation as at 30 June 2019 is eight years (30 June 2018, eight years).

Expected benefit payments for the financial year ending on:

	(\$'000)
30 June 2020	1,895
30 June 2021	1,922
30 June 2022	2,113
30 June 2023	1,789
30 June 2024	2,153
Following five years	9,915

**3.4 Remuneration of auditor**

	2019 \$'000	2018 \$'000
Amounts received, or due and receivable by the auditor of City West Water for the audit of the financial report:		
Victorian Auditor-General's Office	145	141
<b>Total auditor's remuneration</b>	<b>145</b>	<b>141</b>

### 3.5 Other operating expenses

Other operating expenses are recognised as incurred if they can be reliably measured. Costs are measured at nominal value.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating contracts	33,972	29,583
Information technology	9,240	7,199
Billing and collection	7,038	7,160
Operating leases	3,581	3,574
Impaired receivables - refer Note 6	3,182	1,370
Energy	2,286	1,608
Facilities maintenance	2,112	1,824
Insurance	1,463	1,182
Licence fees	571	723
Grants and water conservation initiatives	414	353
Other	9,228	9,917
<b>Total other operating expenses</b>	<b>73,087</b>	<b>64,493</b>

Other operating expenses generally represent the day to day running costs incurred in normal operations. It also includes impaired receivables expense. Other operating expenses are recognised on an accrual basis in the reporting period in which they are incurred.

Operating contracts are expenses related to City West Water's maintenance contractor and the field work performed by it.

Billing and collection costs are all costs relating to the issuing of bills and the collection of debt.

Information technology expenditure relates to all operating expenses, maintenance contracts, licence fees and other costs associated with operating the information technology environment of the corporation.

Operating lease payments are recognised on a straight line basis over the lease term.

Routine maintenance, repair costs and minor asset renewal costs are expensed as incurred. Where the expenditure relates to the replacement of a component or the enhancement of an asset and the cost satisfies the requirements of an asset, the cost is capitalised and depreciated.

### 3.6 Commitments for operating lease expenditure

City West Water has operating lease commitments for its head office in Footscray, two maintenance depots in Brooklyn and West Melbourne, two land leases and two IT leases. These commitments are not recognised in the Balance Sheet. They are disclosed below at their nominal value.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	5,017	4,636
Later than one year but not later than five years	24,891	20,184
Later than five years	53,086	61,203
<b>Total lease commitments</b>	<b>83,004</b>	<b>86,023</b>

# 4. Statutory obligations

This section provides an account of the statutory obligations of City West Water.

## Structure

- 4.1 Income tax expense
- 4.2 Deferred tax assets and deferred tax liabilities
- 4.3 Current tax liability
- 4.4 Dividends
- 4.5 Environmental Contribution

## 4.1 Income tax expense

	2019 \$'000	2018 \$'000
<b>Income tax expense</b>		
Current tax	32,428	38,460
Deferred tax relating to temporary differences	(1,645)	(4,725)
Under/(over) provided in prior years	1,825	-
<b>Total income tax expense</b>	<b>32,608</b>	<b>33,735</b>
<b>Income tax expense is attributable to:</b>		
Profit from continuing operations	32,608	33,735
<b>Total income tax expense</b>	<b>32,608</b>	<b>33,735</b>
<b>Deferred income tax expense/(benefit) included in income tax expense comprises:</b>		
Decrease/(increase) in deferred tax assets	3,852	313
Increase/(decrease) in deferred tax liabilities	(5,497)	(5,038)
<b>Total deferred income tax expense/(benefit)</b>	<b>(1,645)</b>	<b>(4,725)</b>
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Profit before income tax expense	95,707	112,777
Tax at the Australian tax rate of 30 per cent (2018 30 per cent)	28,711	33,833
<b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b>		
Non-deductible expenses	90	215
Non-deductible depreciation	886	886
Additional deductible expenses/non-assessable income	2,921	(1,199)
<b>Total income tax expense</b>	<b>32,608</b>	<b>33,735</b>
<b>Deferred income tax recognised in other comprehensive income</b>		
Gain/(loss) on revaluation of infrastructure	(1,930)	(5,566)
Gain/(loss) on revaluation of land and buildings	(263)	482
Actuarial gain/(loss) on defined benefit superannuation plan	53	926
<b>Total deferred income tax recognised in other comprehensive income</b>	<b>(2,140)</b>	<b>(4,158)</b>

City West Water is subject to the National Tax Equivalent Regime (NTER) pursuant to section 88(1) of the *State Owned Enterprises Act 1992*. Under this regime City West Water is required to pay the Victorian Government an amount equal to the tax liability applicable if City West Water was a private company. The tax equivalent rules are based on the *Income Tax Assessment Act 1997* (as amended).

Income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences.

## 4.2 Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted at balance date. 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 as the result of a transaction that at the time of the transaction did not affect either accounting profit or loss 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.

### 4.2.1 Deferred tax assets

	2019 \$'000	2018 \$'000
The balance of deferred tax assets comprises temporary differences attributable to:		
<b>Amounts recognised in the Comprehensive Operating Statement</b>		
Accrued expenses	41	24
Provisions	6,051	5,643
Amortisation of intellectual property	10	12
Business related costs	26	49
Prepayments	-	1
Developer revenue not assessable	(824)	-
<b>Total deferred tax assets</b>	<b>5,304</b>	<b>5,729</b>
<b>Movements:</b>		
Opening balance at the start of financial year	5,729	6,042
Adjustments on adoption of new accounting standards - refer Note 1.3	3,427	-
Credited/(charged) to the Comprehensive Operating Statement	(3,852)	(313)
<b>Closing balance at the end of financial year</b>	<b>5,304</b>	<b>5,729</b>
Deferred tax assets expected to be recovered within 12 months	5,227	5,643
Deferred tax assets expected to be recovered after more than 12 months	77	86
<b>Total deferred tax assets</b>	<b>5,304</b>	<b>5,729</b>
Set off of deferred tax assets pursuant to set off provisions	(5,304)	(5,729)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>

## 4.2.2 Deferred tax liabilities

	2019 \$'000	2018 \$'000
The balance of deferred tax liabilities comprises temporary differences attributable to:		
<b>Amounts recognised in the Comprehensive Operating Statement</b>		
Fixed assets - depreciation	85,880	88,504
Developer contributed assets	58,828	59,714
Defined benefit superannuation fund asset	(132)	(76)
<b>Amounts recognised in equity</b>		
Defined benefits actuarial gain	1,381	1,434
Land and buildings revaluation	2,458	2,721
Infrastructure assets revaluation	80,321	82,251
<b>Total deferred tax liabilities</b>	<b>228,736</b>	<b>234,548</b>
<b>Movements:</b>		
Opening balance at the start of the financial year	234,548	243,744
(Credited)/charged to the Comprehensive Operating Statement	(5,497)	(5,038)
(Credited)/charged to equity	(315)	(4,158)
<b>Closing balance at the end of financial year</b>	<b>228,736</b>	<b>234,548</b>
Deferred tax liabilities expected to be settled after more than 12 months	228,736	234,548
<b>Total deferred tax liabilities</b>	<b>228,736</b>	<b>234,548</b>
Set off of deferred tax assets pursuant to set off provisions	(5,304)	(5,729)
<b>Net deferred tax liabilities</b>	<b>223,432</b>	<b>228,819</b>

## 4.3 Current tax liability

	2019 \$'000	2018 \$'000
Current tax liability	-	10,430
<b>Total current tax liability</b>	<b>-</b>	<b>10,430</b>

City West Water's current tax liability is tax payable based on the current financial year's taxable income less any instalments paid during the year.

## 4.4 Dividends

	2019 \$'000	2018 \$'000
Final dividend paid during 2019 in respect of 2018	20,400	-
Final dividend paid during 2018 in respect of 2017	-	48,200
Interim dividend paid in respect of current year	-	14,400
<b>Total dividends paid</b>	<b>20,400</b>	<b>62,600</b>

As City West Water is a Public Non-financial Corporation, it is required to pay a dividend in accordance with a determination by the Treasurer of Victoria under the *Water Act 1989*. An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the Board, the relevant portfolio Minister and the Treasurer.

The 2019 interim dividend of \$15.5m was deferred to 2020.

As the 2019 final dividend has not been determined by the Treasurer, it has not been provided for at reporting date. The Board's preliminary estimate of the 2019 final dividend is \$28.8m.

## 4.5 Environmental Contribution

Section 193 of the *Water Industry (Environmental Contributions) Act 2004* (the Act) establishes an obligation for water corporations to pay into the consolidated fund environmental contributions in accordance with an Order issued by the Minister for Water. *The Environmental Contributions Order 2016 to 2020* establishes a schedule of amounts payable by each corporation for the reporting periods 2017 to 2020.

The purpose of the Environmental Contribution is set out in the Act. Funds may be used for the purpose of funding various water related initiatives that seek to promote the sustainable management of water or are likely to address adverse water related environmental impacts.

Consistent with the *Environmental Contributions Order 2016 to 2020* made under Section 193 of the *Water Industry Act 1994*, City West Water pays an Environmental Contribution to the Victorian Government. These contributions are recognised as expenses when they occur.

### 4.5.1 Environmental Contribution expense

	2019 \$'000	2018 \$'000
Environmental Contribution expense	26,457	18,563
<b>Total Environmental Contribution expense</b>	<b>26,457</b>	<b>18,563</b>

### 4.5.2 Environmental Contribution commitment

Consistent with the requirements of the *Water Industry Act 1994*, City West Water has a commitment to pay an Environmental Contribution of \$26.5m for the next year to the Department of Environment, Land, Water and Planning.

	2019 \$'000	2018 \$'000
Not later than one year	26,457	26,457
Later than one year but not later than five years	-	26,457
<b>Total Environmental Contribution commitment</b>	<b>26,457</b>	<b>52,914</b>

# 5. Assets available to support the provision of services

City West Water controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. These assets represent the resources that are owned by City West Water for use in the delivery of services. Where the assets included in this section are carried at fair value, additional information is disclosed in Section 8 of this report regarding how fair value is determined.

## Structure

- 5.1** Infrastructure, property, plant and equipment
- 5.2** Depreciation of infrastructure, property, plant and equipment
- 5.3** Impairment of infrastructure, property, plant and equipment
- 5.4** Commitments for capital expenditure on infrastructure, property, plant and equipment
- 5.5** Intangible assets
- 5.6** Amortisation of intangible assets
- 5.7** Impairment of intangible assets
- 5.8** Commitments for capital expenditure on intangible assets

## 5.1 Infrastructure, property, plant and equipment

	Specialised land \$'000	Non- specialised land \$'000	Non- specialised buildings \$'000	Infrastructure assets \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Works in progress \$'000	Total \$'000
<b>2018</b>									
Fair value at 1 July 2017	31,317	1,003	5,010	1,749,032	35,871	4,190	6,967	190,184	2,023,574
Accumulated depreciation at 1 July 2017	-	-	(638)	-	(27,831)	(1,659)	(1,122)	-	(31,250)
Carrying amount at 1 July 2017	31,317	1,003	4,372	1,749,032	8,040	2,531	5,845	190,184	1,992,324
Additions	-	-	-	-	-	-	-	151,027	151,027
Developer contributed assets	-	-	-	48,142	-	-	-	(48,142)	-
Transfers (net) <sup>1</sup>	(187)	1,865	2,668	46,795	383	935	20	(52,490)	(11)
Revaluation (decrement)/ increment recognised in other comprehensive income	3,055	186	-	(19,513)	-	-	-	-	(16,272)
Revaluation (decrement)/ increment recognised in profit or loss	94	-	-	-	-	-	-	-	94
Disposals (net)	-	-	-	-	-	(276)	-	-	(276)
Impairment (net)	-	-	-	(748)	-	-	-	(30)	(778)
Depreciation expense	-	-	(194)	(35,447)	(3,024)	(805)	(423)	-	(39,893)
<b>Fair value at 30 June 2018</b>	<b>34,279</b>	<b>3,054</b>	<b>7,678</b>	<b>1,788,261</b>	<b>36,254</b>	<b>4,412</b>	<b>6,987</b>	<b>240,549</b>	<b>2,121,474</b>
<b>Accumulated depreciation at 30 June 2018</b>	<b>-</b>	<b>-</b>	<b>(832)</b>	<b>-</b>	<b>(30,855)</b>	<b>(2,027)</b>	<b>(1,545)</b>	<b>-</b>	<b>(35,259)</b>
<b>Carrying amount at 30 June 2018</b>	<b>34,279</b>	<b>3,054</b>	<b>6,846</b>	<b>1,788,261</b>	<b>5,399</b>	<b>2,385</b>	<b>5,442</b>	<b>240,549</b>	<b>2,086,215</b>

<sup>1</sup> Balance represents a transfer to/from intangible assets. This occurs upon capitalisation of a project that generates both tangible and intangible assets.

	Specialised land \$'000	Non- specialised land \$'000	Non- specialised buildings \$'000	Infrastructure assets \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Works in progress \$'000	Total \$'000
<b>2019</b>									
Fair value at 1 July 2018	34,279	3,054	7,678	1,788,261	36,254	4,412	6,987	240,549	2,121,474
Accumulated depreciation at 1 July 2018	-	-	(832)	-	(30,855)	(2,027)	(1,545)	-	(35,259)
Carrying amount at 1 July 2018	34,279	3,054	6,846	1,788,261	5,399	2,385	5,442	240,549	2,086,215
Additions	-	-	-	-	-	-	-	159,878	159,878
Developer contributed assets	-	-	-	47,252	-	-	-	(47,242)	-
Transfers (net) <sup>1</sup>	-	-	1,366	104,806	1,137	1,349	-	(109,620)	(962)
Revaluation (decrement)/increment recognised in other comprehensive income	(1,734)	(134)	-	(9,787)	-	-	-	-	(11,655)
Revaluation (decrement)/increment recognised in profit or loss	-	(67)	-	-	-	-	-	-	(67)
Disposals (net)	-	-	-	(80)	-	(401)	-	-	(481)
Impairment (net)	-	-	-	-	-	-	-	(37)	(37)
Depreciation expense	-	-	(247)	(37,853)	(2,195)	(796)	(424)	-	(41,515)
<b>Fair value at 30 June 2019</b>	<b>32,545</b>	<b>2,853</b>	<b>9,044</b>	<b>1,892,599</b>	<b>28,893</b>	<b>4,671</b>	<b>6,987</b>	<b>243,518</b>	<b>2,230,297</b>
<b>Accumulated depreciation at 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>(1,079)</b>	<b>-</b>	<b>(24,552)</b>	<b>(2,134)</b>	<b>(1,969)</b>	<b>-</b>	<b>(38,921)</b>
<b>Carrying amount at 30 June 2019</b>	<b>32,545</b>	<b>2,853</b>	<b>7,965</b>	<b>1,892,599</b>	<b>4,341</b>	<b>2,537</b>	<b>5,018</b>	<b>243,518</b>	<b>2,191,376</b>

<sup>1</sup> Balance represents a transfer to/from intangible assets. This occurs upon capitalisation of a project that generates both tangible and intangible assets.

### Initial recognition

All assets are measured at cost on initial recognition. Cost is determined as cash paid or the fair value of other consideration given up at the date of acquisition plus any costs directly attributable to acquisition. Fair value at acquisition is equal to cost.

The cost of non-current assets constructed by City West Water includes all costs directly attributable to their construction. City West Water has a policy of capitalising labour costs which are directly attributable to capital projects. In the case of developer contributed assets, where actual cost is not available, cost is calculated using a schedule of rates determined by the corporation based on historical cost information.

An asset is capitalised when it is probable that future economic benefits associated with the item will flow to City West Water and the item can be measured reliably.

City West Water has a capitalisation threshold of greater than or equal to \$100 inclusive of GST (2018 \$100).

### Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment losses (if applicable). Fair value is determined with regard to an 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. Fair value determination of non-current physical assets is discussed further in Section 8 - Risks contingencies and valuation judgements.

The carrying amount of a replaced or abandoned asset is written off in the Comprehensive Operating Statement as an expense. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases are credited directly to equity in the physical asset revaluation surplus unless the increase reverses a previous decrease that was recognised in profit or loss. In this case, the increase is recognised in profit or loss.

Net revaluation decreases are recognised immediately as expenses in profit or loss, unless there is an asset revaluation surplus. In this case the decrease is recognised against the physical asset revaluation surplus.

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

### Land and buildings

An independent valuation of land and buildings is required every five years. Interim management valuations may occur in between independent valuations if fair value assessments indicate material changes in values. The last independent valuation was undertaken by a Certified Practising Valuer, Peter Molloy AAPI of Property Dynamics Pty Ltd, on behalf of the Valuer-General Victoria (VGV) as at 30 June 2016. An interim management valuation of land was performed at 30 June 2017 using VGV indices. The interim valuation led to an increment of \$2.0m which was recognised in the accounts at 30 June 2017. Another interim management valuation was performed on 30 June 2018, which led to an increment of \$3.3m recognised in the accounts at 30 June 2018. A third interim valuation was performed on 30 June 2019 which led to a \$1.9m decrement recognised in the accounts as at 30 June 2019.

The carrying amount (cost less accumulated depreciation) of land and buildings exclusive of revaluations was \$4.4m (2018 \$4.4m) and \$7.2m (2018 \$6.0m) respectively.

### Infrastructure

The valuation of infrastructure assets has been determined in accordance with an independent valuation. KPMG was engaged by City West Water as experts for this purpose. The valuation is at fair value based on the income approach (discounted cash flow method). For the purpose of the fair value estimate provided, fair market value is defined as 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.

The carrying amount (cost less accumulated depreciation) of infrastructure exclusive of revaluations was \$1,714.2m (2018 \$1,596.9m).

### Plant and equipment, motor vehicles and leasehold improvements

Plant and equipment, motor vehicles and leasehold improvements are measured at carrying value (current replacement cost) which is fair value. Unless there is market evidence that carrying value is significantly different to market value no adjustment will be made to the existing carrying value.

## 5.2 Depreciation of infrastructure, property, plant and equipment

All infrastructure assets, buildings, plant and equipment and other non-current physical assets (excluding items under operating leases and assets held for sale) that have a limited useful life are depreciated.

Depreciation is calculated on a straight line basis at rates that allocate an asset's value less any estimated residual value over its estimated useful life. The useful life and residual value of each group of assets is reviewed annually.

Depreciation of a new infrastructure asset begins in the month following the practical completion of works. Depreciation of other new assets begins in the month following acquisition.

### Useful lives

The estimated useful lives of infrastructure, property, plant and equipment are listed below.

Asset type	Range
Buildings	5 - 90 years
Infrastructure assets	3 - 100 years
Plant and equipment	3 - 50 years
Motor vehicles	5 years
Leasehold improvements	7 - 20 years

## 5.3 Impairment of infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are assessed annually for indicators of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount the difference is written off by a charge to the Comprehensive Operating Statement, unless the write-down can be offset against an asset revaluation surplus amount applicable to that class of asset.

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

A reversal of an impairment loss on a revalued asset is credited directly to equity unless an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement. In this case the reversal of that impairment loss is recognised in the Comprehensive Operating Statement.

## 5.4 Commitments for capital expenditure on infrastructure, property, plant and equipment

	2019 \$'000	2018 \$'000
Not later than one year	17,817	10,015
Later than one year but not later than five years	3,793	-
<b>Total capital commitments</b>	<b>21,610</b>	<b>10,015</b>

Commitments for future expenditure include capital commitments arising from contracts. These commitments are not recognised in the Balance Sheet. They are disclosed at nominal value inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

## 5.5 Intangible assets

	Software \$'000	Water entitlements \$'000	Other intangible assets \$'000	Works in progress \$'000	Total \$'000
<b>2018</b>					
Cost at 1 July 2017	96,004	96,916	-	32,799	225,719
Accumulated amortisation at 1 July 2017	(56,969)	-	-	-	(56,969)
<b>Carrying amount at 1 July 2017</b>	<b>39,035</b>	<b>96,916</b>	<b>-</b>	<b>32,799</b>	<b>168,750</b>
Additions	-	-	-	6,795	6,795
Transfers (net) <sup>1</sup>	34,065	-	26	(34,080)	11
Impairment (net)	-	-	-	(132)	(132)
Amortisation expense	(10,982)	-	-	-	(10,982)
<b>Cost at 30 June 2018</b>	<b>130,069</b>	<b>96,916</b>	<b>26</b>	<b>5,382</b>	<b>232,393</b>
<b>Accumulated amortisation at 30 June 2018</b>	<b>(67,951)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(67,951)</b>
<b>Carrying amount at 30 June 2018</b>	<b>62,118</b>	<b>96,916</b>	<b>26</b>	<b>5,382</b>	<b>164,442</b>
<b>2019</b>					
Cost at 1 July 2018	130,069	96,916	26	5,382	232,393
Accumulated amortisation at 1 July 2018	(67,951)	-	-	-	(67,951)
<b>Carrying amount at 1 July 2018</b>	<b>62,118</b>	<b>96,916</b>	<b>26</b>	<b>5,382</b>	<b>164,442</b>
Additions	-	-	-	12,740	12,740
Transfers (net) <sup>1</sup>	6,818	-	-	(5,856)	962
Impairment (net)	-	-	-	-	-
Amortisation expense	(10,996)	-	-	-	(10,996)
<b>Cost at 30 June 2019</b>	<b>119,045</b>	<b>96,916</b>	<b>26</b>	<b>12,266</b>	<b>246,095</b>
<b>Accumulated amortisation at 30 June 2019</b>	<b>(61,105)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(78,947)</b>
<b>Carrying amount at 30 June 2019</b>	<b>57,940</b>	<b>96,916</b>	<b>26</b>	<b>12,266</b>	<b>167,148</b>

<sup>1</sup> Balance represents a transfer to/from infrastructure, property, plant and equipment. This occurs upon capitalisation of a project that generates both tangible and intangible assets.

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and impairment losses (if applicable). Intangible assets consist of software, water entitlement rights and other intangible assets.

**Software**

Software assets are initially recognised at cost and subsequently recognised at cost less accumulated amortisation and impairment losses (if applicable).

**Water entitlements**

Water entitlements have an indefinite useful life as they are held in perpetuity. As such they are not amortised. Instead they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Water entitlements represent City West Water's bulk water entitlements held in Northern Victoria as a result of its investment in Stage 1 of the Goulburn-Murray Water Connections Project. The project was originally established in 2007 as the Northern Victoria Irrigation Renewal Project (NVIRP). On 1 July 2012 NVIRP was merged with Goulburn-Murray Water to form the Goulburn-Murray Water Connections Project. The metropolitan water retailers contributed \$300m to the \$1 billion Stage 1 investment. Stage 1 will generate long term average annual water savings of 225GL which will be shared equally between irrigators, the metropolitan water retailers and the environment. The carrying amount at balance date represents City West Water's share of contributions, net of the share of contributions from four regional urban water corporations with access to Melbourne's pooled entitlement.

### Other intangible assets

Other intangible assets have an indefinite useful life as they are held in perpetuity. As such they are not amortised. Instead they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

## 5.6 Amortisation of intangible assets

All intangible assets with a useful life are amortised.

Amortisation is generally calculated on a straight line basis at rates that allocate an asset's value less any estimated residual value over its estimated useful life. The useful life and residual value of each group of assets is reviewed annually.

Amortisation of new software and other intangible assets begins in the month following commissioning.

### Useful lives

The estimated useful lives of intangible assets are listed below.

Asset type	Range
Software	3 - 10 years
Water entitlements	Indefinite
Other intangible assets	Indefinite

## 5.7 Impairment of intangible assets

Intangible assets with indefinite useful lives are tested annually for indicators of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount the difference is written off by a charge to the Comprehensive Operating Statement, unless the write-down can be offset against an asset revaluation surplus amount applicable to that class of asset.

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

A reversal of an impairment loss on a revalued intangible asset is credited directly to equity, unless an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement. In this case a reversal of that impairment loss is also recognised in the Comprehensive Operating Statement.

## 5.8 Commitments for capital expenditure on intangible assets

	2019 \$'000	2018 \$'000
Not later than one year	682	1,124
Later than one year but not later than five years	-	76
<b>Total capital commitments</b>	<b>682</b>	<b>1,200</b>

Commitments for future capital expenditure on intangible assets include capital commitments arising from contracts. These commitments are not recognised in the Balance Sheet. They are disclosed at nominal value inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

# 6 Other assets and liabilities

This section sets out the assets and liabilities that arose from City West Water's operations

## Structure

- 6.1 Receivables
- 6.2 Payables
- 6.3 Advances and deposits
- 6.4 Contract liabilities
- 6.5 Inventory
- 6.6 Other non-financial assets
- 6.7 Other provisions

## 6.1 Receivables

	2019 \$'000	2018 \$'000
<b>Contractual</b>		
Contract assets	45,679	53,420
Trade receivables	55,822	51,650
Less: Expected credit loss allowance	(3,486)	(2,736)
<b>Total contractual receivables</b>	<b>98,015</b>	<b>102,334</b>
<b>Statutory</b>		
Trade receivables	2,477	5,538
<b>Total statutory receivables</b>	<b>2,477</b>	<b>5,538</b>
<b>Total receivables</b>	<b>100,492</b>	<b>107,872</b>
<b>Represented by</b>		
Current receivables	100,492	107,872

Contractual receivables are classified as financial instruments. They are initially recognised at fair value and subsequently at amortised cost less provision for impairment.

Contract assets are recognised for water and sewage usage as well as other works and services where performance obligations have been satisfied but not yet invoiced. An accrual is done to account for water and sewerage services not billed at the end of the period. The accrual of water usage charges and sewage disposal charges is made by using the volume of water City West Water purchases from Melbourne Water.

Trade receivables are due for settlement no later than 21 days from the date of recognition. Trade receivables consist of receivables for the provision of water, sewerage and trade waste services to residential and non-residential customers as well as billing and collection fees associated with these receivables.

Statutory receivables are not classified as financial instruments as they do not arise from contracts. Statutory receivables are recognised and measured similarly to contractual receivables, except for impairment. Statutory trade receivables are GST receivables.

## 6.1.1 Movements in the expected credit loss allowance

	2019 \$'000	2018 \$'000
Opening balance at the start of the year	(2,736)	(3,260)
Remeasurement of opening balance on adoption of new accounting standards - refer Note 1.3	(410)	-
Provision for expected credit loss recognised during the year	(3,072)	(2,519)
Contractual receivables written off during the year as uncollectible	2,731	3,073
<b>Closing balance at the end of the year</b>	<b>(3,486)</b>	<b>(2,736)</b>

City West Water applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables.

To measure expected credit losses, contract receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of three years prior to 30 June 2019 (three years to 1 July 2018). The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of customers to settle receivables. Receivables are written off when there is no reasonable expectation of recovery. Indicators of non-recovery include, amongst others, the failure of a debtor to engage in a repayment plan and failure to make contractual payments for a period of greater than 90 days past due.

## 6.1.2 Loss allowance for contractual trade receivables

	Current \$'000	30-59 days \$'000	60-89 days \$'000	Greater than 90 days \$'000	Not impaired \$'000	Total \$'000
<b>1 July 2018</b>						
Expected loss rate	0.5%	4.7%	19.5%	38.2%		
Gross carrying amount	35,688	5,436	1,455	6,370	2,701	51,650
Loss allowance	(171)	(257)	(284)	(2,434)	-	(3,146)
<b>Net carrying amount</b>	<b>35,517</b>	<b>5,179</b>	<b>1,171</b>	<b>3,936</b>	<b>2,701</b>	<b>48,504</b>
<b>30 June 2019</b>						
Expected loss rate	0.5%	2.8%	14.8%	36.9%		
Gross carrying amount	38,383	5,086	2,316	7,286	2,751	55,822
Loss allowance	(181)	(140)	(343)	(2,822)	-	(3,486)
<b>Net carrying amount</b>	<b>38,202</b>	<b>4,946</b>	<b>1,973</b>	<b>4,464</b>	<b>2,751</b>	<b>52,336</b>

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

	Loss allowance under AASB 139	Re- measurement	Loss allowance under AASB 9
<b>Measurement category</b>			
Contractual trade receivables	(2,736)	(410)	(3,146)
<b>Total</b>	<b>(2,736)</b>	<b>(410)</b>	<b>(3,146)</b>

## 6.2 Payables

	2019 \$'000	2018 \$'000
<b>Contractual</b>		
Trade payables	52,919	46,600
Other payables	17,455	17,755
Deferred developer reimbursements	20,711	19,425
Sundry liabilities	270	361
<b>Total contractual payables</b>	<b>91,355</b>	<b>84,141</b>
<b>Statutory</b>		
Trade payables	312	2,471
Other payables	4,572	4,120
<b>Total statutory payables</b>	<b>4,885</b>	<b>6,591</b>
<b>Total payables</b>	<b>96,240</b>	<b>90,732</b>
<b>Represented by</b>		
Current payables	96,240	90,732

Contractual payables are classified as financial instruments. They are measured at amortised cost and recognised on an accrual basis in the period in which they are incurred. Trade payables represent liabilities for goods and services provided to City West Water prior to the end of the financial year that are unpaid at the end of the financial year. Other payables represent accrued loan interest.

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and are not included in the category of financial liabilities as they do not arise from contracts.

Deferred developer reimbursements represent a liability to reimburse developers for their costs incurred in constructing water, sewerage and/or recycled water assets on behalf of City West Water.

It is City West Water's policy to settle all payables within 30 days of receipt of invoice or, in the event of a dispute, within 30 days of the resolution of the dispute.

## 6.2.1 Maturity analysis of contractual payables

	Carrying amount \$'000	Nominal Amount \$'000	1 Year or less \$'000	Over 1 Year \$'000	Total \$'000
<b>2018</b>					
Payables	84,141	84,141	84,141	-	84,141
<b>Total contractual payables</b>	<b>84,141</b>	<b>84,141</b>	<b>84,141</b>	<b>-</b>	<b>84,141</b>
<b>2019</b>					
Payables	91,355	91,355	91,355	-	91,355
<b>Total contractual payables</b>	<b>91,355</b>	<b>91,355</b>	<b>91,355</b>	<b>-</b>	<b>91,355</b>

### 6.3 Advances and deposits

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Advances and deposits	7,172	6,135
<b>Total advances and deposits</b>	<b>7,172</b>	<b>6,135</b>

Advances and deposits represent deposits received as security for capital works.

### 6.4 Contract liabilities

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Contract liabilities	29,889	1,348
<b>Total contract liabilities</b>	<b>29,889</b>	<b>1,348</b>

Contract liabilities represents income received in advance of the corporation performing obligations required to recognise the income in the Comprehensive Operating Statement. The balance of contract liabilities has been impacted in 2019 by the first-time application of AASB 15 - *Revenue from Contracts with Customers*. City West Water has performance obligations relating to developer revenue from contracts with customers that are recognised either at a point in time or over time. Refer to Note 2.3 for details of these performance obligations.

### 6.5 Inventory

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Inventory (at cost)	2,474	1,698
<b>Total inventory</b>	<b>2,474</b>	<b>1,698</b>

Inventory represents stock on hand at the end of the reporting period. Inventory is primarily used for the repair and maintenance of existing assets. Inventory is measured at the lower of cost and net realisable value.

## 6.6 Other non-financial assets

	2019 \$'000	2018 \$'000
Prepayments	4,410	4,571
Income tax refundable	2,821	-
<b>Total other non-financial assets</b>	<b>7,231</b>	<b>4,571</b>

Prepayments represent payments made in advance of the receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period. Amounts are recognised as an asset upon payment and subsequently expensed over the period the payment covers.

## 6.7 Other provisions

	2019 \$'000	2018 \$'000
<b>Current</b>		
Insurance provision	509	558
Biosolids management and desludging of Altona Treatment Plant lagoon	-	126
Other sundry provisions	876	985
<b>Total other provisions - current</b>	<b>1,385</b>	<b>1,669</b>

## Reconciliation of movements in other provisions

	Insurance \$'000	Biosolids/ desludge \$'000	Other \$'000	Total \$'000
Carrying amount as at 1 July 2018	558	126	985	1,669
Additional provisions recognised	784	(126)	826	1,484
Payments/other sacrifices of economic benefit	(833)	-	(935)	(1,768)
<b>Carrying amount as at 30 June 2019</b>	<b>509</b>	<b>-</b>	<b>876</b>	<b>1,385</b>

Other provisions are recognised when the corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and the risks specific to the provision.

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

# 7 Financing our operations

This section provides information on the sources of finance used by City West Water during its operations as well as interest expense (the cost of borrowings) and other information relating to the financing activities of the corporation.

## Structure

### 7.1 Borrowings

#### 7.2 Cash flow information and balances

### 7.1 Borrowings

	2019 \$'000	2018 \$'000
Treasury Corporation of Victoria - current	19,900	22,700
Treasury Corporation of Victoria - non-current	1,230,000	1,157,500
<b>Total borrowings</b>	<b>1,249,900</b>	<b>1,180,200</b>

Borrowings refers to interest bearing liabilities raised from public borrowings through the Treasury Corporation of Victoria

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Borrowings include overnight (11am) borrowings, floating rate notes, fixed rate loans and flexi loans. Borrowings are used to meet working capital requirements and fund capital expenditure.

Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the interest bearing liabilities using the effective interest method.

Borrowings are classified as current liabilities unless the corporation has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

City West Water has classified borrowings which mature within 12 months as non-current liabilities on the basis that the corporation has discretion to, and will refinance or roll over these loans with the Treasury Corporation of Victoria pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. 11am borrowings are classified as current borrowings.

No security has been provided in respect of any existing liability.

During the current and prior years there were no defaults or breaches of any loan.

City West Water's credit rating is BBB. (2018 BBB).

#### 7.1.1 Maturity analysis of borrowings

	Weighted average interest rate <sup>1</sup>	Carrying amount \$'000	Nominal amount \$'000	1 year or less \$'000	Over 1 year \$'000	Total \$'000
<b>2018</b>						
Borrowings - fixed	4.13%	1,117,500	1,117,500	-	1,117,500	1,117,500
Borrowings - floating	1.95%	62,700	62,700	22,700	40,000	62,700
<b>Total borrowings</b>		<b>1,180,200</b>	<b>1,180,200</b>	<b>22,700</b>	<b>1,157,500</b>	<b>1,180,200</b>
<b>2019</b>						
Borrowings - fixed	3.88%	1,210,000	1,210,000	-	1,210,000	1,210,000
Borrowings - floating	1.32%	39,900	39,900	19,900	20,000	39,900
<b>Total borrowings</b>		<b>1,249,900</b>	<b>1,249,900</b>	<b>19,900</b>	<b>1,230,000</b>	<b>1,249,900</b>

<sup>1</sup> Exclusive of financial accommodation levy.

## 7.1.2 Finance expenses

	2019 \$'000	2018 \$'000
<b>Finance expenses</b>		
Interest on borrowings	49,097	49,007
Financial accommodation levy	17,307	15,925
Bank charges	14	7
<b>Total finance expenses</b>	<b>66,418</b>	<b>64,939</b>

Finance expenses include costs incurred in connection with the borrowing of funds. Finance expenses include interest on bank overdrafts, and short and long-term borrowings. Finance expenses are recognised in the period in which they are incurred.

## 7.2 Cash flow information and balances

	2019 \$'000	2018 \$'000
Cash and cash equivalents		
Cash at bank/(bank overdraft)	1,327	746
<b>Total cash and cash equivalents</b>	<b>1,327</b>	<b>746</b>

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less. They are held for the purpose of meeting short term cash commitments, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as current borrowings on the Balance Sheet.

## 7.2.1 Reconciliation of profit after income tax to net cash inflow from operating activities

	2019 \$'000	2018 \$'000
Profit after income tax expense	63,099	79,042
Non-cash movements:		
Depreciation and amortisation of assets	52,511	50,875
Impaired receivables	3,482	2,519
Defined benefit superannuation fund expense	617	811
Asset impairments	104	910
Asset revaluation increment	-	(94)
Net (gain)/loss on disposal of non-current physical assets	(122)	(121)
Developer contributed assets	(47,315)	(48,137)
Movements in assets and liabilities:		
Decrease/(increase) in receivables	3,899	(68)
Decrease/(increase) in prepayments	161	(2,987)
Decrease/(increase) in inventories	(776)	(555)
Decrease/(increase) in deferred tax assets due to change in accounting standards	3,427	-
Increase/(decrease) in payables	6,757	19,205
Increase/(decrease) in advances and deposits	1,037	166
Increase/(decrease) in contract liabilities	28,541	759
Increase/(decrease) in contract liabilities due to change in accounting standards	(11,425)	-
Increase/(decrease) in current tax liability	(13,250)	(5,080)
Increase/(decrease) in provision for employee benefits	895	(524)
Increase/(decrease) in other provisions	(284)	33
Increase/(decrease) in deferred tax liabilities	(3,248)	(4,725)
<b>Net cash inflow from operating activities</b>	<b>88,110</b>	<b>92,029</b>

# 8 Risks, contingencies and valuation judgements

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

## Structure

- 8.1** Financial instruments specific disclosures
- 8.2** Contingent assets and contingent liabilities
- 8.3** Fair value determination

## 8.1 Financial instruments specific disclosures

### Introduction

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. Due to the nature of City West Water's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example, taxes, dividends and the Environmental Contribution). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 - *Financial Instruments: Presentation*.

### Categories of financial instruments

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, receivables are measured at amortised cost less provision for impairment.

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

- payables (excluding statutory payables)
- borrowings.

Financial instrument assets and liabilities are offset and the net amount is presented in the balance sheet when the corporation has a right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

At the end of each reporting period, the corporation assesses whether there is objective evidence that a financial asset or group of assets is impaired. All financial instrument assets are subject to annual review for impairment.

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 methods in accordance with AASB 136 - *Impairment of Assets*.

## 8.1.1 Categorisation of financial instruments

	Note	Contractual financial assets - loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000
<b>2018</b>			
<b>Financial assets</b>			
Cash and cash equivalents	7.2	746	-
Receivables <sup>1</sup>	6.1	102,334	-
<b>Total financial assets</b>		<b>103,080</b>	-
<b>Financial liabilities</b>			
Payables <sup>1</sup>	6.2	-	84,141
Borrowings - fixed	7.1.1	-	1,117,500
Borrowings - floating	7.1.1	-	62,700
<b>Total financial liabilities</b>		-	<b>1,264,341</b>
<b>2019</b>			
<b>Financial assets</b>			
Cash and cash equivalents	7.2	1,327	-
Receivables <sup>1</sup>	6.1	98,015	-
<b>Total financial assets</b>		<b>99,342</b>	-
<b>Financial liabilities</b>			
Payables <sup>1</sup>	6.2	-	91,355
Borrowings - fixed	7.1.1	-	1,210,000
Borrowings - floating	7.1.1	-	39,900
<b>Total financial liabilities</b>		-	<b>1,341,255</b>

<sup>1</sup> Does not include statutory receivables or payables.

### 8.1.2 Financial risk management objectives and policies

City West Water's activities expose it to a variety of financial risks, principally market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of City West Water's risk management framework. City West Water's principal financial instruments comprise:

- cash assets
- receivables (excluding statutory receivables)
- payables (excluding statutory payables)
- borrowings.

City West Water's principal financial instruments are loans sourced from the Treasury Corporation of Victoria. These loans include overnight (11am) borrowings, floating rate notes and fixed rate loans. They are primarily used to meet working capital requirements and fund capital expenditure. The corporation has other financial assets and liabilities such as receivables and payables which arise directly from its operating activities. City West Water's overall financial risk management strategy is to manage its financial risks within a range that is in accordance with the risk criteria established by the Board of Directors. The Chief Financial Officer evaluates and implements risk mitigation strategies in consultation with the corporation's relevant departments. The main purpose in holding financial instruments is to prudently manage the corporation's financial risks within Government policy parameters.

City West Water uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk. All interest income earned by City West Water is generated by cash deposits with Department of Treasury and Finance's Central Banking System or 11am (short term) deposit with the Treasury Corporation of Victoria.

City West Water manages its capital by maintaining a prudent level of gearing in order to provide the State with adequate returns and to ensure City West Water can fund its operations as a going concern.

City West Water aims to maintain its gearing ratio within the Essential Services Commission's benchmark ratio of 60 per cent. City West Water's gearing ratio (debt/total assets) for the year was 50.5 per cent compared to 49.8 per cent in 2018.

The corporation's debt to regulatory asset base (RAB) target is 69.0 per cent. The target was achieved in 2019 with a debt to RAB of 66.4 per cent.

City West Water has an interest coverage target (measured as net cash flow from operations less net interest expense/ net interest expense) of 1.1 times. This target was achieved in 2019 with interest coverage of 1.5 times.

The only externally imposed capital requirements applying to City West Water are:

- that the financial accommodation does not exceed the approval limits set by the Treasurer of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*
- that City West Water, with the exception of a trading account with overdraft facilities, is required to borrow exclusively with the Treasury Corporation of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*.

#### 8.1.2.1 Financial instruments - credit risk

Credit risk is the risk of financial loss to City West Water as the result of a customer or counterparty to a financial instrument failing to meet a contractual obligation. Credit risk arises principally in connection with City West Water's receivables.

City West Water's exposure to credit risk is influenced by the individual characteristics of each customer. The corporation's receivables balance consists of amounts due from a large number of residential customers as well as non-residential customers spread across a diverse range of industries. Receivables balances are monitored on an ongoing basis. Where applicable, collection action is taken to ensure that exposure to bad debt is minimised. City West Water has in place a policy and a procedure for the collection of overdue receivables.

City West Water's maximum exposure to credit risk is the carrying amount of receivables.

There was no material change to City West Water's credit risk profile during 2019.

### 8.1.2.2 Financial instruments - liquidity risk

Liquidity risk is the risk that City West Water will no longer meet its financial obligations as they fall due. City West Water's policy is to pay its trade accounts payable liabilities within 30 days, or in the event of a dispute, within 30 days from the date of resolution.

City West Water manages liquidity risk by maintaining adequate bank overdraft and Treasury Corporation of Victoria borrowing facilities, continuous monitoring of forecast inflows and outflows and matching the maturity profile of financial assets and financial liabilities where appropriate.

City West Water's borrowings are sourced from the Treasury Corporation of Victoria while surplus funds are invested in the Central Banking System.

The carrying amounts of contractual financial liabilities represent the corporation's maximum exposure to liquidity risk.

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

The carrying values less any impairment provisions of trade receivables and payables are assumed to approximate their fair value due to their short term nature. The fair values of financial liabilities for disclosure purposes are estimated by discounting future contractual cash flows at the current market interest rate that is available to City West Water for similar financial instruments.

### 8.1.2.3 Financial instruments - market risk

Market risk is the risk that changes in market prices will affect the fair value of future cash flows of City West Water's financial instruments. Market risk is comprised of interest rate risk, foreign exchange risk and other price risk. City West Water's exposure to market risk is purely through interest rates.

City West Water's exposure to market interest rates relates to its floating rate debt, roll over of fixed rate debt and new borrowings. City West Water's borrowings are sourced from the Treasury Corporation of Victoria and are managed within the range of Board and Treasurer approved limits. Interest rates and borrowing requirements are monitored regularly. City West Water manages its exposure to interest rate changes by holding a mixture of fixed and floating rate debt. City West Water's Treasury Risk Management Policy requires the corporation to limit the proportion of floating rate debt to a maximum of 30 per cent of total debt. City West Water has minimal exposure to interest rate risk through cash holdings and manages its interest rate exposure on cash by investing its surplus funds with the Central Banking System.

**Interest rate exposure and maturity analysis of financial instruments**

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the corporation's sensitivity to interest rate risk is set out in the table below.

	Note	Weighted average interest rate	1 Year or less \$'000	Over 1 year \$'000	Non-interest bearing \$'000	Total \$'000
<b>2018</b>						
<b>Financial assets</b>						
Cash and cash equivalents	7.2	1.04%	746	-	-	746
Receivables <sup>1</sup>	6.1		-	-	102,334	102,334
<b>Total financial assets</b>			<b>746</b>	<b>-</b>	<b>102,334</b>	<b>103,080</b>
<b>Financial liabilities</b>						
Payables <sup>1</sup>	6.2		-	-	84,141	84,141
Borrowings - fixed	7.1.1	4.13%	-	1,117,500	-	1,117,500
Borrowings - floating	7.1.1	1.95%	22,700	40,000	-	62,700
<b>Total financial liabilities</b>			<b>22,700</b>	<b>1,157,500</b>	<b>84,141</b>	<b>1,264,341</b>
<b>2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents	7.2	1.64%	1,327	-	-	1,327
Receivables <sup>1</sup>	6.1		-	-	98,015	98,015
<b>Total financial assets</b>			<b>1,327</b>	<b>-</b>	<b>98,015</b>	<b>99,342</b>
<b>Financial liabilities</b>						
Payables <sup>1</sup>	6.2		-	-	91,355	91,355
Borrowings - fixed	7.1.1	3.88%	-	1,210,000	-	1,210,000
Borrowings - floating	7.1.1	1.32%	19,900	20,000	-	39,900
<b>Total financial liabilities</b>			<b>19,900</b>	<b>1,230,000</b>	<b>91,355</b>	<b>1,341,255</b>

<sup>1</sup> Does not include statutory receivables or payables.

### Interest rate risk sensitivity

The table below represents the sensitivity of City West Water's financial assets and financial liabilities to interest rate risk.

	Note	Total \$'000	Interest rate risk			
			-0.5% Profit \$'000	-0.5% Equity \$'000	+0.5% Profit \$'000	+0.5% Equity \$'000
<b>2018</b>						
<b>Financial assets</b>						
Cash and cash equivalents <sup>1</sup>	7.2	746	(17)	(17)	17	17
Receivables <sup>2</sup>	6.1	102,334	-	-	-	-
<b>Total financial assets</b>		<b>103,080</b>	<b>(17)</b>	<b>(17)</b>	<b>17</b>	<b>17</b>
<b>Financial liabilities</b>						
Payables <sup>2</sup>	6.2	84,141	-	-	-	-
Borrowings <sup>3</sup>	7.1	1,180,200	920	920	(920)	(920)
<b>Total financial liabilities</b>		<b>1,264,341</b>	<b>920</b>	<b>920</b>	<b>(920)</b>	<b>(920)</b>
<b>Total increase/(decrease)</b>			<b>903</b>	<b>903</b>	<b>(903)</b>	<b>(903)</b>
<b>2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents <sup>1</sup>	7.2	1,327	(5)	(5)	5	5
Receivables <sup>2</sup>	6.1	98,015	-	-	-	-
<b>Total financial assets</b>		<b>99,342</b>	<b>(5)</b>	<b>(5)</b>	<b>5</b>	<b>5</b>
<b>Financial liabilities</b>						
Payables <sup>2</sup>	6.2	91,355	-	-	-	-
Borrowings <sup>3</sup>	7.1	1,249,900	1,032	1,032	(1,032)	(1,032)
<b>Total financial liabilities</b>		<b>1,341,255</b>	<b>1,032</b>	<b>1,032</b>	<b>(1,032)</b>	<b>(1,032)</b>
<b>Total increase/(decrease)</b>			<b>1,026</b>	<b>1,026</b>	<b>(1,026)</b>	<b>(1,026)</b>

<sup>1</sup> Calculation is based on average cash holdings of \$1.0m (2018 \$3.3m).

<sup>2</sup> Does not include statutory receivables and payables.

<sup>3</sup> Calculation is based on new borrowings, loans refinanced, forward rate agreements struck during the year and average 11am balance during the year.

## 8.2 Contingent assets and contingent liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively where applicable.

Contingent assets are assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) that are not within the control of the corporation. These are classified as either quantifiable where the potential economic benefit is known or non-quantifiable.

### Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) that are not within the control of the corporation, or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, or
  - the amount of the obligations cannot be measured with sufficient reliability.

### Quantifiable contingent assets

In the ordinary course of business a developer will often provide a commitment to City West Water to construct water supply and sewerage assets as part of a development project. These assets are constructed within an agreed timeframe and upon completion, ownership is transferred to City West Water. Assets that service a particular development are paid for by the developer. Assets that are required to be upsized to service adjoining developments are paid for by City West Water. Upon completion of these assets they will be transferred to City West Water, which will maintain them in perpetuity. These assets will be recognised as developer contributions upon completion (refer Note 2.3).

	2019 \$'000	2018 \$'000
Quantifiable contingent assets		
Water supply assets under construction	36,856	25,108
Sewerage assets under construction	27,885	29,102
Water supply assets committed to	64,397	34,094
Sewerage assets committed to	40,931	46,689
<b>Total quantifiable contingent assets</b>	<b>170,069</b>	<b>134,993</b>

### Quantifiable contingent liabilities

Contingent upon the completion of the above assets City West Water has a liability to reimburse developers for additional works constructed at City West Water's request. These reimbursements will occur either immediately on completion of the assets or be deferred for an agreed period in accordance with the conditions of the agreement between City West Water and the developer.

These reimbursements will be recovered through a combination of new customer contributions plus service and usage charges from all customers. This is consistent with the Essential Services Commission's final determination for water and sewerage prices in June 2018 (for the 2019 reporting period).

	2019 \$'000	2018 \$'000
Quantifiable contingent liabilities		
Reimbursement for water supply assets	25,862	21,089
Reimbursement for sewerage assets	64,720	47,998
<b>Total quantifiable contingent liabilities</b>	<b>90,582</b>	<b>69,087</b>

### Non-quantifiable contingent assets and liabilities

City West Water has legal claims pending arising out of a small number of disputes associated with its capital program and delivery of services. Due to the uncertainty inherent in litigation an accurate assessment of any outcome is not possible. City West Water is of the view that further disclosure of these disputes may prejudice the position of the corporation.

## 8.3 Fair value determination

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.

The following assets and liabilities are carried at fair value:

- land, buildings, infrastructure, property plant and equipment
- defined benefit superannuation liability/(asset).

In addition, the fair values of other assets and liabilities which are carried at amortised cost need to be determined for disclosure purposes.

### Fair value hierarchy

In determining fair value a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. These levels are as follows:

- Level 1 - quoted prices (unadjusted) 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
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

City West Water determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 8.3.1 Fair value determination of financial assets and liabilities

The fair values of financial liabilities are determined as follows:

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

## Fair value of financial instruments measured at amortised cost and fair value hierarchy measurements

	Note	Carrying amount \$'000	Fair value \$'000	Fair value measurement using		
				Level 1 <sup>3</sup> \$'000	Level 2 <sup>4</sup> \$'000	Level 3 <sup>5</sup> \$'000
<b>2018</b>						
<b>Financial assets</b>						
Cash and cash equivalents	7.2	746	746	746	-	-
Receivables <sup>1</sup>	6.1	102,334	102,334	-	102,334	-
<b>Total financial assets</b>		<b>103,080</b>	<b>103,080</b>	<b>746</b>	<b>102,334</b>	<b>-</b>
<b>Financial liabilities</b>						
Payables <sup>1</sup>	6.2	84,141	84,141	-	84,141	-
Borrowings <sup>2</sup>	7.1	1,180,200	1,256,849	-	1,256,849	-
<b>Total financial liabilities</b>		<b>1,264,341</b>	<b>1,340,990</b>	<b>-</b>	<b>1,340,990</b>	<b>-</b>
<b>2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents	7.2	1,327	1,327	1,327	-	-
Receivables <sup>1</sup>	6.1	98,015	98,015	-	98,015	-
<b>Total financial assets</b>		<b>99,342</b>	<b>99,342</b>	<b>1,327</b>	<b>98,015</b>	<b>-</b>
<b>Financial liabilities</b>						
Payables <sup>1</sup>	6.2	91,355	91,355	-	91,355	-
Borrowings <sup>2</sup>	7.1	1,249,900	1,383,481	-	1,383,481	-
<b>Total financial liabilities</b>		<b>1,341,255</b>	<b>1,474,836</b>	<b>-</b>	<b>1,474,836</b>	<b>-</b>

<sup>1</sup> Does not include statutory receivables or payables.

<sup>2</sup> Fair value of borrowings is calculated by discounting expected future cash flows at the yield offered by the Treasury Corporation of Victoria as at 30 June each year.

<sup>3</sup> Quoted prices (unadjusted) in active markets for identical assets.

<sup>4</sup> Inputs based on observable market data (either directly using prices or indirectly derived from prices).

<sup>5</sup> Inputs not based on observable market data.

Net fair value of financial instruments is determined on the following bases:

- cash, receivables, accounts payable and deposits are valued at their carrying amounts as this is considered to be fair value
- borrowings are valued by discounting the expected future cash flows at the yield offered by the Treasury Corporation of Victoria as at 30 June each year.

There were no transfers between levels during the reporting period.

### 8.3.2 Fair value determination of non-financial physical assets

Subsequent valuation of infrastructure, property, plant and equipment is at fair value. An asset's fair value is determined with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements, or commitments made in relation to the intended use of the asset. When an event or change in circumstances causes a transfer between input levels, City West Water deems the transfer to occur at the end of the reporting period in which the event takes place.

Non-specialised land is valued using the market based direct comparison method. Under this valuation method, assets are compared to comparable sales of comparable assets. As non-specialised land does not contain significant unobservable inputs these assets are classified as Level 2 fair value assets.

Specialised land is also valued using the direct comparison method, although it is adjusted for community service obligations (CSOs) 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 uses the highest and best use consideration and takes into account the use of the asset that is physically possible, legally permissible and financially viable. As adjustments for CSOs are significant unobservable inputs, specialised land is classified as a Level 3 fair value asset.

All buildings held by City West Water are non-specialised in nature and classified as Level 2 fair value assets under the market based direct comparison approach.

Infrastructure assets are measured using the income approach (discounted cash flow method). This method calculates fair value by discounting estimated future cash flows of the business to their present value and arriving at an enterprise value range. Net debt is deducted from the enterprise value range to obtain an equity value. The valuation of infrastructure assets is derived from the equity value after deducting all other assets and liabilities and grossing up for deferred tax of 30 per cent. In order to assess the reasonableness of the enterprise valuation, cross checks are performed by comparing the earnings before interest, tax and depreciation and the regulated asset value multiples under the income approach against multiples implied by share prices for comparable trading organisations and recent transactions in comparable assets. Any goodwill generated by this approach is negligible and has no bearing on the valuation of infrastructure assets. Such an approach is often referred to as a market approach or a relative value approach. Judgement is applied in selecting the appropriate valuation within the enterprise value range.

The assumptions adopted in calculating fair value in this manner are considered to be significant unobservable inputs. As such, infrastructure is classified as a Level 3 fair value asset.

Refer to Section 5 for further information on non-financial physical assets.

A full valuation of City West Water's infrastructure assets was performed by KPMG as at 30 June 2019. The valuation process derived a range of values. The valuation adopted by City West Water represents the mid-point of this range.

The rate used to discount free cash flows to their present value is based on assumptions that market participants would reasonably be expected to use in determining the fair value of the corporation after taking into account the market cost of debt and equity.

The 2019 valuation resulted in a decrement of \$9.8m compared to a decrement of \$19.5m in 2018.

## Fair value of non-financial physical assets

	Carrying amount \$'000	Fair value measurement using:		
		Level 1 <sup>1</sup> \$'000	Level 2 <sup>2</sup> \$'000	Level 3 <sup>3</sup> \$'000
<b>2018</b>				
Freehold land at fair value	37,333	-	-	-
Non-specialised land		-	3,054	-
Specialised land		-	-	34,279
Non-specialised buildings at fair value	6,846	-	6,846	-
Infrastructure assets at fair value	1,788,261	-	-	1,788,261
Plant and equipment at fair value	5,399	-	-	5,399
Motor vehicles at fair value	2,385	-	-	2,385
Leasehold improvements at fair value	5,442	-	-	5,442
<b>Total infrastructure, property, plant and equipment</b>	<b>1,845,666</b>	<b>-</b>	<b>9,900</b>	<b>1,835,776</b>
<b>2019</b>				
Freehold land at fair value	35,398	-	-	-
Non-specialised land		-	2,853	-
Specialised land		-	-	32,545
Non-specialised buildings at fair value	7,965	-	7,965	-
Infrastructure assets at fair value	1,892,599	-	-	1,892,599
Plant and equipment at fair value	4,341	-	-	4,341
Motor vehicles at fair value	2,537	-	-	2,537
Leasehold improvements at fair value	5,018	-	-	5,018
<b>Total infrastructure, property, plant and equipment</b>	<b>1,947,858</b>	<b>-</b>	<b>10,818</b>	<b>1,937,040</b>

<sup>1</sup> Quoted prices (unadjusted) in active markets for identical assets.

<sup>2</sup> Inputs based on observable market data (either directly using prices or indirectly derived from prices).

<sup>3</sup> Inputs not based on observable market data.

## Reconciliation of Level 3 fair value movements

	Specialised land \$'000	Infrastructure assets \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000
<b>2018</b>					
Opening balance at 1 July 2017	31,317	1,749,032	8,040	2,531	5,845
Purchases (sales)	-	-	-	(276)	-
Transfers into/(out of) of Level 3	-	-	-	-	-
Developer contributed assets	-	48,142	-	-	-
Transfers from work in progress	(187)	46,795	383	935	20
Gains or losses recognised in profit after income tax					
Depreciation	-	(35,447)	(3,024)	(805)	(423)
Impairment	-	(748)	-	-	-
Revaluation increment/(decrement)	94	-	-	-	-
<b>Subtotal</b>	<b>94</b>	<b>(36,195)</b>	<b>(3,024)</b>	<b>(805)</b>	<b>(423)</b>
Gains or losses recognised in other comprehensive income					
Revaluation increment/(decrement)	3,055	(19,513)	-	-	-
<b>Subtotal</b>	<b>3,055</b>	<b>(19,513)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance at 30 June 2018</b>	<b>34,279</b>	<b>1,788,261</b>	<b>5,399</b>	<b>2,385</b>	<b>5,442</b>
<b>2019</b>					
Opening balance at 1 July 2018	34,279	1,788,261	5,399	2,385	5,442
Purchases (sales)	-	(80)	-	(401)	-
Transfers into/(out of) Level 3	-	-	-	-	-
Developer contributed assets	-	47,252	-	-	-
Transfers from work in progress	-	104,806	1,137	1,349	-
Gains or losses recognised in profit after income tax					
Depreciation	-	(37,853)	(2,195)	(796)	(424)
Impairment	-	-	-	-	-
Revaluation increment/(decrement)	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>(37,853)</b>	<b>(2,195)</b>	<b>(796)</b>	<b>(424)</b>
Gains or losses recognised in other comprehensive income					
Revaluation increment/(decrement)	(1,734)	(9,787)	-	-	-
<b>Subtotal</b>	<b>(1,734)</b>	<b>(9,787)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance at 30 June 2019</b>	<b>32,545</b>	<b>1,892,599</b>	<b>4,341</b>	<b>2,537</b>	<b>5,018</b>

## Description of significant unobservable inputs to Level 3 valuations

2018

Asset	Valuation technique	Significant unobservable input	Range (Weighted Average)	Sensitivity of the input to fair value
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	9% - 40% (27%)	A significant increase or decrease in a CSO adjustment would result in a significantly lower or higher fair value.
Infrastructure assets	Income approach (discounted cash flow method)	Discount rate (WACC)	5.2% - 5.8% (5.5%)	An increase or decrease of 0.25% in the estimated discount rate would result in an increase of \$377m or a decrease of \$202m to the valuation.
		Terminal growth rate	3.25% (3.25%)	An increase or decrease of 0.25% in the terminal growth rate would result in an increase of \$246m or a decrease of \$200m to the valuation.
		Inflation rate	1.9% (1.9%)	A significant increase or decrease in the inflation rate would result in a significantly higher or lower fair value.
		Terminal value capital expenditure	\$83,768m - \$102,384m (\$93,076m)	A significant increase or decrease in the terminal value of capital expenditure would result in a significantly higher or lower fair value.
		Useful life	3 - 100 years (74.2 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Plant and equipment	Current replacement cost	Cost per unit	\$1,000 - \$469,000 (\$16,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	3 - 50 years (13.8 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Motor vehicles	Current replacement cost	Cost per unit	\$21,000 - \$49,000 (\$37,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	5 years (5 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Leasehold improvements	Current replacement cost	Cost per unit	\$1,674 - \$724,000 (\$159,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	7 - 20 years (15.3 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.

2019

Asset	Valuation technique	Significant unobservable input	Range (Weighted Average)	Sensitivity of the input to fair value
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	9% - 40% (27%)	A significant increase or decrease in a CSO adjustment would result in a significantly lower or higher fair value.
Infrastructure assets	Income approach (discounted cash flow method)	Discount rate (WACC)	5.2% - 5.8% (5.5%)	An increase or decrease of 0.25% in the estimated discount rate would result in an increase of \$264m or a decrease of \$316m to the valuation.
		Terminal growth rate	3.25% (3.25%)	An increase or decrease of 0.25% in the terminal growth rate would result in an increase of \$272m or a decrease of \$217m to the valuation.
		Inflation rate	2.3% (2.3%)	A significant increase or decrease in the inflation rate would result in a significantly higher or lower fair value.
		Terminal value capital expenditure	\$92,067m - \$112,527m (\$102,297m)	A significant increase or decrease in the terminal value of capital expenditure would result in a significantly higher or lower fair value.
		Useful life	3 - 100 years (74.7 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Plant and equipment	Current replacement cost	Cost per unit	\$1,000 - \$469,000 (\$16,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	3 - 50 years (13.9 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Motor vehicles	Current replacement cost	Cost per unit	\$21,000 - \$49,000 (\$35,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	5 years (5 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Leasehold improvements	Current replacement cost	Cost per unit	\$1,674 - \$724,000 (\$114,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	7 - 20 years (15.3 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.

A significant movement is considered to be a movement of sufficient magnitude as to have a material impact on the financial statements. A material impact is defined by AASB 101 *Presentation of Financial Statements* as a movement that could individually or collectively with other movements influence the economic decisions that users make on the basis of the financial statements.

The sensitivity of the fair value of infrastructure assets to a change in key assumptions is detailed in the table below.

Assumption	2019		2018	
Terminal year growth rate +/- 0.50%	-20.9%	32.8%	-22.3%	35.1%
Terminal year growth rate +/- 0.25%	-11.5%	14.4%	-12.3%	15.4%
Discount rate +/- 0.50%	-25.7%	41.1%	-27.8%	44.4%
Discount rate +/- 0.25%	-16.7%	14.0%	-18.0%	15.1%

Terminal year growth rate sensitivity impacts steady state cash flows, representing those expected to be received in perpetuity. Discount rate sensitivity impacts the present value of free cash flows to the corporation.

# 9 Other disclosure

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

## Structure

- 9.1 Responsible persons and executives
- 9.2 Related parties
- 9.3 Equity
- 9.4 Ex gratia expenses
- 9.5 Accounting Standards issued that are not yet effective
- 9.6 Subsequent events

### 9.1 Responsible persons and executives

The relevant Minister and directors of City West Water are deemed to be responsible persons by Ministerial Direction pursuant to the provisions of the *Financial Management Act 1994*.

#### 9.1.1 Responsible persons

**Persons who held the position of responsible person at any time during the 2019 financial year were as follows:**

The Hon. Lisa Neville MP	Minister for Water	1 July 2018 - 30 June 2019
Mr David Middleton	Chair	1 July 2018 - 30 June 2019
Mr David Ryan	Managing Director	1 July 2018 - 30 June 2019
Ms Elizabeth Parkin	Director	1 July 2018 - 30 June 2019
Ms Mary Beth Bauer	Director	1 July 2018 - 30 June 2019
Dr Bruce Cohen	Director	1 July 2018 - 30 June 2019
Mr Bill Jaboor	Director	1 July 2018 - 30 June 2019
Ms Constantina Dertimanis	Director	1 July 2018 - 30 June 2019
Ms Tania Fryer	Director	1 July 2018 - 30 June 2019
Mr Christopher Lovell	Director	1 July 2018 - 30 June 2019

**Persons who held the position of responsible person at any time during the 2018 financial year were as follows:**

The Hon. Lisa Neville MP	Minister for Water	1 July 2017 - 30 June 2018
Mr David Middleton	Chair	1 July 2017 - 30 June 2018
Mr David Ryan	Managing Director	1 July 2017 - 30 June 2018
Mr Philip Clark	Director	1 July 2017 - 30 September 2017
Ms Mary Beth Bauer	Director	1 July 2017 - 30 June 2018
Dr Bruce Cohen	Director	1 July 2017 - 30 June 2018
Mr Bill Jaboor	Director	1 July 2017 - 30 June 2018
Ms Kim McAliney	Director	1 July 2017 - 30 September 2017
Ms Elizabeth Parkin	Director	1 July 2017 - 30 June 2018
Ms Constantina Dertimanis	Director	1 July 2017 - 30 June 2018
Ms Tania Fryer	Director	1 October 2017 - 30 June 2018
Mr Christopher Lovell	Director	1 October 2017 - 30 June 2018

The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported in the Department of Parliamentary Services' Financial Report.

Remuneration received or receivable by responsible persons in connection with the management of City West Water Corporation during the current and previous reporting periods is reported in the table below.

		2019 No.	2018 No.
<b>\$</b>	<b>\$</b>		
10,000	- 19,999	-	2
30,000	- 39,999	1	2
40,000	- 49,999	1	2
50,000	- 59,999	5	3
90,000	- 99,999	1	1
400,000	- 409,999	-	1
420,000	- 429,999	1	-
<b>Total</b>		<b>9</b>	<b>11</b>

		2018 \$'000	2019 \$'000
<b>Total amount</b>		<b>853</b>	<b>854</b>

### 9.1.2 Executives

	2019 \$'000	2018 \$'000
Short term employment benefits	1,730	1,690
Post employment benefits	114	122
Other long term benefits	32	3
Termination benefits	-	130
<b>Total</b>	<b>1,876</b>	<b>1,838</b>
<b>Total employees (no.)</b>	<b>6</b>	<b>8</b>
<b>Annualised employee equivalent <sup>1</sup></b>	<b>5.6</b>	<b>5.8</b>

<sup>1</sup> Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

The number of executive officers other than the Minister or responsible persons and their total remuneration during the reporting period is shown in the table overleaf.

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

- Short term employee benefits - includes 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 - includes superannuation benefits paid or payable on a discrete basis when employment has ceased.
- Other long term benefits - includes long service leave, other long service benefits and deferred compensation.
- Termination benefits - includes termination of employment payments, such as severance packages.

## 9.2 Related parties

### Relevant Minister

The relevant Minister for City West Water for the period 1 July 2018 to 30 June 2019 was the Hon. Lisa Neville MP, Minister for Water.

### Transactions with the relevant Minister and relevant Minister related entities

Outside of normal citizen type transactions, there were no material transactions with the relevant Minister, their close family members or business interests during the reporting period.

### Key Management Personnel

Key management personnel (as defined in AASB 124 *Related Party Disclosures*) include the Managing Director and the Board of Directors, who have the authority and responsibility for planning, directing and controlling the activities of the corporation either directly or indirectly during the year.

The names of persons who were key management personnel of City West Water at any time during the current or previous financial years are as follows: D. Middleton, D. Ryan, P. Clark, M. B. Bauer, B. Cohen, B. Jaboor, K. McAliney, E. Parkin, C. Dertimanis, T. Fryer and C. Lovell.

### Transactions with key management personnel and key management personnel related entities

Mr David Middleton is a Director of CH2MHill Australia Pty Ltd. During the year City West Water paid CH2MHill \$0 (2018 \$124,942) for services relating to works at the corporation's treatment plants.

Mr David Ryan is the Chair of the Managing Directors Committee of the Victorian Water Industry Association (VWIA) and is also a Director of VWIA. During the year City West Water paid \$265,561 (2018 \$127,709) to VWIA with a further \$0 (2018 \$4,250) outstanding and payable. In addition, City West Water received \$27,711 (2018 \$0) from VWIA for secondment of a staff member.

Mr Chris Lovell is the Chair of the CBD Community Reference Group - Melbourne Metro Rail Authority (MMRA), the Parkville Stakeholder Reference Group - MMRA, and the Parkville Community Reference Group - MMRA. During the year, City West Water received \$227,515 (2018 \$197,485) from Rail Projects Victoria (formerly MMRA) with a further \$161,687 (2018 \$87,771) outstanding and receivable for services rendered to the Metro Tunnel Project.

Outside of normal citizen type transactions, there were no further material transactions either with key management personnel, their close family members or business interests during the reporting period other than remuneration for employment.

Key management personnel with related party interests are not involved in any decision-making processes relevant to the related party.

### Payments to key management personnel

	2019 \$'000	2018 \$'000
Short term employment benefits	787	788
Post employment benefits	58	58
Other long term benefits <sup>1</sup>	8	8
Termination benefits	-	-
<b>Total</b>	<b>853</b>	<b>854</b>
<b>Total employees (no.)</b>	<b>9</b>	<b>11</b>

<sup>1</sup> Other long term benefits represent long service leave.

### Other related parties

All Victorian cabinet ministers and their close family members, as well as all departments and public sector entities that are controlled and consolidated into the whole of government consolidated financial statements are considered to be related parties of City West Water.

### Transactions with cabinet members and related entities

Outside of normal citizen type transactions, there were no material related party transactions with cabinet members, their close family members or their personal business interests during the current or prior financial years.

### Power Purchase Agreement specific disclosure

City West Water Corporation is one of 13 water corporation members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference (contracts on which the corporation may make a gain or loss depending on the movement in the market for electricity) 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 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.

City West Water Corporation has invested \$10 in ZEW as at 30 June 2019.

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

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 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 from the facility. The PPA contains certain conditions precedent with the target commercial operation date of 1 October 2019. At 30 June 2019, the conditions precedent in the PPA were not completed, and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no transactions to recognise as at 30 June 2019.

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

The Members' Agreement specifies that City West Water Corporation must make a loan available to the ZEW amounting to \$67,084.97. The loan provided to ZEW meets the definition of a financial asset as it gives rise to a contractual right for City West Water to receive cash from ZEW at the end of the loan term.

Once the facility is operational, the financial impact of the Members' Agreement with ZEW is expected to be an increase in revenue and/or expenses, and recognition of large-scale generation certificates as intangible assets or assets held for sale.

### Victorian Government

City West Water is subject to the provisions of the *Water Act 1989* and the *Water Industry Act 1994*. City West Water operates under specific legislation and is subject to independent economic regulation. City West Water operates under a Board of Directors appointed by the Victorian Government and makes income tax equivalent and dividend payments to the Victorian Government.

Transactions with government controlled entities

The below table details City West Water's dealings with government controlled entities, which are considered to be related parties of City West Water. The following three pages contain more detailed information regarding related parties with significant transactions with City West Water.

	Paid \$	Payable \$	Received \$	Receivable \$
<b>2018</b>				
Yarra Valley Water	338,110	-	81,961	11,329
Goulburn Murray Water	494,588	-	-	-
Development Victoria	4,948	-	63,098	-
Western Water	54	-	108,394	5,105
Victorian Auditor-General's Office	129,690	81,000	-	-
Rail Projects Victoria	-	-	197,485	87,771
Environment Protection Authority	122,154	-	-	-
Energy and Water Ombudsman Victoria	89,472	52,611	-	-
Public Transport Victoria	26,588	-	-	-
<b>2019</b>				
Yarra Valley Water	367,815	-	39,708	6,001
Goulburn Murray Water	408,313	-	6,547	-
Development Victoria	-	-	1,629,598	-
Western Water	5,555	-	36,168	64,750
Victorian Auditor-General's Office	171,600	49,600	-	-
Rail Projects Victoria	-	-	227,515	161,687
Environment Protection Authority	124,129	-	-	-
Energy and Water Ombudsman Victoria	129,960	-	-	-
Public Transport Victoria	32,134	-	700,000	-

## Related parties with significant transactions

### Department of Environment, Land, Water and Planning

City West Water bills and collects parks charges on behalf of the Department of Environment, Land, Water and Planning (DELWP). Due to the nature of the agent/principal relationship between City West Water and DELWP, City West Water does not recognise these amounts in its accounts. City West Water recognises an administration fee collected from DELWP relating to the billing and collection of parks charges as revenue.

City West Water makes various other payments to and receives other payments from DELWP which are recognised as revenue and expenses.

	2019 \$'000	2018 \$'000
<b>Payments</b>		
Parks Charge collected on behalf of DELWP	50,725	49,092
Environmental Contribution	19,843	18,563
Other	4	138
<b>Receipts</b>		
Billings and collection fee	2,282	2,210
Other	63	-
<b>Payables</b>		
Environmental Contribution	6,614	-
Parks Charge collected on behalf of DELWP	58	43
<b>Receivables</b>		
Billings and collection fee	132	200

### Department of Treasury and Finance

The Department of Treasury and Finance monitors the implementation of City West Water's Corporate Plan in consultation with the Department of Environment, Land, Water and Planning.

	2019 \$'000	2018 \$'000
<b>Payments</b>		
Income tax equivalent	45,679	43,540
Dividend	20,400	62,600
Financial Accommodation Levy	16,854	15,259
Capital repatriation	10,880	10,880
Licence fee	524	379
<b>Payables</b>		
Financial Accommodation Levy	4,572	4,120
Income tax equivalent	2,369	10,430
<b>Receipts</b>		
Interest on CBS deposit	255	-
<b>Receivables</b>		
Income tax equivalent	2,821	-

### Treasury Corporation of Victoria

As required by the State Government pursuant to the *Borrowing and Investment Powers Act 1987*, City West Water's borrowings are sourced solely from the Treasury Corporation of Victoria.

	2019 \$'000	2018 \$'000
<b>Payments</b>		
Finance costs	47,941	47,334
Administration fees	1,460	1,297
<b>Receipts</b>		
Net borrowings during the year	69,700	77,700
Interest received	19	72
<b>Payables</b>		
Total borrowings	1,249,900	1,180,200
Finance costs	17,533	17,272
Administration fees	463	483
<b>Receivables</b>		
Interest receivable	-	7

### Melbourne Water Corporation

City West Water sources all its drinking water from Melbourne Water Corporation and the majority of its sewage is treated by Melbourne Water Corporation at the Western Treatment Plant.

City West Water bills and collects drainage charges as an agent for Melbourne Water. Due to the nature of the agent/principal relationship between City West Water and Melbourne Water, City West Water does not recognise these amounts in its accounts. City West Water recognises an administration fee collected from Melbourne Water relating to the billing and collection of drainage charges as revenue.

City West Water makes various other payments to and receives other payments from Melbourne Water which are recognised as revenue and expenses.

	2019 \$'000	2018 \$'000
<b>Payments</b>		
Bulk water and sewage charges	348,155	340,692
Drainage Charge collected on behalf of Melbourne Water	60,401	64,188
Property information statements	201	218
Other	141	364
<b>Receipts</b>		
Billings and collection fee	3,886	3,751
Other	82	50
<b>Payables</b>		
Bulk water and sewage charges	3,628	2,874
Drainage Charge collected on behalf of Melbourne Water	1,261	1,274
Property information statements	86	103
Other	-	16
<b>Receivables</b>		
Billings and collection fee	132	200

### State Revenue Office

The State Revenue Office is the Victorian Government's tax collection agency. The State Revenue Office administers Victoria's tax legislation and collects a range of taxes, duties and levies.

	2019 \$'000	2018 \$'000
<b>Payments</b>		
Payroll tax	2,520	2,382
Unclaimed monies	920	1,475
<b>Receipts</b>		
Pension rebate	559	403
Land tax refund	250	219
<b>Payables</b>		
Payroll tax	203	195
<b>Receivables</b>		
Pension rebate	290	284

### Department of Health and Human Services

City West Water provides a number of services to the community including the administration of the Pension Rebate and Health Care Card schemes on behalf of the Department of Health and Human Services.

	2019 \$'000	2018 \$'000
<b>Payments</b>		
Safe Drinking Water Levy	140	138
<b>Receipts</b>		
Pension rebate	22,901	21,252
Administration fee on pension rebate	205	179
Utility relief grant	382	334
Dialysis users rebate	10	13
Other	-	19
<b>Receivables</b>		
Pension rebate	3,068	3,256
Administration fee on pension rebate	20	21
Dialysis users rebate	2	5

### Other Victorian Government controlled entities

Water and sewerage services were provided to other government controlled entities for properties within City West Water's service area under normal commercial terms and conditions.

## 9.3 Equity

	2019 \$'000	2018 \$'000
Contributed equity	189,248	200,128
Physical asset revaluation surplus	171,256	180,718
Retained profits	490,312	455,487
<b>Total equity</b>	<b>850,816</b>	<b>836,333</b>

### 9.3.1 Contributed equity

	2019 \$'000	2018 \$'000
Contributed equity at the beginning of the financial year	200,128	211,008
Capital repatriation	(10,880)	(10,880)
<b>Contributed equity at the end of the financial year</b>	<b>189,248</b>	<b>200,128</b>

In line with the requirements of the *Financial Management Act 1994*, additions to net assets which have been designated as contributed equity by the Assistant Treasurer are recognised as contributed equity. Other transfers that are in the nature of contributions or distributions have also been designated as distributions to or contributions from owners.

### 9.3.2 Physical asset revaluation surplus

	2019 \$'000	2018 \$'000
Physical asset revaluation surplus at the beginning of the financial year	180,718	191,906
Infrastructure assets revaluation, net of tax	(7,857)	(13,948)
Land revaluation, net of tax	(1,605)	2,759
<b>Physical asset revaluation surplus at the end of the financial year</b>	<b>171,256</b>	<b>180,718</b>

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

### 9.3.3 Retained profits

	2019 \$'000	2018 \$'000
Retained profits at the beginning of the financial year	455,487	436,884
Adjustment to opening balance on adoption of new accounting standards - refer Note 1.3	(7,997)	-
Profit after income tax expense	63,099	79,042
Final dividend paid during 2019 in respect of 2018	(20,400)	-
Final dividend paid during 2018 in respect of 2017	-	(48,200)
Interim dividend paid in respect of current year	-	(14,400)
Actuarial gain/(loss) on defined benefit superannuation plan (net of tax)	123	2,161
<b>Retained profits at the end of the financial year</b>	<b>490,312</b>	<b>455,487</b>

Retained profits represent accumulated retained profits over the lifetime of the corporation.

## 9.4 Ex gratia expenses

	2019 \$'000	2018 \$'000
Forgiveness or waiver of debt	141	567
Other	9	12
<b>Total ex gratia expenses</b>	<b>150</b>	<b>579</b>

Ex gratia expense items greater than or equal to \$5,000 individually or in total are disclosed.

In exceptional circumstances City West Water may waive part of a customer's debt. This will occur at the discretion of the corporation when there has been a significant undetected leak on a customer's property, unexplained high usage on a customer's account, or in cases of financial hardship.

Ex gratia expenses are recognised as part of other expenses (refer Section 3).

## 9.5 Accounting standards issued that are not yet effective

Certain new Australian Accounting Standards have been published that are applicable to City West Water, but are not mandatory for the 30 June 2019 reporting period. These standards are listed below.

Standard	Effective date	Key changes	Impact
AASB 16 Leases	1 January 2019	Key changes introduced by AASB 16 include the recognition of most operating leases (which are not currently recognised) on the Balance Sheet.	<p>Assessment has indicated that City West Water will need to include most operating leases on the Balance Sheet. This will lead to a right of use lease asset of approximately \$97.4m and a right of use lease liability of approximately \$97.4m on adoption.</p> <p>Recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the Comprehensive Operating Statement. Cash paid for the principal portion of a lease liability will be presented within financing activities and interest payments will be presented within operating activities in the Statement of Cash Flows.</p>

## 9.6 Subsequent events

No matter or circumstance has arisen since 30 June 2019 which has significantly affected, or may significantly affect:

- the corporation's operations
- the results of those operations
- the corporation's state of affairs in the financial year subsequent to 30 June 2019.

# Statutory Certification

The attached financial statements of City West Water Corporation (the corporation) have been prepared in accordance with Direction 5.2 of the Standing Directions 2018 under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

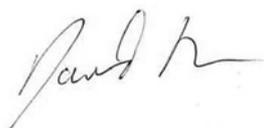
We state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes presents fairly the financial transactions during the year ended 30 June 2019 and the financial position of the corporation at 30 June 2019.

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

This financial report was authorised for release by the Board of Directors on 27 August 2019.



**David Middleton**  
Chair



**David Ryan**  
Managing Director



**Michael Wootten**  
Chief Financial Officer

Melbourne  
27 August 2019

# Independent Auditor's Report



## Independent Auditor's Report

### To the Board of the City West Water Corporation

<b>Opinion</b>	<p>I have audited the financial report of the City West Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2019</li><li>• comprehensive operating statement for the year then ended</li><li>• statement of changes in equity for the year then ended</li><li>• cash flow statement for the year then ended</li><li>• notes to the financial statements, including significant accounting policies</li><li>• statutory certification.</li></ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2019 and 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>Key audit matters</b>	<p>Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.</p>

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T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Key audit matter	How I addressed the matter
<p><b>Revenues from service and usage charges are derived from a complex IT billing system with several inputs, including external service providers</b>  <i>Note 2.2 – Sales of Goods and Services</i></p> <p><b>Revenues from service and usage charges: \$609 million.</b>                      I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>→ revenue recognised is financially significant to the corporation</li> <li>→ revenue is generated by a complex IT system that uses several inputs and business rules</li> <li>→ revenue includes a significant accrual for unbilled water and sewerage services at year end that involves a higher degree of estimation uncertainty</li> <li>→ a key input, customer water volume consumption, relies on external service providers to conduct meter readings.</li> </ul>	<p>My key procedures included:</p> <ul style="list-style-type: none"> <li>→ testing the operating effectiveness of key application controls and key manual controls in the billing system</li> <li>→ obtaining an understanding of management's approach to estimating the value of unbilled water and sewerage services revenue at year end and assessing the reasonableness of key assumptions and inputs</li> <li>→ substantive analytical procedures</li> <li>→ reviewing the adequacy of the revenue recognition and measurement policies</li> <li>→ assessing the adequacy of financial statement disclosures against the requirements of Australian Accounting Standards.</li> </ul>
<p><b>The fair value estimate of infrastructure assets is derived from an income-based valuation approach that uses a complex discounted cashflow model ('DCF model')</b>  <i>Note 5.1 – Infrastructure, property, plant and equipment</i></p> <p><b>Fair value estimate of infrastructure assets: \$1.893 billion</b>                      I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>→ the infrastructure assets are financially significant to the corporation</li> <li>→ the fair value estimate relies on management's use of an external valuation expert</li> <li>→ the DCF model is highly complex and involves significant management judgements, underpinned by various subjective assumptions</li> <li>→ the calculated value is sensitive to small changes in key assumptions used in the DCF model</li> <li>→ the model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value</li> <li>→ applicable accounting standard AASB 13 <i>Fair Value Measurement</i> (AASB 13) and the Assistant Treasurer issued Financial Reporting Direction 103H <i>Non-financial physical assets</i> (FRD 103H) both require extensive financial report disclosures.</li> </ul>	<p>My key procedures included:</p> <ul style="list-style-type: none"> <li>→ obtaining an understanding of management's approach to estimating the fair value of infrastructure</li> <li>→ assessing the competence and capability of management's expert engaged to assist with the valuation process</li> <li>→ engaging a subject matter expert to assist us in obtaining sufficient appropriate audit evidence, including:                             <ul style="list-style-type: none"> <li>- the appropriateness of using an income-based valuation approach</li> <li>- the reasonableness and consistency of all the assumptions used in the DCF model</li> <li>- identify any changes to the DCF model and/or assumptions.</li> <li>- the reasonableness of all inputs used in the model, with specific reference to underlying data and supporting documentation</li> <li>- the DCF model's computational accuracy</li> <li>- the appropriateness of all infrastructure asset related financial report disclosures with regard to AASB 13 and FRD 103H, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis</li> </ul> </li> <li>→ evaluating our subject matter expert's workings and concluding the work was adequate for the purposes of our audit.</li> </ul>

**Board's responsibilities for the financial report** 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 *Financial Management Act 1994*, 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.

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.

**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 our 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.

**Auditor's responsibilities for the audit of the financial report (continued)**

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.

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MELBOURNE  
30 August 2019



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

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## Appendix 1: Disclosure index

City West Water's 2019 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 City West Water's compliance with statutory disclosure requirements.

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<b>Charter and purpose</b>		
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<b>Management and structure</b>		
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<b>FRD 22H</b>	Current year financial review	37
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<b>FRD 22H</b>	Operational and budgetary objectives and performance against objectives	37
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<b>FRD 22H</b>	Statement on National Competition Policy	42
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<b>FRD 22H</b>	Environmental performance	26-30
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<b>FRD 22H</b>	Details of consultancies under \$10,000	41
<b>FRD 22H</b>	Disclosure of government advertising expenditure	42
<b>FRD 22H</b>	Workforce inclusion policy	10
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<b>FRD 25D</b>	Local Jobs disclosure in the Report of Operations	42
<b>FRD 27C</b>	Presentation and reporting of performance information	47-49
<b>FRD 30D</b>	Standard requirements for the design and print of annual reports	Whole report
<b>SD 3.7.1</b>	Financial management compliance attestation	46
<b>SD 5.2</b>	Specific requirements under Standing Direction 5.2	3, 114

Legislation	Disclosure required	Page
<b>Ministerial Reporting Directions</b>		
<b>MRD 01</b>	Presentation and reporting of performance information	47-49
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<b>MRD 03</b>	Environmental and social sustainability reporting	26-30
<b>MRD 04</b>	Disclosure of information on bulk entitlements	129-130
<b>MRD 05</b>	Annual reporting of major non-residential water users	44-45
<b>MRD 06</b>	Greenhouse gas and energy reporting	28
<b>MRD 07</b>	Disclosure of information on letter of expectations	122-126
<b>Compliance attestation and declaration</b>		
<b>SD 3.7.1</b>	Financial management compliance attestation	46
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<b>Other requirements under Standing Direction 5.2</b>		
<b>SD 5.2.1(a)</b>	Compliance with applicable Australian accounting standards and other authoritative pronouncements	58
<b>SD 5.2.1(a)</b>	Compliance with Ministerial Directions	58
<b>Other disclosures required by FRDs in notes to and forming part of the financial statements</b>		
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<b>FRD 21C</b>	Disclosures of responsible persons, executive officers and other personnel (Contractors with Significant Management Responsibilities) in the Financial Report	104-105
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<b>FRD 120M</b>	Accounting and reporting pronouncements applicable to the 2018-19 reporting period	113
<b>Legislation</b>		
<i>Water Act 1989</i>		
<i>Water Industry Act 1994</i>		
<i>Freedom of Information Act 1982</i>		
<i>Building Act 1993</i>		
<i>Protected Disclosure Act 2012</i>		
<i>Local Jobs First Act 2003</i>		
<i>Financial Management Act 1994</i>		

## Appendix 2: Disclosure of information on letter of expectations Ministerial Reporting Direction 07

Performance indicators, definitions, measures and reporting requirements for the seven priority areas outlined in the Letter of Expectations are identified in the table below.

Priority Area	Key Performance Indicator	Measure	Definition	Comments
<b>Climate Change</b> Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies and actions.	E2 Emission reductions Demonstrate reasonable progress toward achievement of the entity's emission reduction pledge.	E2 Total net emissions of CO <sub>2</sub> equivalent tonnes.	Net tonnes of CO <sub>2</sub> equivalent emissions (scope 1 and scope 2 emissions only) for the whole business and its activities.	Greenhouse Gas and Energy Reporting p.28
	E3 Climate adaptation a) Apply the Guidelines for Assessing the Impact of Climate Change on Water Suppliers in Victoria and demonstrate adaptation by: <ul style="list-style-type: none"> <li>• their application in drought preparedness and urban water strategies (Urban water corporations).</li> <li>• Rural water corporations (as applicable) develop low flow contingency plans that include an appropriate range of climate scenarios.</li> </ul> b) Integrate climate change adaptation into decision-making across the business (all sources of water, wastewater, and where relevant drainage and flood management) including*: <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>	E3 Qualitative description of how adaptation to climate change and variability are integrated across all relevant business decisions, in the parts of the business specified. Include consideration of short, medium and long-term changes.	Planning for adaptation to all changed conditions anticipated under climate change. These include the warmer, drier climate conditions, more intense rainfall and more frequent extreme events predicted for the future.	Drought Preparedness Plan p.23 Urban Water Strategy p.20 Climate Resilience Strategy p.26 Environmental Policy p.27

Priority Area	Key Performance Indicator	Measure	Definition	Comments
<b>Customer and community outcomes</b> All aspects of service delivery will be customer and community centred.	C1 Customer satisfaction (Urban Water Corporations excl. Melbourne Water)  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.	(a) C1(U) Customer satisfaction survey The Essential Services Commission will collect customer satisfaction survey data on an ongoing quarterly basis.	As per Essential Services Commission definition.	No report required. Department of Environment, Land, Water and Planning (DELWP) to obtain data from Essential Services Commission.
		(b) CR1 Water quality complaints	No. of water quality complaints regarding discolouration, taste, odour, stained washing, illness or cloudy water per 1,000 customers.	Customer Responsiveness Performance Indicators p.49
		(c) CR4 Number of billing payment issues	Billing/payment issues complaints for 1,000 customers year on year.	Customer Responsiveness Performance Indicators table p.49
	C2 Customer and community engagement 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.	C2 Development and delivery of an engagement strategy/ plan/policy and publication of the engagement strategy/ plan/policy or equivalent explanation (via the water corporation's website).		Customers First Strategy launched. The strategy includes guiding principles that are based on consultation with our diverse customers. Available at:  <a href="https://www.citywestwater.com.au/documents/strategy.pdf">https://www.citywestwater.com.au/documents/strategy.pdf</a>  Our customer charters keep customers informed and provide contact details for all customers. <a href="https://www.citywestwater.com.au/about_us/customer_charter.aspx">https://www.citywestwater.com.au/about_us/customer_charter.aspx</a>  Voice of the Customer provides regular insights into our customers' need and want. p.15-16

## Appendix 2: Disclosure of information on letter of expectations Ministerial Reporting Direction 07 (continued)

Priority Area	Key Performance Indicator	Measure	Definition	Comments
<b>Water for Aboriginal cultural, spiritual and economic values</b> Recognise and support Aboriginal cultural values and economic inclusion in the water sector.	AC1 Engagement of Aboriginal communities 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 goods/ 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.	Reconciliation Action Plan  <a href="https://www.citywestwater.com.au/about_us/reports_publications/reconciliation_action_plan.aspx">https://www.citywestwater.com.au/about_us/reports_publications/reconciliation_action_plan.aspx</a>
		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.	8 Ways of Knowing: First Nation Cultural Knowledge Exchange Training p.11  Establishment of First Nations Advisory Committee p.11  Metropolitan industry sharing forum p.11
		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.		
	AC2 Engagement of Traditional Owners.  Effective and genuine engagement of Traditional Owners for inclusion of Aboriginal values in water planning. 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.	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.	Industry engagement p.11
		AC2.2 Number of pilot programs to test different ways to achieve shared benefits.		
	AC3 Aboriginal Inclusion Plan/Reconciliation Action Plan  To be considered in conjunction with AC1	AC3 Development of either an Aboriginal Inclusion Plan or a Reconciliation Action Plan, reflecting measures AC1.1 to AC1.3 and AC2.1 to AC2.2 as appropriate.		

Priority Area	Key Performance Indicator	Measure	Definition	Comments
<b>Resilient and liveable cities and towns</b>  Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.	L1 Integrated Water Management (IWM) (urban)  In relevant IWM forum(s), actively facilitate and champion water's contribution to deliver liveability for cities and towns of the region consistent with the forum's objectives.	L1 Progress towards: a) establishment of and participation in IWM forum(s) in your region b) development of and contribution to Strategic Direction Statement(s) in your region c) Implementation of priority IWM plans and projects, as applicable d) delivering IWM outcomes for the region	Facilitating regional stakeholder collaboration (including local government) to deliver place-based IWM outcomes for the community projects that support the liveability and resilience of cities and towns of the region.	IWM Forums p.20  Sustainable and Resilient water services systems p.24-25
	L2 Water efficiency (urban) Implement water efficiency programs aligned with Target 155 (Metros) and Target Your Water Use (Regional Urban).	L2 Continue to collaborate on the Victorian Water Efficiency Strategy and work together through a coordination group to develop statewide initiatives		Target 155 p.18  Water efficiency information p.18-19
	L3 Water bills (urban)  Victorian water bills are amongst the lowest in Australia. (not applicable to MW)	L3 Total residential bill based on: a) average consumption b) 200kl consumption.	Comparison with national median for relevant utility sized groupings.	Total residential water bill for a City West Water customer based on average consumption during the year p.45  Relevant data: 150kL average usage has been our benchmark
	L4 Payment management and hardship {not applicable to MW} Overall improved access to instalment plans for management of payments. Understand year on year trends in hardship grants.	L4 a) Number of instalment plans at the end of the reporting period b) Number of customers awarded hardship grants	L4 a) For urbans, definition as per Essential Services Commission (UPP1) and (UPP6).	No report required. DELWP to obtain data from Essential Services Commission (UPP1 and UPP6)  a) 32,577 customers on instalment plans b) 583 customers awarded hardship grants
<b>Recognising recreational values</b>  Support the wellbeing of rural and regional communities by considering recreational values in water management	Rec1 recreational values  Not applicable to Melbourne metropolitan retail water corporations.			

## Appendix 2: Disclosure of information on letter of expectations Ministerial Reporting Direction 07 (continued)

Priority Area	Key Performance Indicator	Measure	Definition	Comments
<b>Leadership and Culture</b> Water corporations reflect the needs of our diverse communities.	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.	CWW has a Diversity and Inclusion Plan that includes gender equity and cultural, indigenous inclusion  <a href="https://www.citywestwater.com.au/about_us/reports_publications/Diversity_inclusion_strategy.aspx">https://www.citywestwater.com.au/about_us/reports_publications/Diversity_inclusion_strategy.aspx</a> p.10
		G1.2 Number of females occupying senior executive positions over projected five-year period.		Our People p.8-13  Target 50%, 2018-19 Result: 45% at 30 June 2019
		G1.3 Adopt a 1% target for Aboriginal people in the business consistent with Vic government policy <sup>(1)</sup> and work to a stretch target of 3% by 2020 (DELWP policy <sup>(2)</sup> ).		Diversity and Inclusion Strategy 2016 – 2020  <a href="https://www.citywestwater.com.au/about_us/reports_publications/Diversity_inclusion_strategy.aspx">https://www.citywestwater.com.au/about_us/reports_publications/Diversity_inclusion_strategy.aspx</a>  <u>City West Water has a 2020 target of 2.5%</u>
		G1.4 Actions taken to improve participation by Traditional Owners in Board committees and other organisational Committees.		City West Water established a First Nations Advisory Committee and initiated water industry engagement p.11
		G1.5 Number of respondents to the VPSC People Matter Survey from each water corporation should be high or improving over time (to be based on participation in alternate years with implementation measures achievements reported in follow up year). Results indicate favourable response to implementation of diversity inclusion plan.		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.
	G2 Board performance review  Annual Board performance review to help monitor and improve the Board's effectiveness in leading the organisation.	G2 Board performance report submitted to the Minister for Water by 31 March each year with identified actions for continuous improvement. Monitoring of previous year's actions have had a positive result on the Board's ability to lead the organisation.	No report required. DELWP to obtain data from VPSC.	
G3 Health and Safety 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.	Health and Safety p.13		
<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 F2 gearing ratio F3 internal financing ratio F4 current ratio F5 return on Assets F6 return on equity F7 EBITDA Marqin	Financial indicators as prescribed by PRF.	Performance Report p.47-49

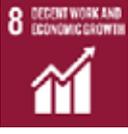
## Appendix 3: The United Nations Global Compact

As a signatory to the UN Global Compact, we outline below where our policies, actions and programs highlighted in this annual report align with the 10 principles of the UN SDGs.

	Global Compact Principles	Description	Page Reference
<b>Human Rights</b>			
	1. Businesses should support and respect the protection of internationally proclaimed human rights; and 2. Make sure that they are not complicit in human rights abuses.	City West 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:  • Diversity and Inclusion Strategy committing to fair and equitable treatment for employees without regard to race, colour, sexual preference, age, physical or mental disability, pregnancy, religion, political opinion, national extraction or social origin.  • Health and Safety Policy, performance and associated actions  • Community service actions and financial inclusion programs to support customers and community across our service area  • Our commitment and involvement in the WaterAid program	p.10
			
			
			
			
			p.17-19
			p.18

	Global Compact Principles	Description	Page Reference
<b>Labour</b>			
	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. The elimination of all forms of forced and compulsory labour; 5. The effective abolition of child labour; and 6. The elimination of discrimination in respect of employment and occupation	City West Water is committed to a diverse and inclusive workplace culture free of discrimination where the human rights of employees, customers and the community are supported. Our efforts are reflected through the following items in this report:  • Our employee targets for Aboriginal and Torres Strait Islander peoples • Transparency in employee benefit reporting • Diversity and Inclusion Strategy and actions regarding equal opportunity and fairness • As noted in our <i>Corporate Plan 2019-20</i> , the (Commonwealth) <i>Modern Slavery Act 2018</i> came into effect from January 2019. As required City West 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.  • City West Water staff have access to unions and professional associations, with local delegates engaging in regular meetings with the City West Water executive.  • City West Water recognises the importance of unions and staff representation when negotiating enterprise agreements and consulting on significant work changes.	p.10
			
			

	Global Compact Principles	Description	Page Reference
<b>Environment</b>			
	7. Businesses should support a precautionary approach to environmental challenges;	<p>The protection and enhancement of our environment is embedded in City West Water's vision for the future. City West 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>• Reporting on progress regarding our commitment and obligations outlined within our Environmental Policy</li> <li>• Climate Resilience Strategy</li> <li>• Urban Water Strategy actions and report on progress</li> <li>• Our delivery of Greening the West initiative and progress</li> <li>• Stormwater harvesting and integrated water management programs</li> <li>• Energy recovery and renewable energy implementation</li> </ul>	<p>p.27</p>
	8. Undertake initiatives to promote greater environmental responsibility; and		
	9. Encourage the development and diffusion of environmentally friendly technologies.		
			
			
			
			
			
			

	Global Compact Principles	Description	Page Reference
<b>Anti-Corruption</b>			
	10. Businesses should work against corruption in all its forms, including extortion and bribery	<p>City West 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>Protected Disclosure Act 2010</i></li> <li>• Oversight of the corporation's financial reports and information by the Risk Management and Audit Committee</li> <li>• Reporting on related party transactions as part of our Financial Statements.</li> </ul>	<p>p.43</p> <p>p.36</p> <p>p.106-111</p>
			
			
			

## Appendix 4: Bulk water entitlement reporting

City West Water Corporation holds individual delivery entitlements to the water resources of the Greater Yarra System – Thomson River Pool (managed by Melbourne Water Corporation), the Victorian Desalination Project and the Murray and Goulburn river systems.

Reporting requirements	Greater Yarra System – Thomson River Pool <sup>1</sup>	Victorian Desalination Project <sup>7</sup>	Goulburn System <sup>12</sup>	River Murray <sup>17</sup>
Amount of water taken	clause 16.1(a) 115,084.000 ML <sup>2</sup>	clause 13.1(a) 0 ML <sup>8</sup>	clause 14.1(b) 0 ML <sup>13</sup>	0 ML <sup>18</sup>
Opening carryover at 1/7/18	clause 16.1(b) 115,037.370 ML <sup>3</sup>	clause 13.1(a) 0 ML <sup>9</sup>	clause 14.1(c) 5,206.180 ML <sup>14</sup>	clause 11.1(a) 4,480.275 ML <sup>19</sup>
Annual water allocation made available during 2018-19	clause 16.1(b) 77,707.353 ML	clause 13.1(a) 5,696.620 ML <sup>9</sup>	clause 14.1(c) 8,041.90 ML <sup>14</sup>	clause 11.1(a) 5,898.400 ML <sup>19</sup>
Closing carryover as at 30/6/19	clause 16.1(b) 74,322.491 ML <sup>3</sup>	clause 13.1(a) 5,689.271 ML <sup>9</sup>	clause 14.1(c) 7,930.676 ML <sup>14, 15</sup>	clause 11.1(a) 5,356.741 ML <sup>19, 20</sup>
Compliant with entitlement volume	clause 16.1(c) yes <sup>5</sup>	clause 13.1(e) yes <sup>10</sup>	n/a	n/a
Assignment of bulk entitlement	clause 16.1(d) 0 ML	clause 13.1(b) 0 ML	clause 14.1(d) -4,900.000 ML <sup>16</sup>	clause 11.1(b) -4,740.000 ML <sup>21</sup>
Permanent transfer of all or part of bulk entitlement	clause 16.1(d) None	clause 13.1(b) None	clause 14.1(e) None	clause 11.1(c) None
Approval, amendment and implementation of the metering program	clause 16.1(e) continuing <sup>6</sup>	n/a	n/a	n/a
Amendment of bulk entitlement	clause 16.1(f) None	Clause 13.1(c) None	Clause 14.1(f) None	Clause 11.1(d) None
Any new bulk entitlement of water granted	clause 16.1(g) None	clause 13.1(d) None	None	None
Any failure to comply with any provision of this bulk entitlement	clause 16.1(h) None	clause 13.1(f) None	clause 14.1(g) None	clause 11.1(e) None
Any difficulties experienced or anticipated in complying with this bulk entitlement and any remedial action taken or proposed	clause 16.1(i) None	clause 13.1(g) None	clause 14.1(h) None	clause 11.1(f) None

### Notes for compliance with bulk entitlements:

#### Greater Yarra System - Thomson River Pool

- City West Water holds *Bulk Entitlement (Greater Yarra System - Thomson River Pool - City West Water) Order 2014*. Compliance requirements are set out in clauses 16.1(a)-(i).
- City West Water is a primary entitlement holder with an annual entitlement share of 152,797 ML.
- The Resource Manager – Melbourne Water makes seasonal allocations monthly and maintains City West Water water account and carryover accounting. Carryover on 30 June 2019 accounts for estimated spills of 3,338.231 ML.
- For water accounting purposes, water sourced during 2018-19 under the *Bulk Entitlement (Desalinated Water – City West Water) Order 2014* is considered to have been carried over and held in the Melbourne Headworks System under the *Bulk Entitlement (Greater Yarra System - Thomson River Pool - City West Water) Order 2014*.
- Compliance with the entitlement volume is measured by compliance with the overall cap within the source entitlements for the Thomson and Yarra systems (held by Melbourne Water).
- Metering programs for this bulk entitlement are continually maintained and reviewed via the Bulk Water Supply Agreement between City West Water and Melbourne Water and System Management Rules established by Melbourne Water.

### Victorian Desalination Project

- <sup>7</sup> City West Water holds *Bulk Entitlement (Desalinated Water – City West Water) Order 2014*. Compliance requirements are set out in clauses 13.1(a)-(g).
- <sup>8</sup> City West Water does not take water directly from the Victorian Desalination project infrastructure. City West Water may take an average annual volume of up to 39,595 ML of desalinated water over any period of five consecutive years that is delivered to a delivery point to the Melbourne headworks system.
- <sup>9</sup> The Resource Manager – Melbourne Water makes seasonal allocations monthly and maintains City West Water water account and carryover accounting.
- <sup>10</sup> The Hon Lisa Neville MP, Minister for Water announced a 15 GL desalinated water order for the 2018-19 year. City West Water received its share of 3,959,500 ML during 2018-19. The Hon Lisa Neville MP, Minister for Water announced a 125 GL desalinated water order for the 2019-20 year, of which 1,737.120 ML of City West Water's total 32,995.833 ML share was delivered in 2018-19.
- <sup>11</sup> Compliance with the entitlement volumes is measured with respect to whether the annual volume taken exceeds the entitlement. This didn't occur this year.

### Goulburn System

- <sup>12</sup> City West Water holds *Bulk Entitlement (Goulburn System - City West Water) Order 2012*. Compliance requirements are set out in clauses 14.1(a)-(h).
- <sup>13</sup> City West Water holds this entitlement as a result of its investment in the Goulburn Murray Water Connections Project Stage 1. City West Water took no water from this resource in 2018-19.
- <sup>14</sup> The Resource Manager – the Northern Victorian Resource Manager makes allocation equal to one-ninth of the total Phase 4 water savings achieved in the Goulburn component of the Goulburn Murray Irrigation District (GMID) from Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.
- <sup>15</sup> Carryover on 30 June 2019 accounts for estimated evaporative losses of 417.404 ML.
- <sup>16</sup> City West Water has water management action plans in place to manage water allocations in excess of its use. These strategies include the transfer of allocations between bulk entitlement allocation accounts and selling water allocation.

### River Murray

- <sup>17</sup> City West Water holds *Bulk Entitlement (Murray River – City West Water) Conversion Order 2012*. Compliance requirements are set out in clauses 11.1(a)-(f).
- <sup>18</sup> City West Water holds this entitlement as a result of its investment in the Goulburn Murray Water Connections Project Stage 1. City West Water took no water from this resource in 2018-19.
- <sup>19</sup> The Resource Manager – the Northern Victorian Resource Manager makes allocation equal to one-ninth of the total Phase 4 water savings achieved in the River Murray component of the Goulburn Murray Irrigation District (GMID) from Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.
- <sup>20</sup> Carryover on 30 June 2019 accounts for estimated evaporative losses of 281.934 ML.
- <sup>21</sup> City West Water has water management action plans in place to manage water allocations in excess of its use. These strategies include the transfer of allocations between bulk entitlement allocation accounts and selling water allocation.



City West Water™



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ISSN: 2203-9910 (Print)  
ISSN: 2203-9929 (Online)