



19 ANNUAL 20 REPORT



Traditional Owner acknowledgement

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

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

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

DISCLAIMER: Some pictures in this report were taken before coronavirus (COVID-19) restrictions were put in place and are therefore not compliant with current physical distancing rules.

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Manner of establishment and responsible Minister

Established under the *Water Act 1989*, Western Region Water Corporation (trading as Western Water) is one of Victoria's 13 regional urban water corporations.

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

The Department of Health and Human Services (DHHS) sets and supervises water quality standards while the Environment Protection Authority (EPA) Victoria governs environmental standards, particularly for wastewater discharge, recycled water and biosolids management.

The Essential Services Commission (ESC), the Victorian Government's economic regulator for essential utility services, regulates Western Water's prices, service standards and market conduct.

The Energy and Water Ombudsman Victoria (EWOV) receives, investigates and resolves enquiries and complaints against electricity and water suppliers across Victoria.

Objectives, functions, powers and duties

Under section 93 of the *Water Act 1989*, Western Water must have regard to the following principles:

- the need to ensure that water resources are conserved and properly managed for sustainable use and for the benefit of present and future generations
- the need to encourage and facilitate community involvement in the making and implementation of arrangements relating to the use, conservation and management of water resources
- the need to integrate both long term and short term economic, environmental, social and equitable considerations
- the need for the conservation of biological diversity and ecological integrity to be a fundamental consideration, and
- ensure that a lack of full scientific certainty is not used as a reason for postponing measures to address threats of serious or irreversible environmental damage.

In addition, under section 94 of the *Water Act 1989*, Western Water – in carrying out its duties – must act as efficiently as possible, consistent with commercial practice. The Corporation must also undertake research into its functions and educate the community.

This Annual Report provides a detailed review of how Western Water has addressed these objectives, functions, powers and duties during the 2019/20 financial year.

Nature and range of services provided

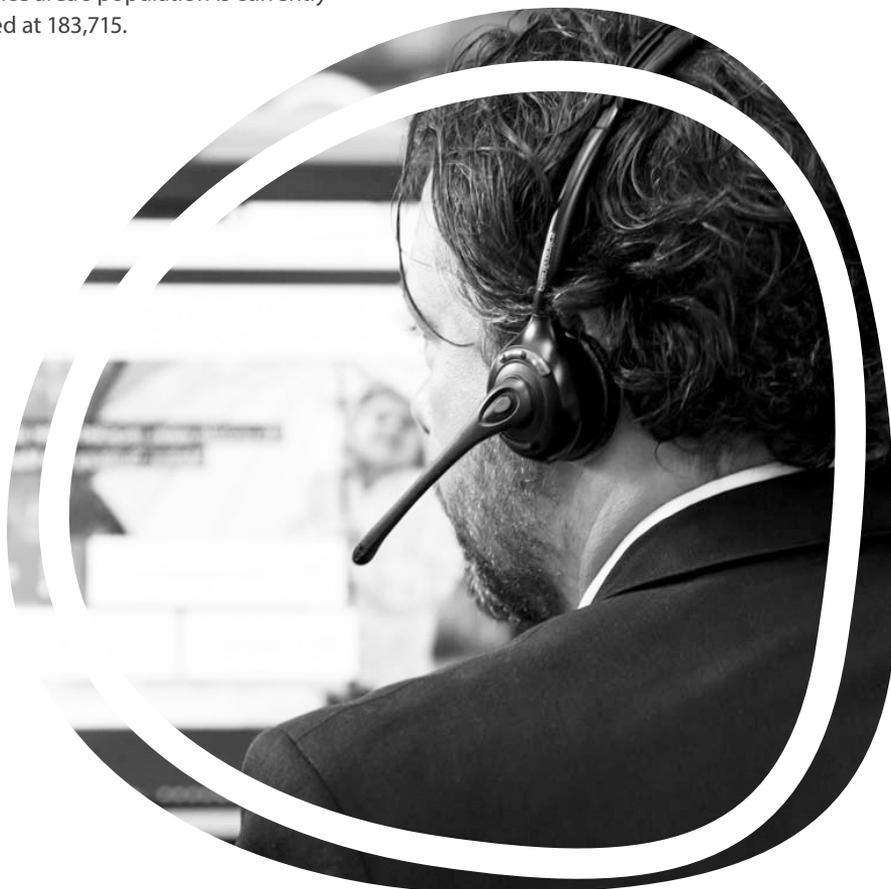
In 2019/20, Western Water provided water, sewerage and recycled water services to 77,487 serviced properties across a region of 3,000 square kilometres to the north-west of Melbourne.

Serviced properties grew by 6.4% during the year – primarily in new residential estates in and around Melton and Sunbury.

Strong growth in property numbers is forecast to continue over the next 25 years. The service area's population is currently estimated at 183,715.

Western Water's strategic framework reflects its focus on working with the community and partnering with stakeholders to achieve liveable growth and a developed economy.

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





**Year in
Review**

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Western V...

Foreword from the Chair and Managing Director

Western Water's 2019/20 Annual Report details our business performance for the reporting year and contains audited financial statements, statutory disclosures and other information.

The essential water and sewerage services that Western Water provides continue to meet the needs of thriving communities in our service region situated to the north-west of Melbourne. Western Water is delivering on our vision of Strong Communities, Growing Together, with our priorities and programs built around four strategic pillars of:

- delivering value for our customers
- contributing to our highly liveable, viable region
- caring for our environment, and
- leveraging our partnerships and technology to create future opportunities and value.

As a measure of the unprecedented urban growth within our region, a record high of just over five thousand new customers connected to our services in this reporting year.

Western Water ended the 2019/20 year in a sound financial position, achieving an operating result before tax of \$84.5 million. This operating surplus continues to be largely driven by cash and asset contributions received from land developers servicing the urban growth within our region. Our underlying result with the effect of non-cash asset contributions excluded was a \$9.4 million surplus before tax.

During the year, under our infrastructure expansion programs to service our growing region, Western Water invested a record \$83 million in works and procurement of assets, with our asset base now worth around \$1.2

billion. Our long-range infrastructure plans will see us investing at even higher levels in coming years.

Several achievements this year are worthy of note. Firstly, with the emergence of the global coronavirus (COVID-19) pandemic crisis in early 2020, Western Water successfully implemented extensive changes to our operations and programs to ensure the safety of our staff, contractors and the community without disruption to delivery of our services. Western Water also intensified the focus on supporting vulnerable customers heavily impacted by the pandemic to ensure all customers continue to have access to our essential services. The Western Water team is to be commended for adapting to and embracing the change that needed to occur.

Secondly, in June 2020 the Essential Services Commission determined the prices and tariffs for our services that come into effect on 1 July 2020, providing certainty with our charges for both customers and urban land developers over the coming three years.

Finally, in April 2020 Western Water welcomed the announcement of funding of up to \$48 million to be co-invested by the Commonwealth in our Western Irrigation Network project. This important regional initiative provides a recycled water supply scheme that enables and services a new irrigated agriculture precinct being established in the south-west of our region, which will greatly benefit our local and State economies.

At the end of September 2019, Board Directors Isabelle Higgins and Russell Walker OAM concluded their time with us, and Western Water acknowledges and thanks them for their valued contribution during their terms. Jude Holt, Liza McDonald and Les McLean were welcomed to our Board as new Directors.

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

Accountable officers' declaration

In accordance with the *Financial Management Act 1994*, we are pleased to present Western Water's Annual Report for the financial year ending 30 June 2020. The report is compliant with all statutory reporting requirements.



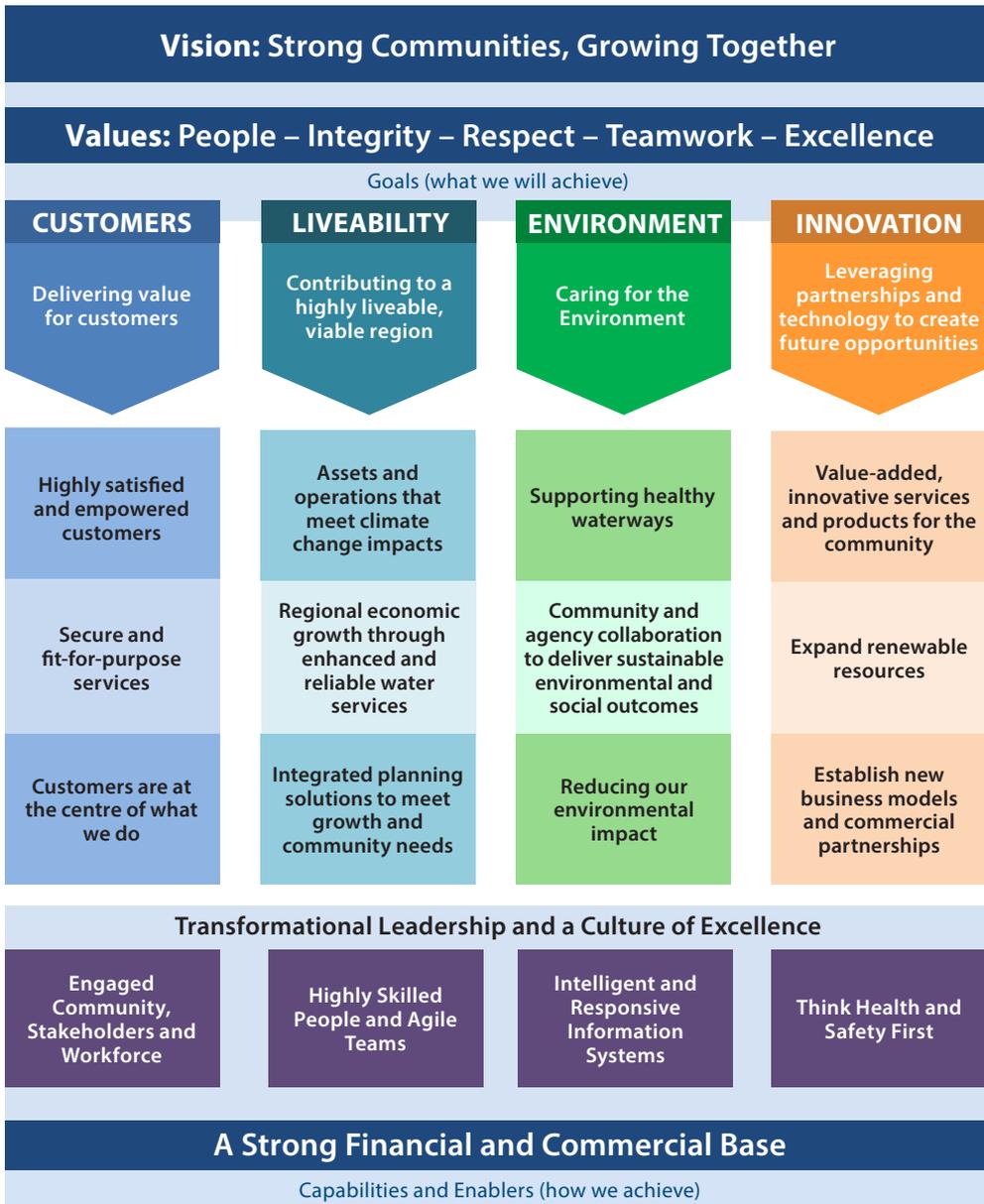
Andrew Cairns
Chair



Jeff Rigby
Managing Director
Accountable Officer

11 September 2020

Strategic framework



Our Vision

**Strong Communities,
Growing Together**

Our Values



People



Integrity



Respect



Teamwork



Excellence

United Nations Sustainable Development Goals

In 2019/20 Western Water became a signatory of the United Nations Sustainable Development Goals. By becoming a signatory to the global compact, Western Water is committed to supporting each of the 17 Sustainable Development Goals (SDGs). Our core business closely aligns with Goal 6 of the SDGs: *Ensure availability and sustainable management of water and sanitation for all.*

Western Water also acknowledges that we can all play a role at an organisational and individual level, in assisting to achieve all 17 goals. As an organisation, Western Water can have a direct impact on Goal 11: *Make cities and human settlements inclusive, safe, resilient and sustainable.* Western Water is involved in initiatives and undertaking projects that support sustainable development including:

- Western Irrigation Network Project
- Western Water Grid Expansion
- Sunbury’s Water Future.

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

- Melton Solar Array
- Waste to Energy: Melton Recycled Water Plant
- Liquid organic waste project

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



Strategic highlights

Key Achievements

\$83M new investment in capital projects to service our growing region

A strong focus on building our health and safety culture, including a significant reduction in our Total Recordable Injury Frequency Rate (TRIFR) by 91%

Launch of Western Water's Reflect Reconciliation Action Plan representing our organisation-wide commitment to reconciliation, to further develop our knowledge and understanding of Aboriginal and Torres Strait Islander culture and to enhance our relationships with Aboriginal and Torres Strait Islander communities

Concluded the customer and community deliberations for Sunbury's Water Future

Commissioning of the 500kW solar array at the Melton Recycled Water Plant

Launch of 2 major customer service innovations – the My WesternWater customer portal and inbound SMS communications

Increased our water entitlements in the Merrimu Reservoir and acquired 5 gigalitres of water through a trade with Barwon Water

Established a joint work program under the Memorandum of Understanding with City West Water

Delivered the Optimisation of Asset Management project – enabling Western Water to make better investment and maintenance decisions

2020-2023 Price Determination

Coronavirus (COVID-19) response

Western Water established a Pandemic Committee and supporting Incident Management Team on 4 March 2020, in preparation for coronavirus (COVID-19).

The committee included management and executive representatives across the key areas of the business. Two further sub-committees were also established to support staff wellbeing, recovery and transition to the new normal ways of working.

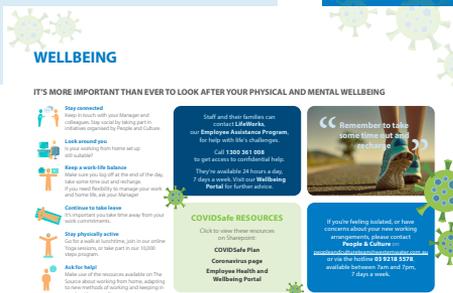
The committee's initial focus was to safely and efficiently deploy as many staff as possible to work from home and ensuring staff who were required to attend the office or worksites remained COVIDSafe through physical distancing and other hygiene and safety measures.

Western Water's pandemic response is underpinned by its:

- COVIDSafe Plan which provides controls to prevent risk or transmission and guidance for health and wellbeing, safety online and remote working.

- COVID-19 incident response plan to deal with potential or confirmed COVID-19 case(s) within a workplace.
- Business Continuity Plans to ensure critical services are delivered during a disruption such as loss of staff and to define actions to prevent loss of service around our corporate objectives.
- These documents provide consequences realised or envisaged due to COVID-19 and associated recovery and transition steps to capture learnings, adopt efficiencies gained and further enhance employee work life balance needs.

Western Water also responded to the fast-moving pace of the pandemic with several innovative initiatives. Two-way text messaging (SMS) with our customers became a popular means of communication, our lab team produced hand sanitiser for staff at a time when the product was unable to be purchased in stores and Western Water swiftly moved all meetings to online platforms like MS Teams and Zoom, with minimal or no disruption to business activities.



Major projects

Western Water has been focused on delivering outcomes that support our strategic priorities. In 2019/20 Western Water focused on:

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

The following major projects demonstrate our commitment to our vision: strong communities, growing together.

Western Irrigation Network

Over many years, Western Water has actively explored options for managing the large excess reserves of Class C recycled water which will result from strong population growth in Melton, Bacchus Marsh and Sunbury.

In June 2019, Western Water's Board endorsed the Western Irrigation Network (WIN) as its preferred solution due to the benefits it delivered to the whole community including:

- providing a new, secure source of water for agriculture in Melbourne's west
- protecting local waterways for future generations, and
- offering the best value for our customers.

The project's Business Case was endorsed by the Victorian Government Minister for Water

and the Victorian Treasurer in December 2019.

WIN is a \$116 million infrastructure project that will demonstrate the value of alternative water sources for large-scale agricultural use in Victoria, transforming 4,500 hectares of dryland farms into a thriving irrigation district. For this reason, the Federal Government announced in April 2020 that it would contribute \$48 million in co-funding towards the project, through its National Water Infrastructure Development Fund. Western Water and Parwan-Balliang region farmers will contribute the remaining funds.

Implementation for WIN is now set to commence with a range of works in development including interconnector pipelines between the Melton, Sunbury and Bacchus Marsh recycled water plants, new recycled water pump stations and storages, and the irrigation supply network to deliver recycled water to the Parwan-Balliang district. By July 2022, WIN will commence supplying up to 2,400 million litres of recycled water in its first year. The scheme is designed to grow in capacity with the region's population and could supply up to 19,000 million litres of recycled water per year by 2050.

Western Water acknowledges the vital support provided by both the Victorian and Federal Governments to progress WIN.

Western Water Grid Expansion

Western Water faces a major challenge in balancing water demand and supply within our region due to urban growth and climate change impacts. To ensure security of supply for our growing community, Western Water

completed a feasibility study to expand the drinking water supply and grid, which led to the development of a strategic business case for the Water Grid Expansion project. The project was undertaken in partnership with DELWP and included engagement with neighbouring urban water corporations and Southern Rural Water.

The feasibility study explored options to:

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

The project has established an infrastructure investment pathway for securing water supply over the next 10-15 years. It has also highlighted the need to continue planning work now for further exploring the water supply options available beyond this timeframe and the investment needed to keep these options open. Western Water is continuing this long-term planning work via technical investigations, Integrated Water Management Forums, update of the Urban Water Strategy and the renewal of the Central and Gippsland Region Sustainable Water Strategy.

The Water Grid Expansion Strategic Business Case was submitted to the Victorian Government in May 2020 and to contributing project stakeholders.

Sunbury's Water Future

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

In May 2019, after an initial online survey, a community deliberative panel was established to respond to the question: What water management options are best for our community and the environment? The panel prepared a report with nine recommendations which the collaborative project team has reviewed. The project team is further scoping the technical requirements of the recommendations and compiling the recommendations into portfolios of solutions for the region. Western Water and Melbourne Water will then provide the portfolios to the panel.

Optimised Asset Management Program

In early 2018, Western Water commenced an initiative called the Optimisation of Asset Management Project to improve and modernise our asset management system and

practices. Being one of the major strategic initiatives that affects all parts of Western Water, it underpins the transformation of the business and provides the foundations for enhanced asset management. The project was successfully completed in June 2020.

Western Water's infrastructure assets play a vital role in delivering affordable services and benefits to Western Water's customers. The journey to transform from an ad-hoc and reactive approach to asset management to a systemised and proactive one has begun.

Key deliverables and achievements across nine work packages included:

- Physical validation of all our above ground assets
- An electronic system for preventative maintenance activities
- Integration of the key Asset Management Information Systems
- Remote data entry via a mobility tool
- Development of a Strategic Asset Management Plan (SAMP)
- Asset Management Plans covering 75% of Western Water's asset value, and
- Asset risk framework, guidance note and risk models developed.

Embedding the outcomes of this project across Western Water's business areas has commenced.

Waste to Energy: Melton Recycled Water Plant

Western Water is committed to reducing greenhouse gas emissions and reducing the overall amount of waste to landfill. The inclusion of food waste into the anaerobic

digestion process for sewage treatment adds to the generation of biogas. This extra biogas can then be used as a renewable energy source. The Waste to Energy project at Melton's recycled water plant aims to benefit the community through:

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

Western Water's Board has approved an investment of \$3.5M in the Melton Waste to Energy facility, of which \$0.8M is funded by Sustainability Victoria. The investment includes an upgrade of two additional cogeneration turbines and a liquid waste receival station. All required regulatory approvals have been obtained and contracts awarded for construction.



Business at a glance

Table 1: Business at a glance

Properties	2019/20
Serviced assessments (including vacant land)	77,487
Serviced assessments (vacant land)	5,201
Water Supply	
Connected water customers	72,286
Residential	68,886
Non-residential	3,400
Water consumption (ML)	16,143
Residential consumption (ML)	12,257
Non-residential consumption (ML)	2,420
Non-revenue water (ML)	1,465
Sewer Service	
Serviced sewer customers	71,121
Connected sewer customers	66,238
Sewage treated (ML)	11,432
Recycled Water Supply	
Recycled water customers	3,962
Residential users (Class A)	3,838
Rural Property users (Class B)	46
Non-residential users (Classes A, B or C)	78
Recycled water produced (ML)	9,151
Percentage reused	57%

Table 2: Assets

Water Supply	2019/20
Reservoirs and service basins	17
Bulk water entitlements	10
Groundwater bores	7
Water filtration plants	7
Chlorination plants	17
Water storage tanks	35
Water pump stations	42
Water mains (km)	2,283
Sewerage treatment and recycled water supply	
Recycled water plant	7
Recycled water winter storages	4
Sewer pump stations	70
Sewer mains (km)	1,481
Recycled water mains (km)	272

Financial performance

Western Water delivered a profit before tax result of \$84 million for 2019/20 compared to our Corporate Plan budget of \$66 million, and 73% above the previous year.

The strong financial performance was due to a combination of higher than expected residential development activity - leading to above budget revenue growth in service and usage charges and developer contribution fees, and our continued focus on cost management. Assets received from developers accounted for \$71 million of Western Waters \$196 million revenue, \$24.5 million above the Corporate Plan budget and 75% above the previous year. This is significant as this is non-cash revenue,

however, it results in Western Water paying additional income tax equivalent to the Victorian Government. During 2019/20, Western Water paid income tax equivalent of \$25.4 million, 69% higher than the previous year.

Our capital works investments, predominantly related to servicing connections for growth, totaled \$83 million – being \$13 million higher than the amount invested in the previous financial year.

Funding of investments was achieved through a combination of developer cash contribution fees received and an increase in debt funding of \$57.25 million during the year.

Table 3: Financial Summary 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue	193,959	148,608	123,229	100,758	101,916
Expenses	109,464	99,664	89,874	85,767	83,378
Net profit before tax	84,495	48,944	33,355	14,991	18,538

Service Area





**Governance &
Organisational
Structure**

Organisational structure and corporate governance arrangements

Western Water's executive management team is comprised of experienced professionals committed to achieving our corporate and strategic objectives.

The team, which is accountable to the Board, is led by Managing Director, Jeff Rigby, and consists of General Managers in five divisions:

- Business Services
- Infrastructure and Water Resources
- Customer, Community Relations and Operations
- People, Culture and Digital Technology, and
- Strategy and Innovation.



Jeff Rigby, Managing Director

BEng Civil, MEng Sc, MBA, CPEng, FIEAust, EngExec, NER, FAICD, FGIA, FCIS

Responsible for leading and managing the organisation, Jeff was appointed Managing

Director by the Board and commenced at Western Water in March 2019.

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

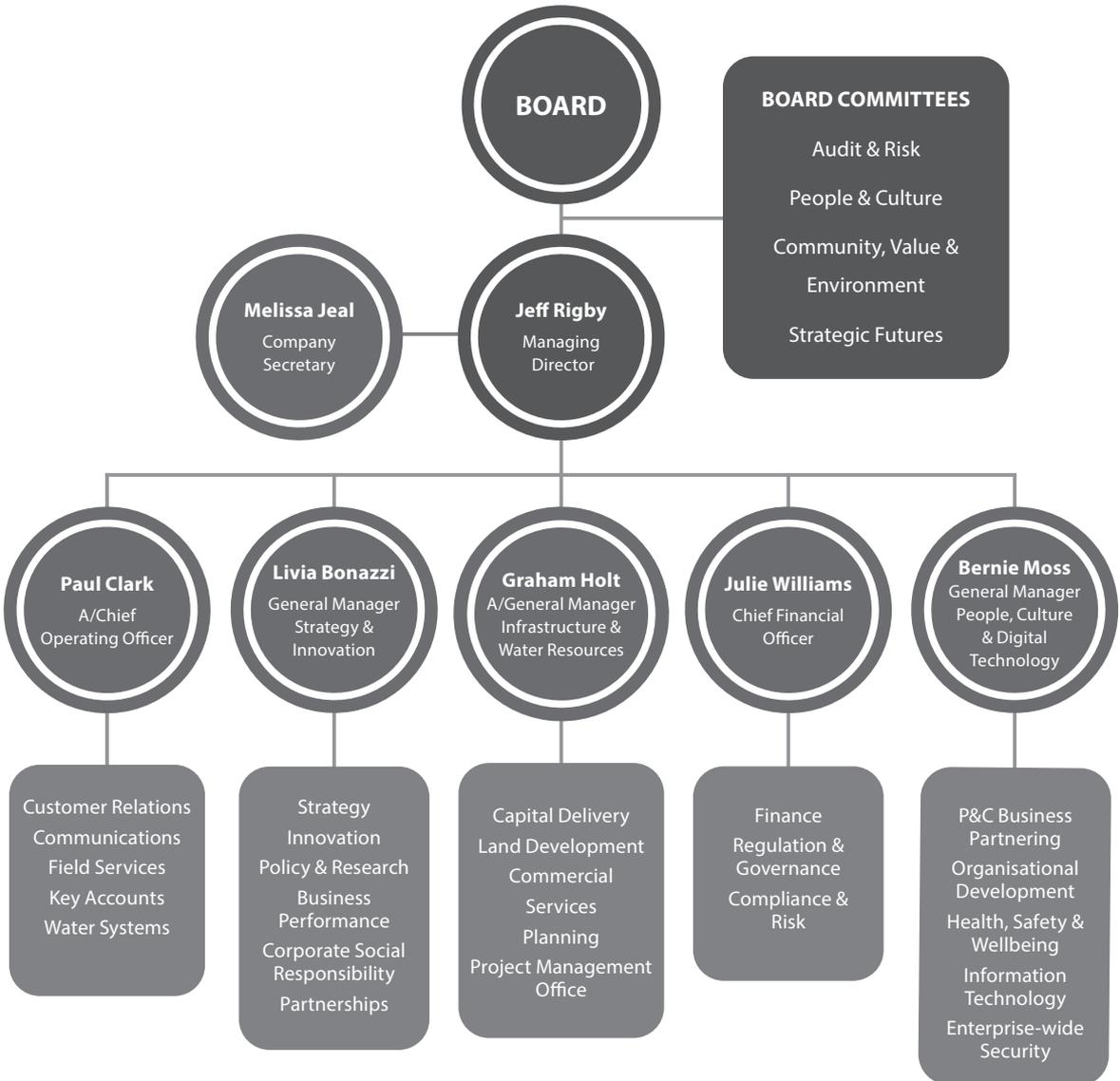
Jeff has 34 years of experience working in the water industry in regional Victoria. He was the Managing Director of Grampians Wimmera Mallee Water from 2007 prior to joining Coliban Water.

Jeff was a Board Director of VicWater, the State association for the water sector during 2019. He also serves as a Board Director of Castlemaine Health, a regional public hospital.

Jeff is a chartered professional engineering executive and chartered secretary.

Organisational chart

Chart 1: Organisational chart as at 30 June 2020



Board and committees

Board of Directors

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

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

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

As at 30 June 2020 the Board comprised of eight non-executive Directors (including the Chair) and a Managing Director:

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

The Board of Directors met ten times during 2019/20.

Andrew Cairns (Chair)

Appointed October 2017

Committee Membership

People & Culture (Chair)
Strategic Futures (Chair)

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

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

Dr Jane Doolan (Deputy Chair)

Appointed October 2013

Committee Membership

People & Culture
Strategic Futures

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

Jane has more than 27 years' experience in the sustainable management of catchments and

water resources. She was also a Commissioner with the National Water Commission and was a Director with eWater Ltd.

Claire Filson

Appointed October 2017

Committee Membership

Audit & Risk (Chair) Community, Value & Environment

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

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

Jude Holt

Appointed October 2019

Committee Membership

Audit & Risk People & Culture

Jude has had 25 years' experience in senior management and executive positions in local government and on the Coliban Water senior management team. She holds a Bachelor of Business, a Graduate Diploma of

Applied Corporate Governance, a Graduate Certificate in Applied Risk Management, is a Fellow Member of the Governance Institute of Australia, and a Graduate of the Australian Institute of Company Directors Course. She is currently a Board Director of Inglewood & Districts Health Service and CVGT Australia and is the Executive Manager Organisational Capability of Mount Alexander Shire Council where she has responsibilities for risk and safety, people and culture, governance and business improvement.

Liza McDonald

Appointed October 2019

Committee Membership

Community, Value & Environment Strategic Futures

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

Michael McGarvie

Appointed October 2015

Committee Membership

Audit & Risk Community, Value & Environment

Michael is a Senior Project Adviser to Jesuit Social Services in ecological responses to

community disadvantage. He was Adjunct Professor at Monash University Law School between 2017 and 2019, and between 2009 and 2017 held the position of Victorian Legal Services Commissioner and Chief Executive Officer of the Legal Services Board, the regulator of the Victorian legal profession. He was the Chief Executive Officer of the Supreme Court of Victoria from 2006-2009. During Michael's private sector legal career, he was a solicitor, then partner at the law firm, Holding Redlich, for 23 years.

Michael is a recreational landscape gardener and registered apiarist as well as a Graduate in Strategic Management of Regulatory and Enforcement Agencies from the John Kennedy School of Government, Harvard, and a graduate of the Australian Institute of Company Directors.

Les McLean

Appointed October 2019

Committee Membership

Audit & Risk Strategic Futures

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

Les is currently Board Director and Audit Committee Chair of the Port Phillip and Westernport Catchment Management Authority. Previously, Les has been past President and Committee Member of the Institute of Water Administration Inc. (IWA), AgriWest Inc., and the Sunbury Little Athletics Centre Inc. Les was a member of Western Water's senior Executive Management Team from June 2006 to April 2014, holding the roles of Executive General

Manager Commercial Services and Executive General Manager Strategy and Performance.

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

Llewellyn Prain

Appointed October 2015

Committee Membership

Community, Value & Environment (Chair) People & Culture

Llewellyn has worked as a commercial litigation lawyer and in senior roles at a number of government agencies. She has extensive experience in developing and communicating public policy. Llewellyn is an experienced company director and currently serves on boards in the health, water and alternative dispute resolution industries. Llewellyn was an inaugural Director of cohealth, one of the largest community health organisations in Australia.

She is a member of the VicWater Diversity and Inclusion Steering Committee and is the founding Chair of WaterAble, a network for people with disability and their allies in the Victorian water industry.

She completed the Williamson Community Leadership Program in 2017 and is a fellow of the Australian Institute of Company Directors. Llewellyn is an associate of the Nous Group and provides consulting services in public policy, diversity and inclusion.

Committees of the Board

The Board has established four Board committees to assist in carrying out its corporate governance functions. Each Board committee is chaired by a Board Director and operates under approved terms of reference. Committee members are chosen for their skills, experience and other relevant qualities.

Board committees are entitled to resources and information required to fulfil their responsibilities. This includes access to Western Water staff and the Managing Director, members of the Executive and

other staff, who attend committee meetings as required. All Board Directors receive committee agendas and can attend all meetings, subject to reviewing any conflict of interest requirements.

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

<p>Audit & Risk Committee</p>	<p>Assists the Board in fulfilling its responsibilities by reviewing all matters related to corporate finance, auditing functions, review of financial statements and accounting policies. The committee also considers compliance with legislation and other activities and procedures, including insurance and risk management.</p> <p>All members of the Committee are independent.</p>
<p>Community, Value & Environment Committee</p>	<p>Assists the Board in ensuring effective, open and transparent engagement with customers and the community about Western Water’s operations and strategies, that the services it provides create a healthy, liveable and sustainable environment and that the investment in infrastructure, assets and systems to deliver the services represents value to customer and community.</p>
<p>People & Culture Committee</p>	<p>Assists the Board with oversight of OH&S, culture, leadership development, succession planning, continuous improvement and induction, as well as remuneration.</p>
<p>Strategic Futures Committee</p>	<p>Assists the Board to examine how Western Water efficiently services growth and supports liveability in the West in an affordable manner for customers and the community that ensures quality, safety, value and certainty while improving economic, social, environmental, cultural and prosperity outcomes in the western region.</p>

Table 4: Board meeting and committee meeting attendance

Board Directors	Board		Audit & Risk Committee		People & Culture Committee		Community, Value & Environment		Strategic Futures Review Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
A. Cairns	11	11			4	4			3	3
J. Doolan	10 (i)	11			4	4			3	3
C. Filson	10	11	6	6			3	3		
J. Holt	7	7	4	4	2	2				
L. McDonald	7	7					3	3	3	3
L. McLean	7	7	4	4					3	3
M. McGarvie	10 (i)	11	6	6			3	3		
L. Prain	11	11			2	2	3	3		
J. Rigby (ii)	11	11	6	6	4	4	3	3	3	3
R. Walker OAM	3	3	2	2						
I. Higgins	2 (i)	3								

(i) Leave approved by the Board

(ii) The Managing Director has a standing invite to attend Committee meetings. However, he is not a member of any of the Board Committees

Our people

Western Water exists for our customers, enabled by our people, and deliver our essential services via the various assets we manage. Our people are passionate, highly engaged and dedicated to what they do. Achieving an 84% engagement rate and 88% job satisfaction score in our recent employee survey further validates Western Water as a great place to work.

Despite these excellent survey results, this year has been one of challenge for our people with the COVID-19 pandemic proving to be a significant disruptor to how Western Water operates as a business. Being an essential service, we must stay focused and ensure our customers continue to receive the services they require. Our people have done exactly that – they remained focused, agile and supportive of one another – a great demonstration of our core value of teamwork.

The wellbeing of our people has been paramount during this time, with many initiatives put in place. From a recent remote working survey, 98% of people reported that they felt 'Western Water is demonstrating a strong health, safety and wellbeing focus during the pandemic' (2% were neutral) The delivery of our two-year Health & Safety program continued this year with a number of significant projects being delivered. The success of the program has been well illustrated by a 91% reduction in our recordable injury rate (TRIFR) which is a significant achievement.

Despite the disruption of the pandemic, Western Water commenced our 'future of work project' where we have started to explore new ways of working and the development of a new strategic workforce plan. Developing this will lead to the creation of a new People and Culture strategy, aimed at enabling our workforce to adapt and change.

Our focus on retaining and attracting the best people has also been a key element of our people strategy this year and our talent pipeline continues to be a critical area of focus. Western Water has taken a more targeted approach this year to ensure we have a better appreciation of the individual performance, potential and development needs of our people. Taking this approach will help us drive good performance outcomes by tailoring new development opportunities and programs to individual needs.

Developing Our People

Our commitment to providing training and professional development opportunities to our people has continued this year, with employees participating in a range of leadership and technical training. Our focus has been on delivering health and safety leadership training to all our people to build their competence and understanding of workplace risks. Employees have also continued to actively participate in a range of professional development opportunities within the water sector in their areas of professional expertise. This participation enables our people to leverage industry knowledge, explore new technologies and to grow our workforce knowledge and capability.

Diversity and inclusion

Our approach to diversity and inclusion affirms that embracing differences enriches group thinking, creativity, and enables a more productive work environment, which ultimately leads to everyone feeling valued and able to contribute their best. Diversity and inclusion are an important part of who we are at Western Water.

Western Water will continue to explore new opportunities where we can further enhance and build on our diverse and inclusive culture, generating greater awareness and acceptance of differences within our workforce, and better connections and appreciation of the diverse people within the communities we serve.

Executive officer disclosures

At 30 June 2020, Western Water’s executive officers comprised of:

- five General Managers, and
- one Senior Manager.

As at 30 June 2020 one General Manager role was being performed by a Senior Manager in an acting General Manager capacity while awaiting the appointment of the new General Manager, and therefore no positions were vacant at 30 June 2020.



Over the course of the financial year, remuneration received, or due and receivable

from Western Water, by seven* executive officers in connection with the management of Western Water, totalled \$ 1,249,898.

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

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

Comparative workforce data

Western Water aims to attract, engage, develop and retain talented and committed people. At 30 June 2020, 185.8 full-time equivalent (FTE) people were employed in a variety of roles including professional, technical, trade and administration.

The employee base includes all permanent, casual and temporary employees, excluding Board Directors. Not taking vacancies into account, the total employee base has increased by 16.8 FTE from the previous year.

Table 5: Workforce composition by function - 2 years

	2019/20			2018/19		
	Male	Female	Self-described	Male	Female	Self-described
Board Directors	4	4	0	3	4	0
Managing Director/ General Managers	4	2	0	4	2	0
Managers	13	9	0	11	7	0
Operational, administration and field staff	101	66	0	91	62	0
Total employees*	121	81	0	109	75	0
Full time equivalent employees	114.8	71	0	104	64.5	0

*total includes Board Directors

Table 6: Workforce demographic data 2019/20

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

* not including Board Directors

Notes:

- (i) All figures reflect employment levels during the last full pay period in June of each year.
- (ii) Excluded are those on leave without pay or absent on secondment, external contractors/consultants, and temporary staff employed by employment agencies, and a small number of people who are not employees but appointees to a statutory office, as defined in the Public Administration Act 2004.
- (iii) Ongoing employees includes people engaged on an open ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.
- (iv) The increase in headcount and FTE between 2018/2019 to 2019/20 is primarily in operational areas (banded 4 and 5 levels in Customer and Operations) due to increased customer growth.
- (v) Employees are classified as follows "Western Water (Band 2 – 8) employees covered by the Western Water Enterprise Agreement 2017.
- (vi) 'Senior employees' are classified as employees covered as Senior Executive Officers covered by individual employment contracts and the Western Water Enterprise Agreement 2017. "GSERP" are employees covered by individual employment contracts only.
- (vii) 'Executives' refers to a person who is employed as an executive under Part 3 of the Public Administration Act 2004 (PAA), or is a person whom the Victorian Government's Policy on Executive Remuneration in Public Entities applies.

Table 7: Workforce demographic data - 2018/19

		June 2019								
	All employees		Ongoing			Fixed term and casual				
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE			
Demographic data	Gender									
	Women	71	64.5	42	19	55.3	11	9.2		
	Men	106	104.0	90	4	92.2	12	11.8		
	Self-described	0	0.0	0	0	0	0	0.0		
	Age									
	15-24	10	9.5	9	1	9.5	0	0.0		
	25-34	36	33.6	25	4	27.5	7	6.1		
	35-44	44	41.6	33	6	36.7	5	4.9		
	45-54	50	48.6	37	6	41.6	7	7.0		
	55-64	32	31.2	26	4	29.2	2	2.0		
65+	5	4.1	2	2	3.1	1	1.0			
Classification data	Western Water Bands 2-8									
	Band 2	0	0.0	0	0	0	0	0.0		
	Band 3	10	9.5	8	1	8.5	1	1.0		
	Band 4	49	44.2	33	11	40.1	5	4.1		
	Band 5	25	24.8	21	1	21.8	3	3.0		
	Band 6	35	33.8	30	5	33.8	0	0.0		
	Band 7	19	18.6	16	1	16.6	2	2.0		
	Band 8	11	10.5	10	1	10.5	0	0.0		
	Senior employees									
	SEO	21	20.1	14	6	16.2	4	3.9		
GSERP	7	7.0	0	0	0.0	7	7.0			
Total employees*	177	168.5	132	23	147.5	22	21			

* not including Board Directors

Notes:

- (i) All figures reflect employment levels during the last full pay period in June of each year.
- (ii) Excluded are those on leave without pay or absent on secondment, external contractors/consultants, and temporary staff employed by employment agencies, and a small number of people who are not employees but appointees to a statutory office, as defined in the Public Administration Act 2004.
- (iii) Ongoing employees includes people engaged on an open ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.
- (iv) The increase in headcount and FTE between 2018/2019 to 2019/20 is primarily in operational areas (banded 4 and 5 levels in Customer and Operations) due to increased customer growth.
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- (vii) 'Executives' refers to a person who is employed as an executive under Part 3 of the Public Administration Act 2004 (PAA), or is a person whom the Victorian Government's Policy on Executive Remuneration in Public Entities applies.

Our health, safety and wellbeing

Western Water has a genuine culture of care – we care about what we do, we care about each other. There is no exception to this when it comes to the health, safety and wellbeing of our people - we care and we want our people to be free from harm and go home and come to work safe each day.

Western Water have continued to build on our culture of caring and the delivery of our two-year health & safety program. Now entering its second year the program has successfully delivered 25 projects which aim to enhance our work practices, improve our safe systems of work and continue to build on our safety culture.

The program is having the desired impact with our key safety measure, the Total Recordable Frequency Rate (TRIFR), reducing by 91% over a 15-month period. Western Water also achieved zero lost time injuries over the past 12 months. These statistics are a fantastic outcome for our people and demonstrate their renewed commitment to health and safety. Our TRIFR is currently 3 injuries per one million hours worked, however it is more than just a statistic- it is about our people – it's about continuing our safety cultural journey and continuing to make Western Water a safe place to work.

Below is an outline of some of the Health, Safety and Wellbeing projects delivered over the past year:

- Safety Leadership and Culture training – all employees attended this safety leadership program as all our employees are considered to be leaders in safety,
- Our Safety Essentials - a set of six key behavioral requirements that helps set minimum expectations and assists in building on the 24/7 safety culture of care,

- Risk Discovery Project – identification of core and non-core work activities that present a risk to the health and safety of our people and the implementation of robust controls,
- Safety compliance training - review, refresh and enhance the program offering to ensure Western Water builds on and improve the skills, competence and qualifications of our people whilst also ensuring we meet our OHS legal requirements,
- Wellbeing Program – formation of a Wellbeing Committee with various initiatives undertaken such as health monitoring, September challenge, nutrition information, mental wellbeing sessions, multiple initiatives raising funds for charities, blood donation and several lunch and learn sessions,
- Hazard Reporting – ‘Safety on tap’ new reporting application created by Western Water for reporting incidents. Improved hazard and incident management processes and systems which has seen an increase in proactive reporting of hazards and near misses,
- Safety Compliance - commenced a review program of our OHS legal obligations with a view to improving safety compliance, and:
- Successful maintenance of our certification to AS4801.

In addition to projects completed as part of our new safety program, the COVID-19 pandemic has led to additional projects being undertaken to manage this new risk such as:

- Our industry leading COVIDSafe Plan and booklet
- Various Work Instructions
- Coronavirus information intranet page

Workplace incidents

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

There were 19 incidents and 40 hazards reported in 2019/20. Of the 19 incidents:

- none of these were lost time injuries,
- 5 were minor injuries requiring first aid or medical treatment, and
- 14 required no treatment or were near miss reports.

The number of workplace incidents per 100 FTE improved from 12 in 2018/19 to 10 in 2019/20. This continues a trend of improvement over the last 3 years.

The Total Recordable Injury Frequency Rate (TRIFR) has continued to improve from 40 in 2016/17, 22 in 2017/18, 19 in 2018/19 and 3 in 2019/20.

WorkCover claims

Standard WorkCover claims decreased to three this year compared to nine in the previous financial year. The number of minor claims decreased from two in the previous financial year to one this financial year. The total number of new standard claims for 2019/20 is two less than the five-year average.

WorkCover lost days

During the reporting period, the number of lost time injuries improved with no lost time injuries reported when compared to the previous financial year of three.

The number of WorkCover lost days has remained steady at 381 days compared to 382 days in the previous financial year. All of these days lost were as a result of injuries that occurred during previous financial years but during 2019/20 required time off for medical intervention.

Table 8: Workplace incidents (total and per 100 FTE) - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Workplace incidents – total	19	21	36	31	18
FTE staff	185	169	161	161	151
Workplace incidents - per 100 FTE	10	12	22	19	12

WorkCover premiums

WorkCover premium increased by \$16,708 or 8% in 2019/20 from the prior financial year. Premiums are based on the application of industry rates, wages and claims history.

WorkCover average cost per claim

The actual claim cost in 2019/20 was \$417,386, up from \$148,587 in 2018/19. Payments made on just the new claims submitted for 2019/20

was only \$5,094. This highlights a substantial amount of costs related to historical claims including lump sum payments. The nature of the claims payments made also results in a decrease in the outstanding claim estimates from \$313,513 last financial year to \$49,152 this reporting period.

The average cost per claim in 2019/20 was lower at \$18,082 compared to the previous financial year of \$51,344.

Table 9: WorkCover claims - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
New standard claims	3	9	8	5	2
New standard claims per 100 FTE	2	5	5	3	1
New minor claims	1	2	3	5	6

Table 10: WorkCover lost days - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Lost time injuries	0	3	3	4	5
Lost time injury days	381	382	87	75	81

Table 11: WorkCover premiums (\$) - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Premiums	213,558	196,849	117,744	72,081	95,404

Table 12: Average Cost Per Claim (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe)

	2019/20	2018/19	2017/18
Average cost per claim	18,082	51,344	39,958



Operations Report

Capital projects



Servicing the rapidly growing residential precincts in the region requires significant investment by Western Water. Serviced properties in the region grew by 8%. Investment in core infrastructure aims to meet current and future development needs while maintaining standards of service for existing customers and protecting the environment.

The business delivered \$83 million of capital works in 2019/20, building on the \$69.6 million investment in the previous financial year. This investment ensures the service region has efficient, modern and innovative water, sewage and recycled water services to meet customers' present and future needs.

Major capital works projects undertaken during the reporting period included \$3.0 million on the construction and commissioning of Stages 2 and 3 of the Bacchus Marsh Northern Trunk Sewer Duplication, augmenting existing infrastructure to service growth, as well as \$2.4 million on the completion and commissioning of the Aintree Sewer Pump Station and Rising Main in Rockbank, ensuring new sewer infrastructure to service future populations.

Other major capital works with significant expenditure during 2019/20 included:

- \$3.3 million on Melton to Bacchus Marsh Recycled Water Interconnection
- \$3.0 million on the Sewer Spill Prevention Program, in various locations
- \$2.2 million on Taylors Road Watermain, Plumpton
- \$2.1 million on Diggers Rest Outfall Sewer

- \$1.5 million on development of the Western Irrigation Network
- \$1.0 million on the Tame St Sewer Pump Station Upgrade, Diggers Rest

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

With a rapidly growing population in the service region, Western Water expects to invest as much as \$100 million annually in capital works over the next decade. As such, preparation for business cases, approvals and tenders is being undertaken for upcoming investments.

Major capital works planned for 2020/21 include:

- \$11.8 million on development of the Western Irrigation Network, Bacchus Marsh/Balliang. Development of this major project is designed to provide a more resilient management system for recycled water, the design of which uses adaptive planning principles.
- \$10.9 million for the implementation of the Grant Street Sewer Pump Station (SPS) Upgrade and new Rising Mains, located in Bacchus Marsh. Construction will continue on the upgrade, servicing new growth in East Maddingley by replacing the existing Grant Street SPS and diverting a third of sewage flows away from the existing Avenue of Honour SPS via a dedicated rising main from Grant Street to the Bacchus Marsh RWP. The works will avoid the need to upgrade the capacity of the Avenue of Honour pump station and rising main, including upstream sewers within the Bacchus Marsh township.

- \$7.2 million on Melton to Bacchus Marsh Interconnection. With the projected growth in Western Water’s southern region, in the catchments of both Melton and Bacchus Marsh Recycled Water Plants (RWPs), Western Water has been investigating options for reuse of the additional volumes of recycled water that are becoming available.
- \$5.2 million on the Hopkins Road Outfall Sewer, located in Mount Atkinson. New stages of Mt Atkinson estate have been released and require 2.7km of new 450mm and 600mm diameter gravity sewers and associated works to cater for the increased flows, in accordance with developer servicing plans for the area.
- \$3.8 million on Melton Recycled Water Plant (RWP) Primary Sedimentation Tank #3. Construction will commence on this major project to add a third primary sedimentation tank to service population growth and to continue producing a treated effluent of the required quality and avoiding negative environmental impacts.
- \$1.7 million on the Gisborne RWP Repurposing Maturation Lagoon #1. Construction will commence to install a new HDPE membrane liner to repurpose an existing maturation lagoon to a stormwater retention basin.
- \$0.5 million on the Sunbury Outfall Sewer Duplication. Construction will commence on this major project to duplicate the existing outfall sewer from near Sunbury Road to the Sunbury RWP to cater for additional peak wet weather flows due to growth in Sunbury.

Table 13: Capital works investment (\$M) - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Capital Works Investment \$M	83.0	69.6	62.2	65.1	35.5

Water consumption and drought response

Reservoir levels

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

Local reservoirs supplied 23% of all the drinking water demand in the region in 2019/20, which was down from 28% in the previous financial year. The decrease in the volume of local supply used compared to the previous financial year is due to the upcoming works at Loemans Road WPS. These upgrade works brought forward the Melbourne Water transfer, which began at the start of March rather than the end of April as usual. The balance of supplied drinking water was sourced from the Melbourne system.

Total drinking water consumption

Water consumption in Western Water’s service region decreased by 2% to 16,140 million litres during 2019/20 compared to 16,477 million litres in the previous financial year.

The service area population is estimated to be 183,715, based on an average household density of 2.67 people per household. The estimated service area population increased by approximately 11,000 from the previous reporting period.

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

Table 14: Major reservoir levels (% capacity) - 10 year

	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Rosslynne Reservoir	22%	19%	24%	38%	15%	44%	76%	85%	72%	66%
Merrimu Reservoir	33%	31%	37%	50%	10%	29%	63%	76%	78%	85%

Table 15: Regional water consumption (ML) and population - 10 years

	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Consumption (ML)	16,140	16,477	15,284	13,775	14,357	13,101	12,648	12,830	11,260	10,251
Population	183,715	172,506	160,339	153,358*	163,401	161,447	159,813	158,290	155,431	150,664

*Adjusted population figures due to recalculation based on census data

Consumption by district

Constant monitoring of water consumption at the town level and, in some cases, smaller district areas within towns, allows Western Water to be continually aware of its region's water demand.

Further, this comprehensive data can alert Western Water to sudden changes in demand which can indicate bursts or leaks within the reticulation system.

Consumption of recycled water is also monitored and included in Table 18.

Table 16: Total residential drinking water consumption - 2019/20

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Daily consumption (average ML)	26	30	27	35	39	43	38	37	33	29	30	29
Monthly consumption (ML)	802	930	799	1,076	1,158	1,344	1,163	1,062	1,031	874	943	861

Table 17: Average Annual drinking water consumption (average over five yr. period)

	2019/20	2018/19	2017/18	2016/17	2015/16
Annual Drinking Water Consumption	15,207	14,599	13,833	13,342	12,839

Table 18: Water consumption by district - 2019/20

	Bacchus Marsh	Sunbury/Macedon Ranges	Melton/Eynesbury	Romsey/Lancefield	Total
Residential water customers	9,177	26,499	30,400	2,810	68,886
Residential water consumption (ML)	1,841	4,694	5,215	507	12,257
Residential per capita consumption (litres/person/day)	205	181	176	185	183
Non-residential water customers	537	1,670	1,012	181	3,400
Non-residential water consumption (ML)	347	918	1,061	95	2,421
Non-revenue water (ML)	123	511	798	33	1,465
Total annual consumption (ML)	2,311	6,123	7,074	635	16,143
Average annual consumption (7 years) (ML)	2,164	6,721	6,192	594	15,671
Recycled water consumption (ML)	576	843	2,736	273	4,428

Non-revenue water and real water losses

Western Water reports Non-Revenue Water and Real Water Losses three times a year to align with customer billing cycles and to adhere to the guidelines stipulated in the National Performance Framework. A summary of water supplied and consumed – including water supply network losses for 2019/20 – is shown in Table 19 and Table 20.

Water loss reduction is a key component of Western Water’s efficiency drive to reduce costs and safeguard future water supply. The total estimated proportion of Non-Revenue Water for the system input in 2019/20 was

9.1%, a decrease from the previous financial year of 10.7%. The estimated Real Water Losses (bursts and leaks from the supply systems) decreased from 7.8% in 2018/19 to 6.1% in 2019/20. The rolling five-year averages for Non-Revenue Water and Real Water Losses are 9.8% and 6.0% respectively. Table 20 shows annual values for Non-Revenue Water and Real Water Losses over the past five years as a proportion of drinking water consumption. The variations over the five years are associated with demand, climate impacts (particularly hot dry climate), and leakage reduction efforts including asset replacement and new infrastructure.

Table 19: Non-Revenue Water (ML) – 2019/20

	2019/20
Bursts and leaks	984
Firefighting	3
Other	478
Total	1,465

Table 20: Non-Revenue Water and Real Water Losses (% of Total Consumption)

Non-Revenue Water and Real Water Losses (% of Total Consumption)	2019/20	2018/19	2017/18	2016/17	2015/16	5 Year Performance Average
Non-Revenue Water	9.1%	10.7%	11.4%	8.9%	9.1%	9.8%
Real Water Losses	6.1%	7.8%	5.0%	5.3%	5.6%	6.0%

Corporate water consumption

In 2019/20, Western Water's corporate water consumption increased from 783,000 litres to 909,000 litres. This data is based on water used at Western Water's Sunbury administration office and does not include consumption at any other site such as depots, treatment plants or sewer infrastructure.

Western Water shares its water meter at the Sunbury office with other tenants in the building and our share is calculated on the proportion of FTE staff in the office. Usage per FTE at Western Water may not reflect actual staff consumption as it can be influenced by other tenants' usage, as well as the number of visitors, contractors and consultants, who are not included in the Corporation's FTE figure. Western Water has installed a digital meter at our Sunbury office to gain a better understanding of office water usage through improved granularity of water consumption data by digital metering.

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



Table 21: Office-based water consumption (kL) - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Water consumption (kL)	909	783	827	604	529
Full time equivalent (FTE) staff	126	121	124	118	104
KL per FTE	7	6.5	6.7	5.1	5.1

Water quality

All areas of the drinking water distribution network were compliant with the requirements of the Safe Drinking Water Act 2003 and the drinking water quality standards specified in the Safe Drinking Water Regulations 2015 (SDWR) during the 2019/20 period.

In February 2020, Western Water satisfactorily completed an external hazard analysis and critical control points (HACCP) audit for drinking water quality.

Water quality improvements and customer service actions taken during 2019/20 include:

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

To address identified future water quality issues, including additional monitoring of untreated reservoirs for the ongoing Health Based Targets implementation, plant improvements were assessed for implementation during 2020/21.



Bulk entitlements, transfers, groundwater & water shares

Western Water has ten bulk entitlements providing rights to use and supply of water. Bulk entitlements specify rules regarding the timing, location, type and amount of water that can be taken from streams, reservoirs and headworks.

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

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

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

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

The business supplements its surface water supplies through two operational groundwater bores in Lancefield and Romsey. Groundwater is supplied in compliance with Take and Use Licences issued to Western Water. Their use is closely monitored through a network of monitoring

bores to determine any impact on the aquifer. Western Water updates surrounding users of the aquifer on its activities each year through an annual fact sheet.

Water efficiency

Major non-residential water users

Non-residential customers make up 4.9% of Western Water’s customer base and account for 15% of water consumption.

Western Water had one major non-residential water user consuming more than 100 million litres of water in 2019/20. We work closely with this customer to optimise their water consumption, offering alternative water solutions where suitable.

Other water efficiency activities

Key activities to enhance water efficiency during 2019/20 include:

- Western Water continued to take a lead with the Intelligent Water Networks (IWN) program investigating innovative leak detection technology and pipe condition assessment tools on behalf of the Victorian water industry. Projects include partnering with engineers from La Trobe University to trial the ‘AquaPea’, new technology that can efficiently and sustainably detect and plug leaks at customer properties. The IWN trials new innovative technology on behalf of the Victorian water corporations, Vic Water and DELWP with a focus on delivering services safely and efficiently with minimal impact to customers. Collaboration with other corporations allows technologies to be trialled in a variety of circumstances.

Table 22: Number of customers by volume range (ML per year) 2019/20

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

Table 23: Major water user and participation in water efficiency programs

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

- Western Water continued to trial network devices and digital meters as part of our Network Intelligence Strategy (NIS), as we head towards being a digital utility.

Waternamics has been recognised by users as beneficial, particularly by the Operations Centre. Overall, the ease of access to information and more key essential data made interactions with customers, fault diagnosis and organisation of work orders more efficient with a reduction in non-Western Water jobs, reduced travel time to jobs and avoidance of multiple crews attending the same job if not required. This has in turn improved productivity with staff better informed of the operational status of the network. Furthermore, staff safety has been improved, which is a Western Water priority.

Recently, the Waternamics project has focused on measuring benefit realisation. The review has quantified the benefits and demonstrated the business case for ongoing implementation. Negotiations are currently underway with the vendor regarding commercial terms before final implementation.

- Ongoing development of the market for recycled water. Currently Western Water supplies 78 properties with recycled water for non-residential uses. Locally sourced recycled water will provide a resilient water supply, supporting commerce and industry across the region, economic development and job creation.
- A proof of concept trial of Waternamics within Western Water commenced in May 2017, with full scale usage trials rolled out across the Operations Centre finishing in November 2019.

The initiative, supported by the water sector partnership Intelligent Water Networks, was developed to establish and prove expected benefits, involving various information system developments, data set integrations and staff training. Key technical enhancements included:

- Integration of two additional information systems (KAPTA probes and CrossCom GPS data).
- Implementation of additional functionalities (smart alerts, indicators etc), and
- Exploration of predictive analytics through development of an artificial intelligence model.

Target 155

Western Water has collaborated on the Victorian Water Efficiency Strategy and continues to work with the coordination group to develop state-wide, collaborative water efficiency initiatives. An internal strategy for achieving a daily maximum demand of 155 litres per person, or Target 155 by 2035 was developed during 2017/18 and continued to be implemented during 2019/20. Western Water has a Water Resource Management strategic portfolio group which, among other tasks, aligns the T155 campaign with customer usage.

Our T155 strategy includes community campaigns targeting voluntary reduction of shower times, sustainable gardening, checking for leaks, and building water source/journey awareness. Western Water does this through a variety of promotional channels, including advertising, social media and regularly updated video content. Our website includes a tracker for average

residential water use, updated once a month to provide our customers with a visual tool to measure their water use against the T155 target. Similarly, a regularly updated chart displays reservoir levels, to remind customers of fluctuating water availability.

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

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

distributed to a growing subscriber list of over 1,700 gardening enthusiasts. Western Water also hosts workshops and provides related giveaways at community events designed to help encourage targeting of water use, including sustainable gardening booklets and trigger nozzles. Along with other critical messages, sustainable gardening is a focus of engagement at community events. Due to COVID-19, these events have been put on hold, but our e-newsletter continues to be distributed seasonally.

Sustainable gardening

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

Western Water provides a seasonal, electronic gardening newsletter including local advice on sustainable gardening practices and an expert advice column on maximising plant growth in different seasons and climates – it is

Environmental sustainability

Sustainable water use

Both Melbourne Water and Western Water’s Board of Directors praised the hard work and vision of the Sunbury’s Water Future (SWF) community panel and endorsed the detailed response report prepared by both corporations. On Thursday 10 October 2019, both corporations invited the community panel to attend an informal briefing and presentation of the response report. Fourteen of the final 26 members attended and provided valued feedback on the response document and the engagement process. Both Melbourne Water and Western Water are investigating the feasibility and strategic alignment of each of the nine recommendations from the SWF community panel. They will prepare annual progress updates to share with the SWF community panel and wider Sunbury community, which will be posted on the Sunbury’s Water Future YourSay page.

Western Water’s Urban Water Strategy (UWS) and Integrated Water Management (IWM) Strategy outline our approach to water planning and management to ensure our customers have secure water resources in an uncertain future. The strategies provide a platform to collaborate with regional partners and implement actions that provide value to customers, the community and the environment.

As part of the UWS implementation, actions

continue to be delivered to ensure the future water demands of the region are met. Sourcing water from the Melbourne Headworks system will remain an integral component of Western Water’s supply solution. However, Western Water is also exploring alternative future options.

Significant achievements in sustainable water management during 2019/20 include:

- Continuation of the Sunbury IWM project with a focus on furthering the outcomes of community values highlighted during Sunbury’s Water Future engagement.
- Progression of the irrigation expansion at the Romsey Recycled Water Plant to better manage recycled water.
- Completion of the Water Grid Expansion feasibility project (see Western Water Grid Expansion).
- Progression of the early Western Irrigation Network elements including customer contracts and infrastructure tendering.
- Active participation in Water for Victoria projects and, where relevant, advocacy for beneficial Western Water and community outcomes.
- Commencement of the sewage and recycled water mass balance project to better manage recycled water within the region.
- Commencement of the Western Growth

Table 24: Recycled water volume produced and used - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Recycled water (ML)	9,151	9,410	7,826	12,166	10,848
Recycled water used (ML)	5,240	6,793	5,235	8,815	8,956
Recycled water used (%)	57%	72%	67%	72%	83%

Area IWM Master Plan in association with DELWP, Melbourne Water, Southern Rural Water and City West Water.

- Active water trading in secure short to medium supplies including allocation trade with Barwon Water and purchasing the unallocated entitlement in Merrimu Reservoir.

Recycled water

Western Water's seven recycled water plants converted 11,432 million litres of sewage into 9,151 million litres of recycled water, of which 5,240 million litres (57%) were reused by customers and Western Water. An estimated 812 million litres of drinking water were saved when recycled water was substituted for non-potable purposes.

Collaboration with councils on the use of recycled water for irrigation and maintaining the health of local creeks and rivers is particularly important in supporting the community's recreational values for water and waterways. The following recycled water related initiatives were progressed during 2019/20:

- Funding has been approved for moisture probes at Western Water owned farms, enabling enhanced irrigation management, improved crop yields, increased profitability and a better understanding of the soil's performance.
- Expanded irrigation network at Bacchus Marsh with the purchase of an additional pivot irrigator.
- Digital meters, part of the new NBioT trial, were installed at selected recycled water customers' properties to study usage patterns. A total of 17 digital meters were

installed, 11 in Gisborne, 5 in Riddells Creek and 1 in Sunbury.

- Western Water continues to supply recycled water to 17 public spaces, such as recreation reserves, sports fields and gardens, 4 of which are managed by Hume City Council, 9 by Macedon Ranges Shire Council and 4 by Melton City Council.
- Recycled Water Advisor role has been appointed, whose primary focus is to build strong relationships with customers to ensure they are complying with EPA guidelines for recycled water use whilst supporting the beneficial application of recycled water.
- For recycled water carting and trucking customers, our standpipe located in Gisborne was upgraded to a cloud-based system which enhanced data accessibility, user operation and user performance. This change has also allowed for better recycled water volume capture.
- Romsey and Woodend Recycled Water customers have welcomed the new pump upgrades. The upgrade increased the reliability of our networks and enhanced customer satisfaction.
- Expanding recycled water network within Western Water owned land at Romsey ensures that we achieve our goal of 100% reuse.

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

Sustainable and resilient water services systems

Working with customers and community

Prior to the global pandemic, Western Water had already put a comprehensive customer and community engagement framework in place, including a well-established online customer panel, project-based community consultation groups, regular speakers at formal and informal meetings, and social media. This framework builds Western Water's connection with and understanding of its communities, customers and preferences, enhances local understanding about our business, while guiding interaction with customers, boosting community input into decision making, and gathering feedback from customers and the wider community.

However, the emergence of the coronavirus (COVID-19) pandemic has placed a new focus on the methods Western Water use to engage with our customers and communities. While face-to-face engagement and community events have been put on hold due to physical distancing requirements, we have continued to connect with the customers and communities we serve through a number of initiatives.

These initiatives include:

- Direct engagement with our customer online panel, seeking their feedback on how Western Water can help support customers impacted by the COVID-19 pandemic. Their feedback helped shape our response for the community. We directly engaged with our 50,000 strong customer panel again in May 2020, continuing to support our

community and its emerging needs.

- Our pandemic residential customer support page, detailing the range of support options available.
- The introduction of a bill extension option for customers from two weeks to four weeks, and an update to our customer portal to enable customers to apply the extension themselves.
- Promotion of customer support options including concessions, Utility Relief Grant Scheme, payment plans, large family allowances, financial counselling referrals and family violence support.
- The introduction of a commercial business support and engagement program, involving direct contact with businesses to undertake an account health check and discuss support that may be needed.
- Expansion of our customer support program to businesses, promoting payment plans and payment matching over bill cycles and 12 months.
- Expansion of our SMS program including finalising our in-bound SMS trial. This additional channel gives customers another convenient way to reach us, without needing to speak directly to a person over the phone.
- Empowering our customers to manage their water use by signing up to our customer portal, MyWesternWater, which allows customers to track their family usage against Target 155.
- Payment of suppliers within five days to help keep our economy going.

During 2019/20, Western Water's commitment to continuous improvement has seen our engagement activities evolve to become far more holistic in scope and extend to new and more detailed methods.

In response to the pandemic, we have also expanded our online engagement activities.

A highlight for the year was completing the extensive stakeholder and community engagement required to support the development of our Price Submission for 2020-23. More than 4,000 customers participated in our engagement program which included detailed, deliberative engagement in the form of a citizen's jury undertaking a Tariff Structure Review. Two deliberative forums were held with customers about future pricing solutions, and other engagement activities included reviewing service standards, guaranteed service levels and customer outcomes, as well as working with developers on pricing for New Customer Contributions.

Engagement findings had a significant influence on Western Water's submission, resulting in ESC approval for reducing fixed charges for all customers, removing the Efficiency Rebate, and increasing both the Tier 3 water usage charge and developer charges for greenfield lots.

Over the coming year, Western Water will commence engagement to support the development of our next price submission along with other critical strategic projects including the Urban Water Strategy.

Aboriginal engagement

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

Western Water recognises the value of Aboriginal participation in the water sector through involvement in water management and decision making, provision of goods and services and identifying Aboriginal values to be incorporated in water planning. Our experience to date has shown that this value cannot be understated. Western Water are currently at the beginning of a journey of discovery in understanding how best to plan the management of the water cycle through projects such as Sunbury's Water Future, and Traditional Owner knowledge and input are critical in this process.

The incorporation of Aboriginal values and Aboriginal participation in the water management planning process is being recognised as increasingly important, not just for the value that this provides to the Aboriginal and Torres Strait Islander community, but to the community as a whole. Western Water's collaborative planning processes with other authorities through the Integrated Water Management (IWM) Forums are aiming to reach a level of maturity to enable a common understanding of values, particularly with Traditional Owners. To assist in developing this understanding Western Water has contributed to a Dja Dja Wurrung initiative to undertake an Aboriginal Waterway Assessment of Five Mile Creek. This will assist in better planning for the management of discharges from the Woodend Recycled Water Plant. Western Water also participated as a working group member to support the Waterways of the West Ministerial Advisory Committee, which recognised and prioritised the need to identify and safeguard cultural values in water and land management. Western Water looks

forward to working with DEWLP, Traditional Owners and our IWM partners in the next phase of the process.

Western Water has developed a Social Procurement Strategy in response to the Victorian Government's Social Procurement Framework. As we continue to actively seek to increase the number and value of purchases from Aboriginal suppliers, we have unlocked new value and opportunities within our region. Furthermore, the water industry Supplier Code of Practice includes a supplier self-assessment regarding reconciliation with Aboriginal and Torres Strait Islander Australians. Western Water has incorporated the code into our Social Procurement Strategy.

Online engagement

More than 68,000 people are digitally connected with Western Water through online groups, including social media and online panel members.

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

Education and community relations

Our education program remains an excellent resource for students of all ages, even during the coronavirus (COVID-19) pandemic.

In response to the pandemic, Western Water created our on-line education program, including virtual incursions, videos, activities and young children's story time.

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

Over the past financial year, Western Water has provided educational presentations to children in 93% of our region's preschools and primary schools.

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

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

In 2019/20, Western Water retained its strong support of the Schools Water Efficiency Program (SWEP) and we proudly boast one of the highest participant rates for SWEP across Victoria.

Outside of the education space, the program also enables Western Water to reach households through a variety of communications that provide additional information about Western Water, our

education program and payment options. Take home flyers and other educational materials have allowed us to engage with over 10,000 families with important messaging they might not otherwise have had visibility of.

Choose Tap

Choose Tap is an initiative encouraging the community to drink tap water instead of bottled water. Western Water promotes this message in cafes, businesses, local government and sporting clubs in our service region. Western Water is also working with councils and local schools to provide drinking fountains in parks, shopping strips and playgrounds. However, due to advice from the Government on not sharing drinking water fountains during the coronavirus (COVID-19) pandemic, provision of further drinking fountains for the community was put on hold this financial year.

Western Water also regularly provides reusable, Choose Tap-branded water bottles free of charge to local community events, schools and sports teams – in the last financial year we have provided over 2,500 of these bottles. Our sponsorship program also helps convey the Choose Tap message by providing water tankers, carts and bubblers to not-for-profit organisations at multiple events in our service region. Due to restrictions of public gatherings as a result of the pandemic and sharing drinking water fountains, there has inevitably been a decline in demand for provision of these bottles – but we will resume our sponsorship of not-for-profit organisations as soon as it is safe to do so.

Grants

New Reconciliation Garden Grant program

Since 2012, Western Water has actively supported the development of school gardens in our service area that demonstrate sustainable gardening practices.

Prior to the onset of the coronavirus (COVID-19) pandemic, Western Water had planned to adapt our established grants program to support our Reflect Reconciliation Action (RAP) Plan goals.

The new program will support the development of sustainable gardens in schools, while also helping to further our knowledge and understanding of Aboriginal and Torres Strait Islander culture and communities.

This program has been put on hold for 2020 and planning for it will recommence next year once it is safe to do so.

Working with industry and local government

Integrated water management forums

Integrated planning, through collaboration, to deliver sustainable environmental and social outcomes is a key element of Western Water's Strategic Framework. The Integrated Water Management (IWM) Forums provide a structure through which Western Water can collaborate with our local Government, Traditional Owner, catchment management authority and water corporation partners to realise better water cycle outcomes than if we were undertaking planning on our own. In addition to our liveable urban

areas our region also has high agricultural and environmental values. The IWM forum projects are showing great potential for doing things differently across our region to better utilise surface water and recycled water, and in the process ensure farmers and the environment have the water when, where and at the price they need.

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

Development scale integrated water management plans

Western Water is continuing to work with developers, local government and Melbourne Water to determine the best way to service the water cycle in new developments. The Integrated Water Management Developer Guidance document produced by Western Water is facilitating this process. While development scale plans are delivering better outcomes than would otherwise be realised, the regional scale planning undertaken through the IWM Forums will provide Western Water with greater direction to provide developers for implementation as development takes place.

Council partnerships

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

to maintain liveability values through the connection of secure and alternative water sources. Many of the priority initiatives are being pursued through the IWM Forums.

Liveable cities

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

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

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

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

Environmental statutory obligations

Regional Catchment Strategy

The Regional Catchment Strategy has several objectives and targets to improve land, water and biodiversity as part of the environmental and catchment management of Victoria. The goals are assigned to a variety of stakeholders including water corporations. The Regional Catchment Strategy was developed by the Port Philip and Westernport Catchment Management Authority (PPWCMA). Western Water has enhanced its partnership with PPWCMA and implemented a number of joint projects consistent with the intent of the strategy.

Western Water must comply with bulk entitlements and biodiversity management targets. More information on Western Water's bulk entitlements can be found in Appendix 3.

As a significant landholder, Western Water undertakes biodiversity enhancement programs at its properties. In 2019/20, programs included:

- Continued controlling of weeds consisting mainly of Chilean needle grass, serrated tussock, box thorn, spear thistle, horehound and gorse from Western Water properties fronting Werribee River, Deep Creek, Jacksons Creek, Garden Hut Creek and Five Mile Creek.
- partnering with Pinkerton Landcare and Environment Group and Melton Secondary College, planted trees along the Werribee River escarpment.
- planting more than 2000 trees along Deep Creek, Five Mile Creek and Werribee River with an 80% survival rate, and
- implementing a management program at offset sites as per the requirements of planning permits.

Victorian Biodiversity Strategy

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

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

Western Water continues to participate in Melbourne Water's stream frontage program and during the reporting period the trees planted in previous years were weeded and watered.

Western Water owns a 52-hectare (ha) property located at Harker Street, a peri-urban area, near the eastern limits of suburban Sunbury. The property operates as the Sunbury Recycled Water Plant. The Sunbury RWP supplies recycled water to nearby regions and discharges the remaining effluent to Jacksons Creek in accordance with an Environment Protection Authority licence. Sunbury Recycled Water Plant premises is designated as a Growling Grass Frog (GGF) conservation zone. The GGF is a relatively large and mobile species that inhabits a diverse range of wetlands such as swamps, marshes, slow flowing rivers/streams, lakes, drainage lines and artificial waterbodies. GGF is considered

to be a nationally significant fauna. To determine the presence of GGF, two surveys were conducted over an area of 13.2 hectares in size on the eastern boundary of Sunbury RWP. The study area included the Jackson's Creek floodplain, with steep terrain and some escarpments extending to the west into RWP property, and steep escarpments rising to the private property to the east. These areas of lentic habitat are considered to provide the highest likelihood of supporting breeding habitats for GGF. A total of 151 flora species were recorded within the study area during the assessment. This comprised 65 indigenous, 11 planted Australian-native plants and 75 exotic plant species.

The GGF was also recorded during surveys, in the vicinity of the 'billabong' area of the creek. One male was recorded in the billabong wetland, calling from the top of floating algae during the first survey, another (possibly the same individual) was recorded in this location during the second survey, with calls elicited during call-playback. One juvenile GGF was recorded during the first survey from the rocky pools between Jackson's Creek and the billabong wetland. Three juveniles were recorded in this area during the second nocturnal survey. Three other relatively common frog species were also recorded during the surveys – the Southern Brown Tree-frog, Pobblebonk and Common Eastern Frog. Western Water is developing a conservation management plan to preserve the GGF population.

Another major achievement of Western Water was the completion of the 10 year

vegetation management of Pinkerton Forest, which provides vegetation off set for Western Water's major projects. Pinkerton Forest is a grey box grassland forest and a nationally protected biodiversity habitat.

Victorian Waterway Management Strategy

Rivers within Western Water's service region are classified as Cleared Hills and Coastal Plains in the State Environment Protection Policy (Waters). The policy provides relevant stakeholders with an outline of specific management issues required for waterways. Although there are no specific actions for Western Water, the strategy implies that Water Corporations including Western Water can play a role in the management of waterways.

Western Water is committed to minimising any potential impacts on surface water quality from the discharge of recycled water into streams. This commitment is demonstrated by a new project to upgrade the Gisborne Recycled Water Plant.

Western Water also commenced the human health risk assessment of recycled water discharges to ensure not only the protection of ecological values of waterways but to ensure human health is protected when the public has direct exposure to waterways.

Waterway management obligations

Although Western Water has no direct control over river health, we recognise that our activities – such as discharging recycled water into streams and harvesting water from streams – may have an adverse impact on river health. Western Water acts to mitigate and minimise these impacts. Works underway to reduce impacts on waterway health include:

- An on-going update of master plans to identify timely upgrades to continue to comply with EPA licence conditions
- Commencing human health risk assessment of the recycled water discharge from Woodend and Riddell's Creek Recycled Water Plants
- Preventing discharge of recycled water to Deep Creek by developing infrastructure in the expanded irrigation area at Romsey Recycled Water Plant
- Assessing the risk of adverse effects on waterways from any seepage from recycled water plant activities and implementation of rectification works, and
- Undertaking a desktop risk assessment of emerging pollutants in the recycled water discharges to assist EPA in reviewing the existing EPA licence.

State Environment Protection Policy (Waters)

A core activity for Western Water is the collection of domestic wastewater and trade waste and treating that waste to a standard that protects the environment. These standards are stipulated by State Environment Protection Policy (Waters) and outlined in licenses issued by Victoria's Environment Protection Authority (EPA). Western Water holds an EPA issued amalgamated licence for its seven recycled water plants which are listed as scheduled premises under the Environment Protection (Scheduled Premises and Exemptions) Regulations 2007. The policy states that recycled water must be reused, in preference to discharge to waterways, where it is practical and sustainable.

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

Discharge to waterways

The majority of Western Water's recycled water plants are licensed to discharge recycled water to adjacent waterways. The recycled water plants at Sunbury, Riddell's Creek, Gisborne, Woodend and Melton are licensed to discharge to Jacksons Creek, Five Mile Creek and Werribee River respectively.

Discharge to surface water must comply with discharge limits for various water quality parameters specified in the licence and meet the water quality and biological indicators specified in the State Environment Protection Policy (Waters). This compliance must be demonstrated through an appropriate monitoring program. The policy also recognises that discharges of recycled water to surface water will impact on the receiving water body and therefore allows designation of a mixing zone in which certain qualitative measures can be exceeded. Except for Melton RWP and Sunbury RWP, all the other RWPs licensed to discharge to waterways are provided with a designated mixing zone in the EPA licence. Western Water conducts regular monitoring of waterways to demonstrate compliance with mixing zones.

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

The overall compliance was assessed against the licence limits specified as either annual median, 90th percentile or maximum based on the last 12 months of data. Based on the 12 month data, Melton RWP did not meet the annual median limit for phosphorous and Sunbury RWP did not meet 90th percentile limit for ammonia and median limit for total nitrogen. Potential exceedance of Melton RWP was anticipated due to the need for the on-going discharge of recycled water with high phosphorous levels. Sunbury RWP had process upsets during the last quarter of 2019/20 with monthly exceedances for ammonia and total nitrogen resulting in an annual non-compliance. Melton RWP also exceeded the volume limit for Melton discharge by exceeding the annual volume of 1100 ML due to abnormally high rainfall during the irrigation season. Western Water continues to work with Southern Rural Water and Melbourne Water to maximise the dilution of the discharge in Werribee River to reduce the environmental impact. EPA was notified about the non-compliance issues at both plants. The annual performance statement due for submission in September 2020 to EPA will acknowledge non-compliance for the subject limits.

Discharge to land

Recycled water produced at Western Water recycled water plants is managed either by re-using it on land or discharging to waterways. The use of recycled water on land owned by Western Water is conducted under an EPA licence and the supply of recycled water to external customers is managed through agreements between Western Water and its customers. The supply agreement to external customers adheres to the requirement of EPA's re-use guidelines.

To ensure that recycled water quality is maintained, Western Water undertakes regular monitoring of recycled water. EPA's Recycled Water Quality Guidelines specify that Class B recycled water must be sampled weekly and Class C requires monthly sampling. The microbial and chemical water quality objectives are specified in the EPA Guidelines as 12 monthly medians and the 90th percentile value for pH. For the 2019/20 annual reporting period, overall compliance was assessed and reported. The water quality monitoring data is compared to the limits set out by EPA guidelines. In addition, Western Water also tests the soil and groundwater to ensure there are minimal adverse effects.

Except for pH at Romsey, Riddells Creek and Woodend all the other parameters for recycled water were within EPA guideline objectives. Whilst the pH correction was implemented across the RWPs, it was not effective due to the large volumes of water which needed treatment. However, soil assessment was completed, and the soil data indicated minimum risk due to the soil's neutralising effect on the pH.

Environmental flows

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

The monitoring infrastructure network was upgraded in 2012 with funding from the Bureau of Meteorology with the aim of improving the accuracy and completeness of its data.

Western Water continues to improve this network with two of its existing sites. Macedon has historically been a challenging site to meet daily compliance, due to the varying nature of the stream flows. An automated valve was commissioned at the site in December 2019 to ensure compliance was more consistently met for the 2019/20 financial year. During this year, Western Water had a shortfall of 15.45ML of passing flows and released 23.87ML to compensate. More details on passing flows, environmental releases and compliance can be found in Western Water's Bulk Entitlement Report, contained in Appendix 3.

Biosolids

In 2019/20, Western Water produced 3016 tonnes of biosolids - the organic by-product of sewage treatment. Out of the total biosolids produced, 1778 tonnes were composted along with green waste, at a facility located in Ballan, and converted to a landscaping product. While Western Water aims to achieve 100% re-use of biosolids, only 59% of re-use was achieved during the reporting period due to unseasonal wet weather during summer months and

the onset of colder months which meant the biosolids were unable to be dried. The remaining biosolids have been stored at the treatment facility to dry and will be composted next financial year.

Greenhouse gas emissions

Western Water's Carbon and Energy Strategy provides direction for meeting Western Water's greenhouse gas reduction pledge, which was developed in consultation with the Department of Environment, Land, Water and Planning during 2017. Western Water has pledged to reduce its emissions by 10% by 2025 from a baseline of 27,906 tonnes CO₂-e. With the significant growth in the service population expected over this time, this reduction equates to a decrease of 46% by 2025 when compared to business as usual emissions.

During 2019/20, Western Water implemented a range of actions to manage its greenhouse gas emissions, including:

- developing a Carbon and Energy Strategy that establishes Western Water's position as a water business with a distinct focus on carbon and energy management. Over the longer term, evolution of the strategy will guide Western Water towards carbon neutrality by 2050 and electricity cost neutrality by 2030.
- commissioning a 500-kilowatt solar array at the Melton Recycled Water Plant.
- approving \$3.5M of investment in a Waste to Energy facility at the Melton Recycled Water Plant, with \$0.8M of the total funded by Sustainability Victoria. The project will include investment in two additional biogas cogeneration turbines and a liquid waste receival station.

- continuing involvement in Zero Emissions Water’s Kiamal Solar Farm, which, when connected to the electricity grid, will provide Western Water with Large-scale Generation Certificates which can be used to help us meet our emissions reduction targets.
- progressing greenhouse gas emission mitigation projects that have been identified as having a positive return on investment. These projects range from solar photo-voltaic arrays to sewage treatment process changes which will result in the generation of more biogas to generate renewable energy
- collaborating with industry bodies, electricity network providers, technology providers, community groups and local government to identify mutually beneficial projects, and



- purchasing GreenPower, a new site, at the Eynesbury Recycled Water Pump Station.

Net greenhouse gas emissions for 2019/20 totaled 38,257 tonnes of CO₂-e, which is 5.6% higher than the 2019/20 target of 36,223 tonnes of CO₂-e.

Western Water had planned to use Large-scale Generation Certificates (LGCs) to assist the organisation in meeting its 2019/20 target, however a delay in connecting the Kiamal Solar Farm to the electricity grid has caused a delay in the delivery of LGCs. It is anticipated that connection to the grid will occur during 2020/21.

The following table shows Western Water’s greenhouse emissions by activity.

Sewage Treatment and Management is the main contributor to Western Water’s greenhouse gas emissions at 60%. Water Treatment and Supply is the next largest contributor, at 34%, while Recycled Water

Table 26: Significant activities generating greenhouse gas emissions (tonnes CO₂e) – 2019/20

Significant activity	Scope 1 Emissions	Scope 2 Emissions	2019/20 Tonnes CO ₂ e
Water treatment and supply	43	12,807	12,850
Sewage treatment and management	12,789	10,246	23,035
Transport	798		798
Other - recycled water distribution	5	1,110	1,115
Other – office	0	459	459
Total tonnes	13,635	24,622	38,257
2019/20 Projected tonnes	NA	NA	36,223
Variance (%)			5.6%

Distribution accounted for 3% of total emissions.

The table on the next page displays the electricity consumption associated with four of the five activities that contribute to Western Water’s greenhouse gas emissions.

A total of 25,596 megawatt hours of electricity was used by Western Water in 2019/20. This is a 3.7% increase on electricity consumption in 2018/19. Electricity use by Water Treatment and Supply increased by 6.8%, while Sewage Treatment and Supply

increased 3.9%. Electricity used for Recycled Water Distribution decreased 21%. This was primarily due to a reduction in recycled water consumption as a result of above average rainfall between January and May.

Table 28 shows that 5.7% (1463 megawatt hours) of Western Water’s electricity consumption was sourced from renewable sources, a 47% increase from 2018/19.

Most of the renewable energy was generated and consumed at the Melton Recycled

Table 27: Electricity consumption

Total Electricity Use	2019/20 MWh	2018/19 MWh	% Change
Water treatment and supply	12,556	11,757	6.8%
Sewerage treatment and management	11,391	10,962	3.9%
Other (office, workshops, depots)	1,199	1,509	-21%
Other (recycled water distribution)	450	462	-2.6%
TOTAL	25,596	24,690	3.7%

Table 28: below shows how renewable energy consumption has changed from 2018/19 to 2019/20

Renewable Energy Source	2019/20 Renewable electricity used (MWh)	2018/19 Renewable electricity used (MWh)
1. Solar	238	5.4
2. Hydroelectric		
3. Wind		
4. Biogas	1114	991
5. Greenpower	111	
6. Other		
TOTAL	1463	996
% Renewable	5.7%	4.0%

Water Plant, resulting in a 37% renewable energy mix for that site, which is Western Water’s highest electricity consuming site. Small solar panel arrays provided Melton and Sunbury depots with a proportion of their electricity consumption (0.4% of all renewable energy production).

The following graph shows Western Water’s greenhouse gas emissions trajectory to achieve our Pledge Target of 25,115 tonnes of CO₂-e in 2025.

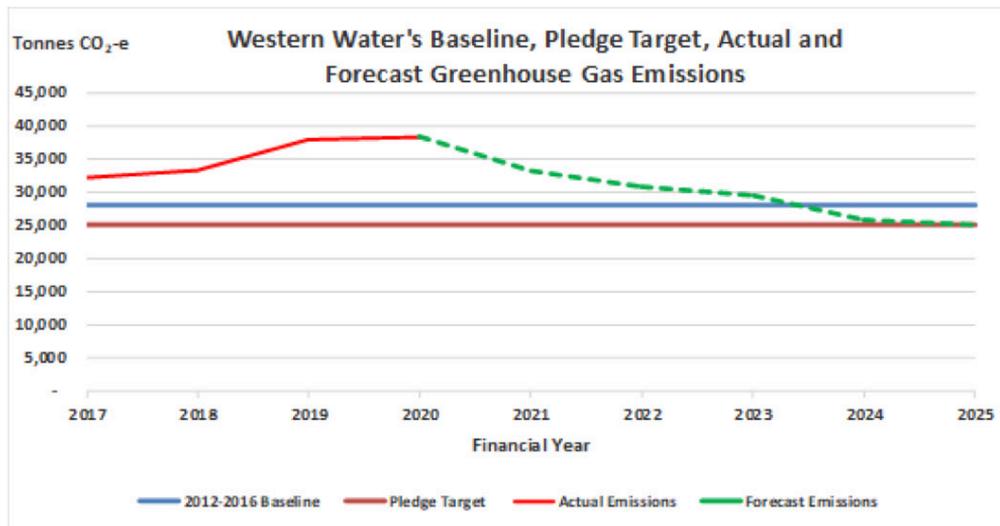
It also shows that while Western Water’s greenhouse gas emissions have increased over the past four years, from 2018/19 to 2019/20 the increase was only 0.8%. This stabilisation

reflects the increased generation and consumption of renewable energy.

Net greenhouse gas emissions are forecast to continue reducing until the Pledge target is achieved in 2024/25. This reduction will be achieved through a combination of:

- substitution of grid electricity with behind-the-meter renewable energy installations,
- generating more biogas at the Melton Recycled Water Plant,
- introducing energy efficiency opportunities, and

Chart 2: Western Water’s Baseline, Pledge Target, Actual and Forecast Greenhouse Gas Emissions



- offsetting emissions with Large-scale Generation Certificates when required.

Climate change adaptation

Western Water has been working with the Department of Environment, Land, Water and Planning to continue to implement the actions under the Pilot Water Sector Climate Change Adaptation Action Plan. Western Water has undertaken a number of tasks including contributing to the development of a framework to estimate the cost of climate change to Victoria Water Corporations, providing input into the development of a standardised business case model to assess adaptation and commencement of a project to identify and assess internal adaptation and mitigation risks.

Western Water is also working with DELWP on the development of a guidance document to support the delivery of the actions detailed in the pilot plan. Western Water has increased its emergency management capacity by delivering emergency management AIMS training to wider staff members in support of Action 14. The training has been developed in collaboration with the water industry and DELWP. The water sector has also mapped out its interagency risks to support Action 15 of the plan.

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

Social sustainability

Service delivery

Serviced properties grew by 6.4% in 2019/20 and strong growth is expected to continue over the next 25 years.

Water supply system

During the reporting period, Western Water supplied water to 77,487 connected water customers via 2,283km of water mains. The extensive reticulation system is maintained through renewals, repairs and operational activities such as valve maintenance, mains flushing, flow, condition monitoring and assessment.

These actions help reduce water losses through leakage and bursts and assist in maintaining water quality standards supplied to customers. The number of water main bursts per 100km during 2019/20 was 10.8, lower than the previous year figure of 12.7.

Sewer system

In 2019/20, Western Water supplied 71,643 serviced sewer customers with sewage and trade waste collection services via 1,481km of sewer mains.

Our Sewer Spill Prevention Strategy continually evolves to deal with our ageing infrastructure and growing network and there has been a decrease from 18.0 blockages per 100km in 2018/19 to 17.3 in 2019/20. (see Table 31). This is largely due to the targeted sewer CCTV program and an increased sewer maintenance program consisting of sewer mains cleaning, tree root foaming and pipe pre-screening that has been implemented as part of the Sewer Spill Prevention Strategy to address the increase in blockages.

Table 29: Water main bursts per 100km - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Bursts per 100km of water main	10.8	12.7	12.2	12.3	13.3

Table 30: Sewer main blockages per 100km - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Sewer blockages per 100km of sewer main	17.3	18.0	12.7	11.5	14.1

Customer service

There continues to be an increased focus on first contact resolution as more transactional customer enquiries move to digital platforms. Customer service calls decreased from 64,678 in the previous financial year to 61,370 in 2019/20 while customers seeking information from Western Water's website continued to grow by more than 20.2% with 192,537 visits in 2019/20 compared to 160,185 visits in the previous year. Seventy-nine per cent of calls were answered within 30 seconds (slightly down from 80% in the prior financial year).

This year the Customer Team has trialled an industry-first inbound SMS program for customers. This, along with the new customer portal were indispensable tools for our customers during the coronavirus (COVID-19) pandemic and helped ensure our team were able to respond to customer requests quickly in the channel of their choice. The trial service was immediately embraced by customers, who are able to complete transactions on the portal without assistance, or with support via our Digital or Customer Experience teams.

Customer Portal

In December 2019 Western Water introduced its customer portal, MyWesternWater, in line with its commitment to have a fully developed solution for the provision of online services and information.

On MyWesternWater customers can check their account balance, download bills, see payments made to their account, request more time to pay, switch to direct debit, register for email bills, track water usage

and manage contact information. Future developments will allow customers to register concession cards and set up payment plans.

Over 12,000 customers have registered to use MyWesternWater, representing 12.25% of customer accounts. Western Water is working to increase registrations to 30% by June 2023.

Managing complaints

There was an increase in water quality complaints during the reporting period compared to the previous financial year. Customer awareness of their environmental conditions at home was heightened over the COVID-19 lockdown period. This was balanced with the increase of general water quality complaints over this period, and a seasonal change in the Rosslynne Reservoir causing an earthy smell related to harmless, natural occurring compounds. There were also multiple events recorded where sediments were stirred up in the mains, either from unplanned main issues or in new developments impacted by construction.

Payment issue complaints increased slightly to 30 from 28 in the previous financial year.

Overall customer complaints grew from 177 to 214 (a 21% increase).

Dissatisfied customers can refer complaints to the Energy and Water Ombudsman Victoria (EWOV). During 2019/20, EWOV handled 31 referrals on behalf of Western Water customers. The majority were handled as enquiries, requiring no further action with 3 complaints investigated in detail.

Affordability

During the financial year, Western Water's residential customers continued to benefit from receiving one of the most affordable bills in comparison to water customers across Victoria, based on a nominal average household usage of 150 kilolitres per year. In line with our Price Submission 2018, customer prices were fixed at 2018/19 levels (plus CPI) over the past financial year. To assist our customers in managing their bills, Western Water has established instalment plans, promoted as EasyPay. Currently 9% of customers are on instalment plans.

Providing customer support

Western Water engages with our customers to inform them of our range of support services including EasyPay, assistance with Utility Relief Grant Scheme (URGS) applications, and early identification of financially vulnerable customers. Western Water also works with local financial counsellors to support customers experiencing financial difficulty, offering customers tailored individual payment solutions when required.

Western Water has a range of initiatives aimed at assisting vulnerable customers. During 2019/20, 441 customers entered

Table 31: Customer service - 5 years

	2019/20	2018/19	2017/18	2016/17	2015/16
Customer service calls received	61,370	64,678	66,632	66,059	63,273
Calls answered within 30 seconds (%)	79%	80%	79%	86%	90%
Average wait time (seconds)*	18	17	17	17	21
Correspondence requiring a response	5,991	4,336	4,411	3,714	2,762

Table 32: Customer complaints - 2 years

	2019/20	2018/19
Water quality	161	130
Water supply reliability	0	2
Sewerage service reliability	0	3
Payment issue	30	28
Flow rate	1	1
Sewerage odour	15	6
Other	7	7
TOTAL	214	177

our Customer Support Program while 280 customers were able to move out of the program. A total of 685 customers received financial assistance, totaling \$361,180, an increase of 52.6% from 2018/19.

In addition, one hardship assessment visit was conducted to support a customer requiring financial assistance and 375 contact visits for debt recovery/engagement were conducted under the Reasonable Endeavors process.

Community service obligations

Almost one in four (23%) of Western Water’s residential customers hold a pensioner, healthcare or Veteran Affairs concession card. During the financial year, 51,674 concessions were provided to customers over three billing periods (with an annual concession cap of \$328.90) amounting to more than



\$4.7million. The number of not-for-profit organisations receiving rebates on their annual water and sewer charges increased slightly to 467 groups. These organisations received a combined total of \$161,409 in rebates. Customers can also receive payments from the Hardship Relief Grant Scheme (Sewerage Connection Scheme) and Non-Mains Water Concession directly from Department of Health and Human Services.

Utility Relief Grant Scheme

The number of customers receiving Utility Relief Grants provided by DHHS increased from 281 in the previous financial year to 497 in 2019/20 (from a total of 601 applications from customers). Grants totaling \$256,016.84 were paid to customers, an increase of 62% from the previous year.

In 2019/20 Western Water did not have any customers receive the Hardship Relief Grant Scheme.

Table 33: Community service obligations - 2 years

Concession Type	2019/20		2018/19	
	No.	\$	No.	\$
Pensioners, Healthcare, Veterans Affairs	17,340	4,690,020	15,938	4,270,160
Not for profit rebates	467	161,409	457	161,671
Utility Relief Grant Scheme	497	256,017	281	101,323
Water concession on life support machines – haemodialysis	25	3,106	9	1,711

Service charges

Western Water's tariffs for 2019/20 were based on Western Water's 2018-2020 Price Determination by the ESC. Details are outlined in Table 34.

Average customer bill (annual)

During 2019/20, Western Water's typical customer bill was \$1,013. The typical Western Water customer used 178,000 litres over the reporting period.

The Bureau of Meteorology (BOM) uses 200,000 litres (200KL) as the annual consumption base line. Based on a usage of 200KL, a typical Western Water customers' annual bill would be \$1,067 (including a deduction of the Western Water's Efficiency Rebate of \$103.25). This compares favourably against the national average bill based on 200KL of \$1460 for the previous year (BOM National Annual Performance Report 2018/19), showing that Western Water's prices continue to be very affordable.

Table 34: Water and sewerage charges (\$) - 2019/20

	2019/20		2018/19	
	Residential	Non-Residential	Residential	Non-Residential
Water service and usage				
Service charge (per annum) – 20mm service	234.34	234.34	234.26	234.26
Usage (per kl) – rate based on average litres used per day per bill				
0–440 litres	1.8580	2.4652	1.8336	2.4328
441–880 litres	2.4652	2.4652	2.4328	2.4328
881+ litres	3.7786	2.4652	3.7291	2.4328
Sewerage tariff				
Service charge (per annum)	540.88	540.88	540.72	540.72
Class A recycled water				
Service charge (per annum)	113.16	113.16	111.68	111.68
Usage (per kl)	1.8580	1.8580	1.8336	1.8336

Other disclosures

Implementation of the Local Jobs First – Victorian Industry Participation Policy

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

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

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

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

Projects Commenced – Local Jobs First Standard

During 2019-20, Western Water commenced four Local Jobs First Standard projects totaling \$22.6 million. Of those projects, two were located in regional Victoria, with an average commitment of 93% of local content, and two in metropolitan Melbourne, with an average commitment of 87% local content. No statewide projects were commenced. The MSPG applied to none of these projects.

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

- an average of 90% of local content commitment was made

- a total of 19.33 jobs (annualised employee equivalent (AEE)) were committed, including the creation of four new jobs and the retention of 16.96 existing jobs (AEE)
- no positions for apprentices, trainees and cadets were committed, and
- the retention of 0.48 existing apprenticeships, traineeships and cadets.

Projects completed – Local Jobs First Standard

During 2019/20, Western Water completed three Local Jobs First Standard projects, totaling \$12.53 million. None of those projects were in regional Victoria. The three projects in metropolitan Melbourne had an average commitment of 97% local content. No state-wide projects were completed. The MSPG applied to none of these projects.

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

- an average of 97% of local content was provided
- a total of 30 jobs (annualised employee equivalent (AEE)) were provided, including the creation of five new jobs and the retention of 25 existing jobs (AEE)
- a total of two positions for apprentices, trainees and cadets were provided, with no new apprenticeship, traineeship or cadetship created, and the retention of the remaining two existing apprenticeships, traineeships and cadetships.

* Based on information available at the time of production.

Projects commenced – Local Jobs First Strategic

There were no Strategic Projects commenced.

Reporting requirements – all local jobs first projects

During 2019/20, there were three small-to-medium sized businesses that prepared a VIPP Plan or Local Industry Development Plan (LIDP) for contracts, successfully appointed as Principal Contractor.

During 2019/20, 360 small-to-medium sized businesses were engaged through the supply chain on these projects.

Reporting requirements – grants

For grants provided during 2019/20, no interaction reference numbers were required, which entailed a conversation with the Industry Capability Network (Victoria) Ltd.

Information and communication technology (ICT) expenditure

ICT expenditure refers to Western Water's costs in providing business-enabling information and communication technology services.

Business as usual expenditure mainly relates to ongoing activities to operate and maintain the current ICT capability, while non-business as usual expenditure relates to extending or enhancing the current capabilities.

For 2019/20, Western Water's total ICT expenditure was \$8.4M (refer Table 35).

Advertising expenditure

Western Water total advertising spend in 2019/20 was \$90,167. This year's key advertising campaigns were promoting bushfire awareness and advertising around the Price Submission. Advertising expenditure includes recruitment and operational advertising to meet legislative requirements.

Table 35: ICT expenditure (\$'000) - 2 years

ICT expenditure area	2019/20	2018/19
Operational expenditure	2,080	1,952
Capital expenditure	3,792	2,632
Total non-business as usual expenditure (operational & capital expenditure)	5,872	4,584
Business as usual expenditure	2,543	2,667
Total ICT expenditure	8,414	7,251

Consultancy expenditure

In 2019/20, there were 7 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during the reporting period in relation to these consultancies was \$338,730 (excluding GST).

Details of individual consultancies can be viewed at westernwater.com.au.

In the reporting period, there were 5 consultancies where the total fees payable to the consultants were less than \$10,000.

The total expenditure incurred during the reporting period in relation to these consultancies was \$38,049 (excluding GST).

Compliance with the *Building Act 1993*

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

Competitive neutrality

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

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

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

Freedom of information

Freedom of information (FOI)

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

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

The Act allows Western Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to Western Water in-confidence.

The Act was amended on 1 September 2017 to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation

is required under ss29, 29A, 31, 31A, 33, 34 or 35, the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

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

During 2019/20, Western Water received two requests for access to information in accordance with the Act. Both requests were non-personal requests and were from the general public. Of these two requests one did not proceed and the other was outstanding on 30 June 2020.

Western Water made two FOI decisions during 2019/20. The two decisions related to non-personal requests that were outstanding from 2018/19. Part access to all documents was provided in response to one request and access to documents was denied in the other request.

During 2019/20, one request was subject to a complaint/internal review by the Office of the

FOI Statistics/timelines

	2019/20	2018/19
Requests outstanding 30 June prior year	2	2
Personal requests received	0	0
Non-personal requests received	2	3
Requests outstanding at 30 June	1	2
Reviews by the FOI Commissioner received	1	0
Reviews by the FOI Commissioner where the original decision was confirmed	1	0
Reviews by the FOI Commissioner where the original decision was varied or overturned VCAT appeals lodged	0	0
VCAT appeals confirmed decision	0	0
VCAT appeals varied or overturned decision	0	0
Exemptions in requests, reviews by the FOI Commissioner and VCAT appeals	s.33(1)	s.33(1)
Total dollar of application fees collected	\$59.20	\$86.70
Total dollar of Application fees collected and waived	\$0	\$114.83

Victorian Information Commissioner (OVIC), none progressed to the Victorian Civil and Administrative Tribunal (VCAT).

Making a request

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

FOI Officer
Western Water
PO Box 2371
Sunbury DC VIC 3429

From 1 July 2020 a fee of \$29.60 applies to any application for documents. Additional information and how to make an FOI request, including an FOI Access Form, is available on Western Water's website: <https://www.westernwater.com.au/About/Freedom-of-Information> and at www.foi.vic.gov.au.

Names and titles of FOI decision makers:

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

Compliance with the Disability Act 2006

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

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

- Redesigned our bill to make it easier to understand;

- Expanded our easy English information which includes more diagrams and larger print;
- Continued to offer text telephony (TTY);
- Substantially increased the video content on our website;
- Invited customers, particularly with cognitive disabilities, to allow 'thinking time' prior to making a decision, or to seek advice from a support person; and
- Launched SMS which allows full conversations to be held without the need for a telephone conversation.

We have reduced barriers for community members with a disability by:

- Conducting education sessions with adult learners with disabilities, carers groups, and local specialist schools and including people with a disability in our pricing consultation and tariff structure review programs.

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

- Conducting a diversity survey of employees to understand our baseline data (number of employees identifying as having a disability or as carers) and asking for feedback on inclusion in the workplace and necessary flexibility and adjustments to remove barriers to employment;
- Promoting and showing visible support of (including sponsorship of the launch event) WaterAble, a VicWater industry network for people with a disability and

their allies;

- Conducting training for staff from the early stages of employment in induction, through to specialised training for leaders and employees including “Unconscious Bias” and “Diversity is good for business”;
- Established partnerships with local disability employment agencies to improve access to the recruitment process and to attract people with a disability to Western Water;
- Events celebrating carers and promoting awareness of people with a disability in our annual Culture Calendar;
- Developing a reasonable adjustment procedure to provide guidance for leaders, and
- Made Flexible Work Arrangements available to all employees.

Compliance with *Public Interest Disclosure Act 2012*

The *Public Interest Disclosure Act 2012* (PID Act) enables people to make a disclosure about corrupt or improper conduct by a public officer or a public body.

Western Water is a public body for the purposes of the PID Act.

What is a public interest disclosure?

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

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

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

How do I make a public interest disclosure?

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

Western Water is not able to receive public interest disclosures.

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

Contact

Independent Broad-Based Anti-Corruption Commission Victoria

Street address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001

Postal address: IBAC, GPO Box 24234, Melbourne Victoria 3000

Phone: 1300 735 135

Website: www.ibac.vic.gov.au

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

Office-based environmental impacts

Under Western Water’s Environmental Management System, the environmental impacts from office- based activities have

been identified and an environmental management program developed. This includes waste reduction requirements via procurement as well as decreasing office:

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

Office water consumption and greenhouse gas emissions are reported separately in this report (refer to Table 21 and Table 26 respectively).

Additional information available on request

Subject to the *Freedom of Information Act 1982 (Vic)*, the following information is available on request:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee, or held beneficially in a statutory authority or subsidiary
- details of all publications produced by Western Water about itself, and how these can be obtained
- details of changes in prices, fees, charges,

rates and levies charged by Western Water

- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by Western Water to develop community awareness of Western Water and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within Western Water and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by Western Water, the purpose of each committee and the extent to which the purposes have been achieved, and
- details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed.

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

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

PERFORMANCE REPORT

Standing Directors Attestation

I Andrew Cairns, on behalf of the Board, certify that the Western Region Water Corporation has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Andrew Cairns
Chairperson

16 October 2020



**Performance
Report**

Financial performance indicators

	Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to prior year %	Notes	Variance to target %	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax net interest payments	3.03	3.68	3.70	21.5%	1	(0.5%)	
F2	Gearing Ratio (Total Debt including finance leases/ Total Assets) x100	26.1%	28.1%	31.5%	(7.7%)		(10.8%)	6
F3	Internal Financing Ratio (Net operating cash flow - dividends/ Capital expenditure)x100	22.6%	25.0%	37.5%	10.6%	2	(33.3%)	7
F4	Current Ratio <u>Current assets</u> Current liabilities (excluding long term employee provisions and revenue in advance)	0.50	0.42	0.53	(16.0%)	3	(20.8%)	8
F5	Return on Assets (Earnings before net interest and tax average assets) x100	6.14%	8.51%	7.60%	38.6%	4	12.0%	9
F6	Return on Equity (Net profit after tax average total equity)x100	5.76%	8.86%	7.70%	53.8%	5	15.1%	10
F7	EBITDA Margin (Earnings before interest, tax Depreciation and Amortisation Total revenue) x100	60.00%	64.91%	64.85%	8.2%		0.1%	

Notes

Note	Comment
1	Net operating cashflows (excluding tax) was better than the prior year following higher tariff and developer income, which was only marginally offset by slight increase on operating expenses.
2	Net operating cashflows was better than prior year as a result of higher tariff and developer income, which was only marginally offset by slight increase on operating expenses which provided more cash to fund capital expenditure.
3	The lower ratio is from \$4 million of higher payables relating to capital expenditure, and \$5 million of income tax payable from prior year.
4	Large operating profit attributable to very strong developer activity resulting in 76% higher developer gifted asset and cash contributions from 2018/19.

- | | |
|----|--|
| 5 | Large operating profit attributable to very strong developer activity resulting in 76% higher developer gifted asset and cash contributions from 2018/19. |
| 6 | There was an asset revaluation as at June 2019 that was not forecast at the time of preparation of the 2020 Corporate Plan. Revaluation increased the total asset by \$94 million which diluted the gearing ratio. |
| 7 | Due to the significantly higher developer activity contributing \$27 million additional revenue above Corporate Plan, the resultant tax instalments were \$10 million higher than plan. |
| 8 | Payables for capital expenditure is \$10 million higher as a result of the timing of cash payments on developer reimbursable projects. |
| 9 | Large operating profit attributable to very strong developer activity resulting in 35% higher developer gifted asset and cash contributions than plan. |
| 10 | Large operating profit attributable to very strong developer activity resulting in 35% higher developer gifted asset and cash contributions than plan. |
-

Water and sewerage service performance indicators

	Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to prior year %	Notes	Variance to target %	Notes
WS1	Unplanned water supply interruptions Number of customers receiving >5 unplanned interruptions in the year/ total number of water (domestic and non-domestic) customers * 100	0%	0%	0%	0%		0%	
WS2	Interruption time indicators Average duration of unplanned water supply interruptions	72.0 minutes	121.3 minutes	126.0 minutes	(68.4%)	11	3.8%	
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions * 100	99.0%	97.5%	98.3%	(1.5%)		(0.8%)	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers	97.7%	98.6%	100.0%	0.9%		(1.4%)	
SS2	Sewerage interruptions Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100.0%	98.4%	100.0%	(1.6%)		(1.6%)	

Notes

Note	Comment
11	The nature of the interruptions was more complex than last year which resulted in longer duration of repair.

Customer responsiveness performance indicators

	Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to prior year %	Notes	Variance to target %	Notes
CR1	Water quality complaints Number of complaints per 1000 customers	1.911	2.083	4.00	(9.0%)	12	(47.9%)	14
CR4	Billing complaints Number of complaints per 1000 customers	0.412	0.388	0.50	(5.8%)	13	(22.4%)	15

Notes

Note	Comment
12	There was a slight increase in general water quality complaints due to seasonal change in the Rosslynne Reservoir causing an earthy smell related to harmless, natural occurring compounds. There were also multiple events recorded where sediments were stirred up in the mains, either from unplanned watermain issues or in new developments impacted by construction.
13	There was only a marginal increase (2 in number) of complaints from last year however growth in customer numbers means this is an improvement based on customer base. Number of customers complaining about charges on vacant land remains relatively low due to new customer packs sent out.
14	Complaints are low this financial year due to the implementation of a dedicated field services water quality team. Waternamics (a new integrated software package) has allowed them to locate water quality hot spots and produce locality reports, which has improved their flushing program.
15	Number of affordability complaints remain low due to efforts to assist customers on the first call with the likes of payment extension, payment plans or other support packages. Additionally these services are being introduced online.

Environmental performance indicators

	Performance Indicator	2018/19 Result	2019/20 Result	2019/20 Target	Variance to prior year %	Notes	Variance to target %	Notes
E1	Effluent reuse volume (end use) Percentage recycled for each category	72.2%	57.3%	60.0%	(20.6)%	16	(4.5)%	
E2	Total net CO2 emissions Net tonnes CO2 equivalent	37,967	38,257	36,223	(0.8)%		(5.6)%	17

Notes

Note	Comment
16	As a result of high rainfall levels experienced (January to April) nearing the 90th percentile, reuse opportunities were significantly reduced by rainfall patterns experienced over peak irrigation periods. Recycled water reuse targets are based on yearly customer contract volume demand, usage patterns i.e. (irrigation profile and application period) and historical rainfall which may result in variances between target and actual.
17	The total was higher than the target because of higher volumes of water pumped from the Melbourne system and increase in number of connected properties. Additionally there has been a delay in connecting the Intelligent Water Network Large-scale Renewable project to the electricity grid which would have provided Western Water with offsets to meet its target.

Certification of the Performance Report 2019/20

We certify that the accompanying Performance Report of Western Region Water Corporation in respect of the 2019/20 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2019/20 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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

Signed at Sunbury on 16 October 2020, on behalf of the Board.



Andrew Cairns
Chair



Jeff Rigby
Managing Director



Elizabeth Rowland
Chief Finance & Accounting Officer



Independent Auditor’s Report

To the Board of the Western Region Water Corporation

Opinion I have audited the accompanying performance report of the Western Region Water Corporation (the corporation) for the year ended 30 June 2020 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 Western Region Water Corporation in respect of the year ended 30 June 2020, 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.

**Auditor's
responsibilities
for the audit of
the performance
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

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

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

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

MELBOURNE
19 October 2020



Paul Martin
as delegate for the Auditor-General of Victoria

Financial reports

Western Region Water Corporation
ABN 67 433 835 375
Financial Report
for the financial year ended
30 June 2020

Western Region Water Corporation ABN 67 433 835 375 Financial Report - 30 June 2020

Western Region Water Corporation has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2020. It is presented in the following structure:

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**Western Region Water Corporation
Comprehensive Operating Statement
For the financial year ended 30 June 2020**

	Notes	2020 \$'000	2019 \$'000
Revenue and income from continuing operations			
Revenue from contracts with customers	2(b), 9(h)	194,802	146,742
Government grants and contributions	2(c), 9(h)	123	1,608
Other income	2(d), 9(h)	1,280	678
Interest income		6	50
Net loss on disposal of infrastructure, property, plant and equipment	4(a)(x)	<u>(2,252)</u>	<u>(470)</u>
Total revenue and income from continuing operations		<u>193,959</u>	<u>148,608</u>
Expenses			
Borrowing costs	5(e)(ii), 6(a)(ii)	15,389	14,258
Depreciation	4(a)(vii), 5(e)(ii)	28,734	23,561
Amortisation	4(a)(viii), 4(b)	2,491	2,457
Employee benefits	3(b), 3(c), 9(d)	19,225	16,552
Repairs and maintenance	3(d)	5,096	4,116
Environmental contribution levy	8(b), 9(e)(i)	3,083	3,083
Water purchases	3(e), 9(e)(i)	12,006	11,430
Electricity	3(f)	4,849	4,910
Other operating and administration expenses	3(g)	<u>18,591</u>	<u>19,297</u>
Total expenses		<u>109,464</u>	<u>99,664</u>
Net result before tax		84,495	48,944
Income tax expense	8(a)(i)	<u>25,382</u>	<u>15,020</u>
Net result for the period		<u>59,113</u>	<u>33,924</u>
Other comprehensive income			
Pre-tax change in asset revaluation reserve		-	89,762
Income tax relating to change in asset revaluation reserve	8(a)(ii)	<u>-</u>	<u>(26,929)</u>
Other comprehensive income for the period, net of income tax		<u>-</u>	<u>62,833</u>
Comprehensive result		<u>59,113</u>	<u>96,757</u>

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

Western Region Water Corporation
Balance Sheet
As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6(b), 7	1,210	3,166
Receivables	5(a), 7	10,342	16,494
Contract assets	2(b)(iv), 9(h)	7,094	-
Other non-financial assets	5(c)	1,174	834
Amounts in trust	5(c)	2,181	-
Total current assets		22,001	20,494
Non-current assets			
Receivables	5(a), 7	73	163
Infrastructure assets, property, plant and equipment	4(a)	1,192,653	1,073,611
Intangible assets	4(b)	18,242	16,445
Right-of-use assets	5(e), 9(h)	1,072	-
Deferred tax assets	8(a)(ii)	1,865	1,504
Total non-current assets		1,213,905	1,091,723
TOTAL ASSETS		1,235,906	1,112,217
LIABILITIES			
Current liabilities			
Payables	5(b), 7	41,084	35,283
Income in advance		-	12,750
Contract liabilities	2(b)(iv), 9(h)	7,646	-
Employee benefits	3(b)(ii), 9(e)(iii)	4,854	3,770
Current tax payable	8(a)(i)	10,650	5,571
Lease liabilities	5(e), 9(h)	569	-
Total current liabilities		64,803	57,374
Non-current liabilities			
Interest bearing liabilities	6(a), 7	347,150	289,900
Deferred tax liabilities	8(a)(ii)	125,778	126,698
Lease liabilities	5(e), 9(h)	521	-
Employee benefits	3(b)(ii)	697	666
Contract liabilities	2(b)(iv)	195	-
Amounts in trust		70	-
Total non-current liabilities		474,411	417,264
TOTAL LIABILITIES		539,214	474,638
NET ASSETS		696,692	637,579
EQUITY			
Contributed capital	9(a)(i)	160,413	160,413
Asset revaluation reserves	9(a)(ii)	212,531	212,531
Accumulated surplus	9(a)(iii)	323,748	264,635
TOTAL EQUITY		696,692	637,579

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

**Western Region Water Corporation
Statement of Changes in Equity
For the financial year ended 30 June 2020**

	Notes	Contributed Capital \$'000	Asset revaluation reserves \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 July 2018		160,413	149,698	230,873	540,984
Adoption of new accounting standards AASB 9 <i>Financial Instruments</i> (net of tax)		-	-	(162)	(162)
Restated total equity at 1 July 2018		160,413	149,698	230,711	540,822
Comprehensive result		-	62,833	33,924	96,757
Balance at 30 June 2019	9(a)	160,413	212,531	264,635	637,579
Comprehensive result	9(a)	-	-	59,113	59,113
Balance at 30 June 2020	9(a)	160,413	212,531	323,748	696,692

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

Western Region Water Corporation
Cash Flow Statement
For the financial year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Cash Flows from Operating Activities			
Receipts			
Service and usage charges from contracts with customers		95,371	90,243
Developer contribution fees		29,670	16,162
Interest received		7	51
Grants from government (non-recurrent)		452	520
Goods and Services Tax received from the ATO		9,430	8,253
Other receipts		715	685
Total receipts		135,645	115,914
Payments			
Payments to employees		(17,760)	(16,450)
Payments to suppliers		(57,924)	(53,091)
Interest and other costs of finance		(15,328)	(14,224)
Income tax		(21,583)	(14,308)
Environmental contribution levy	8(b)	(3,083)	(3,083)
Goods and Services Tax paid to the ATO		(208)	(252)
Total payments		(115,886)	(101,408)
Net cash inflow from Operating Activities	6(b)	19,759	14,506
Cash Flows from Investing Activities			
Payments for infrastructure assets, property, plant and equipment		(74,467)	(60,094)
(Payments) / receipts of deferred capital works security bonds		-	(1,576)
Proceeds from sale of infrastructure assets, property, plant & equipment		311	433
Payments for intangible assets		(4,256)	(4,074)
Net cash outflow from Investing Activities		(78,412)	(65,311)
Cash Flows from Financing Activities			
Proceeds from new and refinanced borrowings		75,750	58,750
Payments for maturing and refinanced borrowings		(18,500)	(13,500)
Principal element of lease liability		(553)	-
Net cash inflow from Financing Activities		56,697	45,250
Net increase / (decrease) in cash and cash equivalents		(1,956)	(5,555)
Cash and cash equivalents at the beginning of the financial year		3,166	8,721
Cash and cash equivalents at end of the financial year	6(b)	1,210	3,166

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

1 About this Report

Basis of preparation

The financial report includes separate financial statements for Western Region Water Corporation (Western Water, or the Corporation) as an individual reporting entity. This financial report is a general-purpose financial report, that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Directors' and Chief Finance and Accounting Officer's Declaration and notes accompanying these statements for the period ended 30 June 2020.

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

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

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

The annual financial statements were authorised for issue by the Board on 18 September 2020.

The principal address is:

Western Region Water Corporation
36 Macedon Street
SUNBURY VIC 3429

Accounting policies

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

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

The following standards have been adopted by Western Water:

- **AASB 15 Revenue from Contracts with Customers**
AASB 15 *Revenue from contracts with customers*, which replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations requires Western Water to recognise revenue when Western Water satisfies a performance obligation by transferring a promised good or service to a customer. Western Water has adopted AASB 15 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the Department of Treasury and Finance through FRD 121 *Transitional requirements on the application of AASB 15 Revenue from Contracts with Customers*. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated. There was no transition adjustment to be made directly to retained earnings. Further disclosures in relation to AASB 15 are at notes 2(b) and 9(h)(i) of this financial report.

- **AASB 16 Leases**
AASB 16 *Leases* was issued in February 2016 and replaces AASB 117 *Leases*. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay the obligation for lease payments are recognised. Western Water has adopted AASB 16 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the Department of Treasury and Finance through FRD 123 *Transitional requirements on the application of AASB 16 Leases*. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated. There was no adjustment to be made directly to retained earnings. Further disclosures in relation to AASB 16 are at notes 5(e) and 9(h)(iii) of this financial report.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

1 About this Report (continued)

• *AASB 1058 Income of Not-for-Profit Entities*

AASB 1058 *Income of Not-for-Profit Entities* replaces requirements of income transactions previously accounted for under AASB 1004 *Contributions*. It establishes principles for not-for-profit entities that apply to (a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit Corporation to further its objectives; and (b) the receipt of volunteer services. It will apply to capital grants from government and grants with no sufficiently specific performance obligation. Western Water determines whether a transaction falls under AASB 1058 or actually a contract with a customer under AASB 15. Western Water has adopted AASB 1058 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the Department of Treasury and Finance through FRD 122 *Transitional requirements on the application of AASB 1058 Income of Not-for-Profit Entities*. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated. There was no transition adjustment to be made directly to retained earnings. Further disclosures in relation to AASB 1058 are at notes 2(c) and 9(h)(ii) of this financial report.

Comparative figures

Where appropriate, comparative figures have been amended to align with current presentation and disclosure. As AASB 15, AASB 16 and AASB 1058 have been adopted on modified retrospective basis, no third balance sheet has been presented for the adoption of these standards.

Functional and presentation currency

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

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over or settled within the next twelve months, being Western Water's operational cycle - see note 3(b)(ii) under provisions for a variation in relation to employee benefits and note 6(a) under interest bearing liabilities for a variation in relation to borrowings.

Rounding

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

Historical cost convention

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

Accounting estimates

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

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

- Accrued water usage charges revenue (Note 2(b)(i));
- Residual values and useful lives (Note 4(a)(viii));
- Fair value of infrastructure assets, property, plant and equipment (Note 4(a)(iv), 4(a)(v) and 4(a)(vi));
- Impairment of assets (Note 4(a)(ix) and 4(b)(iii));
- Contingent assets and liabilities (Note 7(d));

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

1 About this Report (continued)

- Employee benefit provisions (Note 3(b)(ii) and 3(c)(iii));
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (Note 3(b) and 3(c));
- Recognition of deferred tax assets and liabilities (Note 8(a)(ii));
- Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 or AASB 1058 (Note 2(b), 2(c));
- The timing of satisfaction of performance obligations (Note 2(b));
- Determining transaction price and amounts allocated to performance obligations (Note 2(b)(i));
- For leases, determining whether the arrangement is in substance short-term arrangement (Note 5(e)); and
- Estimating discount rate when not implicit in the lease (Note 9(h)(iii)).

There has been no resulting change to judgements and assumptions applied to accounting estimates due to Covid-19.

Impact of Covid-19

The Covid-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by the Federal and Victorian governments to contain the virus have impacted economic activity. Western Water has taken a number of measures to monitor and mitigate the effects of the Covid-19 virus such as social distancing including working from home and securing the supply of materials that are essential to operations.

At 30 June 2020, the impact of Covid-19 on Western Water's financial performance has not been significant. Western Water continues to monitor business activity and economic conditions to support this assessment.

The key areas of Western Water's business that have been considered include the change in volume of water consumed by residential and non-residential customers, debt collection and subsequent impacts on cash and borrowings. In addition, the fair value of water and sewerage infrastructure assets, fair value of land and buildings and the allowance for impairment of receivables have also been considered.

No material uncertainty exists about Western Water's ability to continue as a going concern.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

2 Funding Delivery of Our Services

Introduction

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

Western Water's overall objective is to deliver safe, reliable and affordable water, sewerage and recycled water services that meet the diverse needs of our customers and community. Our intent is to work with customers and stakeholders to enhance regional economic growth and resilience against a backdrop of population growth, a changing climate, natural resource scarcity and while caring for the environment.

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

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

	Notes	2020 \$'000	2019 \$'000
Revenue from contracts with customers			
Service and water usage charges	2(b)(i)	82,660	81,545
Developer contributions			
Assets received from developers	2(b)(ii)	71,053	40,534
Fees paid by developers	2(b)(ii)	35,770	20,120
Other revenue	2(b)(iii)	5,319	4,543
Total revenue from contracts with customers		194,802	146,742
Government grants and contributions	2(c)	123	1,608
Other income	2(d)	1,280	678
Interest income		6	50
Total revenue and income from continuing operations		196,211	149,078

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

2 Funding Delivery of Our Services (continued)

(b) Revenue from contracts with customers

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

(i) Revenue from service and water usage charges

	2020 \$'000	2019 \$'000
Service charges recognised over time		
Water	18,601	17,643
Sewerage	38,637	36,258
Recycled water	778	469
Total service charges recognised over time	58,016	54,370
Water usage charges recognised over time		
Water	30,144	32,078
Recycled Water	1,271	1,423
Water efficiency rebate	(6,771)	(6,326)
Total water usage charges recognised over time	24,644	27,175
Total revenue from service and water usage charges recognised over time	82,660	81,545

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

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

2 Funding Delivery of Our Services (continued)

(b) Revenue from contracts with customers (continued)

Water usage charges are progressively billed three times a year in arrears and revenue is recognised over time as Western Water has the right to receive an amount of consideration based on the unit of water consumed during the financial year and at the regulated price. Western Water has applied the practical expedient given in AASB 15, paragraph B16, where revenue can be recognised in the amount that it has a right to invoice, since the amount is considered by Western Water to correspond directly with the value to the customer of Western Water's performance to date. The amount of right to invoice is based on meter readings. Meter reading is undertaken progressively during the year. As meter reading is cyclical, an estimate of water usage is made at the end of the accounting period, calculated by utilising the bulk meter reading at the end of the reporting period for the amount of water consumed by customers that is not yet billed at balance date. Any difference between the amount invoiced and actual consumption is adjusted in the period in which the meter readings are finalised and are recovered or paid as part of the next period's charges. An assumption on the percentage of water losses is also required in determining the water usage accrual. This amount is accounted as contract assets.

An estimate of water usage is made at the end of the accounting period the revenue stream includes an accrual estimation, calculated by utilising the bulk meter reading at the end of the reporting period for the amount of water consumed by customers that is not yet billed at balance date. Any difference between the amount invoiced and actual consumption is adjusted in the period in which the meter readings are finalised and are recovered or paid as part of the next period's charges. An assumption on the percentage of water losses is also required in determining the water usage accrual. This water usage accrual amount is accounted as contract assets.

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

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

Western Water provides residential water use customers with a Water Efficiency Rebate of \$100 per annum (adjusted to reflect movement in Consumer Price Index) over two years from 1 July 2018 to 30 June 2020. This Water Efficiency Rebate is progressively billed evenly over three billing cycles. The amount \$6,771,003 (2019: \$6,326,071) represents the Water Efficiency Rebate for the financial year 2019/20.

(ii) Developer contributions

	2020	2019
	\$'000	\$'000
Developer contributions		
Assets received from developers	71,053	40,534
Fees paid by developers	<u>35,770</u>	<u>20,120</u>
Total developer contributions	<u>106,823</u>	<u>60,654</u>

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

Revenue from assets received from developers is recognised at a point in time when Western Water has satisfied its performance obligation. Upon Western Water's requirements having been met, Western Water issue its consent to the final release of the plan of subdivision by Council and to it issuing a statement of compliance in accordance with Section 21 of the Subdivision Act 1988, can result in the performance obligation being satisfied.

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

2 Funding Delivery of Our Services (continued)

(b) Revenue from contracts with customers (continued)

Fees paid by developers represent upfront charges applicable to build or develop a property and connect new developments to Western Water’s water supply and sewerage infrastructure network. The charges contribute towards the cost of augmenting Western Water’s water supply distribution systems and sewerage disposal systems. Fees paid by developers also includes a financing charge contribution for assets developed earlier than planned at the request of the developer of \$1,820,930 (2019: \$782,010).

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

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

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

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

(iii) Other revenue

	2020	2019
	\$'000	\$'000
Special meter reading	256	221
Property services	4,994	4,227
Property rental	52	70
Miscellaneous revenue	17	25
Total other revenue	<u>5,319</u>	<u>4,543</u>

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

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

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

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

2 Funding Delivery of Our Services (continued)

(b) Revenue from contracts with customers (continued)

(iv) Contract assets and contract liabilities

	30 June 2020 \$'000	1 July 2019 \$'000	30 June 2019 \$'000
Current contract assets			
Accrued water revenue *	7,094	7,591	-
Accrued other revenue *	-	291	-
Total current contract assets	7,094	7,882	-
Current contract liabilities			
Fees paid by developers in advance **	2,695	9,280	-
Service and water usage charges paid in advance **	4,372	3,470	-
Deferred government grant ***	579	73	-
Total current contract liabilities	7,646	12,823	-
Non-current contract liabilities			
Fees paid by developers in advance	195	-	-
Total non-current contract liabilities	195	-	-
Total contract liabilities	7,841	12,823	-

* Accrued water income of \$7,591,410 and Accrued other income of \$290,732, that were classified under Contractual receivables in 30 June 2019, are classified under Contracts assets on 1 July 2019 (Note 5(a)).

** Fees paid by developers in advance of \$9,280,280 and Service and water usage charges paid in advance of \$3,469,791, that were classified under Income in advance in 30 June 2019, are classified under Contracts liabilities on 1 July 2019.

*** Deferred government grant of \$73,093, that was classified under Contractual trade creditors in 30 June 2019, are classified under Contracts liabilities on 1 July 2019 (Note 5(b)).

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

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

At 30 June 2020, contract assets of \$7,093,829 relate to the balance at the end of the period. The contract assets of \$7,882,142 at 1 July 2019 relate to the balance at the beginning of the period, and these have transferred to receivables during the year when the rights become unconditional. This usually occurs when Western Water issues an invoice to the customer.

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

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

2 Funding Delivery of Our Services (continued)

(b) Revenue from contracts with customers (continued)

Significant changes in contract assets and liabilities

Contract assets have increased as Western Water has provided more water supply ahead of the agreed billing schedules for its contractually connected customers as per approved tariffs schedule.

The decrease in contract liability in 2020 was due to the larger number of Statements of Compliance being issued. The increase in service and water usage charges paid in advance in 2020 was due to the customer tariffs paid in advance of agreed billing schedules.

Revenue recognised in relation to contract liabilities

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

	2020 \$'000	2019 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Fees paid by developers in advance	9,280	13,277
Service and water usage charges paid in advance	3,470	3,276
Deferred government grant	63	1,140
	<u>12,813</u>	<u>17,693</u>

(c) Government grants and contributions

	2020 \$'000	2019 \$'000
Total government grants and contributions	<u>123</u>	<u>1,608</u>

Western Water applies AASB 1058 *Income of Not-for-Profit Entities* if the grants received by Western Water are not enforceable and does not have sufficiently specific performance obligations. Western Water also applies AASB 1058 to capital grants that are controlled by Western Water.

Under AASB 15, income is only be recognised when or as the performance obligations under the contract are satisfied, potentially resulting in a deferral of income as compared to accounting under AASB 1004 (Note 2(b)(iv)).

(d) Other income

	2020 \$'000	2019 \$'000
Reimbursement of costs incurred and miscellaneous income	1,280	678
Total other income	<u>1,280</u>	<u>678</u>

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

2 Funding Delivery of Our Services (continued)

(d) Other income (continued)

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

Western Water's share of the compensation settlement of \$611,473.28 received from Zero Emissions Water (ZEW) Limited is included in other income (Note 7(c)(i)).

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

3 The Cost of Delivering Services

Introduction

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

(a) Summary of expenses incurred in delivery of services

	Notes	2020 \$'000	2019 \$'000
Expenses			
Employee benefits	3(b)(i)	19,225	16,552
Repairs and maintenance	3(d)	5,096	4,116
Water purchases	3(e)	12,006	11,430
Electricity	3(f)	4,849	4,910
Other operating and administration expenses	3(g)	18,591	19,297
Total expenses incurred in delivery of services		59,767	56,305

(b) Our people

(i) Employee benefits - Comprehensive Operating Statement

	2020 \$'000	2019 \$'000
Employee benefits		
Salaries & wages	15,861	13,720
Long service leave	624	523
Employer superannuation contributions	1,484	1,266
Other	1,256	1,043
Total employee benefit costs	19,225	16,552

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

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

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

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

3 The Cost of Delivering Services (continued)

(b) Our people (continued)

(ii) Employee benefits - Balance Sheet

Provision is made for benefits accruing to employees in respect of annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2020	2019
	\$'000	\$'000
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	1,383	971
Long service leave		
Unconditional and expected to settle within 12 months	310	282
Unconditional and expected to settle after 12 months	2,495	2,008
Provisions for on-costs		
Unconditional and expected to settle within 12 months	273	197
Unconditional and expected to settle after 12 months	393	312
Total current provisions for employee benefits	4,854	3,770
Non-current provisions		
Long service leave		
Conditional and expected to settle after 12 months	602	576
Provisions for on-costs		
Conditional and expected to settle after 12 months	95	90
Total non-current provisions for employee benefits	697	666
Total provisions for employee benefits	5,551	4,436
Reconciliation of movement in on-cost provision		
Opening balance	599	541
Additional provisions recognised	397	281
Amounts utilised during the period	(185)	(193)
Effect of changes in the discount rate	(50)	(30)
Closing balance	761	599
Current	666	509
Non-current	95	90
	761	599

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

3 The Cost of Delivering Services (continued)

(b) Our people (continued)

Salaries and wages, annual leave and sick leave

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

Liabilities for salaries and wages (including non-monetary benefits, annual leave and on-costs) are all recognised in the provision for employee benefits as 'current liabilities' as per AASB 119 *Employee Benefits*, as Western Water does not have an unconditional right to defer settlements of these liabilities.

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

On-costs

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

Long service leave

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

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

The components of this current LSL liability are measured at:

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

Conditional LSL is disclosed as a non-current liability as Western Water has an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the Comprehensive Operating Statement.

(c) Superannuation

(i) Superannuation contributions

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

The obligations for contributions to the Fund and other Superannuation Funds are recognised as an expense in the Comprehensive Operating Statement or directly charged to capital expenditure projects when they are incurred or due. Contributions by Western Water to the various superannuation plans for the financial year ended 30 June 2020 and 30 June 2019 are detailed below:

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

3 The Cost of Delivering Services (continued)

(c) Superannuation (continued)

Scheme	Type of scheme	Contribution Rate	2020	2019
			\$'000	\$'000
Vision Super	Defined Benefit	9.50%	158	102
Vision Super	Accumulation	9.50% - 10.00%	882	838
Other Superannuation Funds	Accumulation	9.50%	788	511
			1,828	1,451

As at the reporting date, there was \$130,869 (2019: \$82,518) payable to Vision Super and \$98,666 (2019: \$60,394) payable to other Superannuation Funds through Vision Clearing House for payments in the normal course of business and no loans issued from or to any of the above funds.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2021 is \$147,104 (2020: \$97,556).

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

(ii) Accumulation

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

(iii) Defined Benefit

Western Water does not use defined benefit accounting for its defined benefit obligations as sufficient information is not available. There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Western Water in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the fund actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

(iv) Funding Arrangements

Western Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. In addition, Western Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

The 2019 interim actuarial investigation surplus amounts

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the defined benefit category. The vested benefit index (VBI) of the defined benefit category of which Western Water is a contributing employer was 107.1%. Western Water was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018). The VBI is to be used as the primary funding indicator. As the VBI was above 100%, the 2019 interim actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangements from prior years.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

3 The Cost of Delivering Services (continued)

(c) Superannuation (continued)

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

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

The Fund's interim actuarial investigation as at 30 June 2019 identified the following in the defined benefit category of which Western Water is a contributing employer:

- A VBI surplus of \$151.3 million (2017:\$69.8 million)
- A total service liability surplus of \$233.4 million (2017:\$193.5 million); and
- A discounted accrued benefits surplus of \$256.7 million (2017:\$228.8 million).

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2020.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

The 2020 full triennial actuarial investigation

The last full actuarial investigation was conducted as at 30 June 2017. A full actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed in December 2020. The financial assumptions for the purposes of this investigation are:

	2020 Triennial investigation	2017 Triennial investigation
Net investment return	5.60% pa	6.50% pa
Salary inflation	2.50% pa (from 2018 to 2019) 2.75% pa (for 2020)	3.50% pa
Price inflation	2.00% pa	2.50% pa

Vision Super has advised that the estimated VBI at 30 June 2020 was 104.6%.

The 30 June 2020 fund position may be impacted due to Covid-19 restrictions, however, at the time these financial statements were issued, the impact could not be reliably estimated.

(v) Funding calls

Funding calls

If the defined benefit category is in an unsatisfactory financial position at the effective date of the actuarial investigation, or when the defined benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the defined benefit category has a shortfall for the purposes of Superannuation Prudential Standard 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

3 The Cost of Delivering Services (continued)

(c) Superannuation (continued)

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Western Water) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated. The defined benefit fund was closed to new members on 31 December 1993.

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

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

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

(d) Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold (Note 4(a)(iii)), the cost is capitalised and depreciated.

	2020	2019
	\$'000	\$'000
Labour and materials	1,287	847
Mechanical	748	693
Electrical	1,344	952
Land and ground	769	444
Bio solids	219	255
Instrumentation and control	358	325
Dam safety	263	507
Buildings	108	93
Total repairs and maintenance	5,096	4,116

(e) Water purchases

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

	2020	2019
	\$'000	\$'000
Total water purchases	12,006	11,430

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

3 The Cost of Delivering Services (continued)

(f) Electricity

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

	2020 \$'000	2019 \$'000
Total electricity	4,849	4,910

(g) Other operating and administration expenses

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

Supplies and services costs are recognised as an expense in the reporting period in which they are incurred.

	Notes	2020 \$'000	2019 \$'000
Supplies and services			
Contractors and consultants		5,316	6,677
Office supplies and consumables		3,176	2,974
Information Communication Technology supplies and consumables		2,094	1,971
Sampling and analysis charges		1,198	1,121
Chemicals		1,317	1,060
Staff related expenses - non labour		629	810
Travel and related expenses		674	665
Materials		798	556
Marketing and media		615	535
Directors fees		262	205
Insurance		349	359
Legal costs		188	157
License fees		158	238
Sewer access charges		601	601
Total supplies and services		17,375	17,929
Operating lease rental*		62	663
Expected credit losses on receivables		920	491
Compensation for economic loss	9(g)	34	24
Auditors' remuneration	9(f)	200	190
Total other operating and administration expenses		18,591	19,297

* Western Water adopted AASB 16 *Leases* from 1 July 2019. Western Water applied practical expedients under AASB 16, as a result, operating lease rental recognised in the financial year ended 30 June 2020 are in relation to short term lease expenses and low value leases expenses only. Refer to Note 9(h)(iii) for impact of adopting AASB 16.

Operating lease rental expenses that were recognised on a straight-line basis over the lease term for the 2018/19 is \$591,295 (Note 5(e)(ii))

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

4 Key Assets Available to Support Output Delivery

Introduction

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

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

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

	2020	2019
	\$'000	\$'000
Land		
Gross carrying amount - at fair value	35,787	34,192
Net carrying amount	35,787	34,192
Buildings		
Gross carrying amount - at fair value	12,106	11,399
Less: accumulated depreciation	(413)	-
Net carrying amount	11,693	11,399
Infrastructure		
Gross carrying amount - at fair value	1,049,906	937,997
Less: accumulated depreciation	(25,382)	-
Net carrying amount	1,024,524	937,997
Equipment		
Gross carrying amount - at fair value	26,662	22,679
Less: accumulated depreciation	(13,080)	(11,409)
Net carrying amount	13,582	11,270
Motor vehicles		
Gross carrying amount - at fair value	4,143	3,937
Less: accumulated depreciation	(1,642)	(1,415)
Net carrying amount	2,501	2,522
Leasehold assets		
Gross carrying amount - at fair value	2,044	2,044
Less: accumulated depreciation	(1,963)	(1,931)
Net carrying amount	81	113
Capital work in progress		
Gross carrying amount - at cost	104,485	76,118
Total infrastructure, property, plant and equipment		
Gross carrying amount	1,235,133	1,088,366
Less: accumulated depreciation	(42,480)	(14,755)
Net carrying amount	1,192,653	1,073,611

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

4 Key Assets Available to Support Output Delivery (continued)

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

(ii) Reconciliation of movements in carrying values

	Land At fair value \$'000	Buildings At fair value \$'000	Infrastructure At fair value \$'000	Equipment At fair value \$'000	Motor vehicles At fair value \$'000	Leasehold assets At fair value \$'000	Capital work in progress At cost \$'000	Total infrastructure, property, plant and equipment \$'000
2020								
Infrastructure, property, plant and equipment								
Opening balance 1 July 2019	34,192	11,399	937,997	11,270	2,522	113	76,118	1,073,611
Additions	1,595	-	-	-	843	-	74,680	77,118
Transfer to intangible assets	-	-	(925)	-	-	-	-	(925)
Transfer from intangible assets	-	-	-	-	-	-	2,554	2,554
Transfer of capital work in progress	-	707	44,176	3,984	-	-	(48,867)	-
Fair value of assets received free of charge	-	-	71,053	-	-	-	-	71,053
Revaluation	-	-	-	-	-	-	-	-
Disposals	-	-	(2,357)	-	(206)	-	-	(2,563)
Depreciation and amortisation	-	(413)	(25,420)	(1,672)	(658)	(32)	-	(28,195)
Closing balance 30 June 2020	35,787	11,693	1,024,524	13,582	2,501	81	104,485	1,192,653
2019								
Infrastructure, property, plant and equipment								
Opening balance 1 July 2018	30,808	9,677	774,439	8,771	2,533	129	76,128	902,485
Additions	3,384	-	-	-	951	-	60,874	65,209
Transfer from intangible assets	-	-	-	-	-	-	219	219
Transfer of capital work in progress	-	1,013	55,992	4,082	-	16	(61,103)	-
Fair value of assets received free of charge	-	-	40,534	-	-	-	-	40,534
Revaluation	-	1,062	88,700	-	-	-	-	89,762
Disposals	-	-	(659)	-	(346)	-	-	(1,005)
Depreciation and amortisation	-	(353)	(21,009)	(1,583)	(616)	(32)	-	(23,593)
Closing balance 30 June 2019	34,192	11,399	937,997	11,270	2,522	113	76,118	1,073,611

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

4 Key Assets Available to Support Output Delivery (continued)

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

(iii) Initial recognition

Infrastructure assets, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and recycled water infrastructure, plant, equipment and motor vehicles, all used by Western Water in its operations. Items with a cost or value in excess of \$1,000 (2019: \$1,000) and a useful life of more than one year are recognised as an asset (Note 3(d)). All other assets acquired are expensed.

Items of infrastructure assets and property, plant and equipment are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and recycled water systems.

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

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

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

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

(iv) Subsequent measurement

Infrastructure assets, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 4(a)(vi) for fair value disclosures.

(v) Revaluation

Revaluations are conducted in accordance with FRD 103H. Scheduled revaluations are undertaken every five years with an annual assessment of fair value to determine if it is materially different to the carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General of Victoria) to perform a detailed assessment of the fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Revaluation increments are credited directly to equity in the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in determining the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited to the asset revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure assets, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Asset revaluation reserves are not transferred to accumulated surplus/ (deficit) on de-recognition of the relevant asset.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

4 Key Assets Available to Support Output Delivery (continued)

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

(vi) Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

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

Fair value hierarchy

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

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

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

The impact of Covid-19 on the fair value assessment of infrastructure assets, property, plant and equipment cannot be reliably estimated at the time these financial statements were issued.

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

4 Key Assets Available to Support Output Delivery (continued)

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

	Carrying amount as at 30 June 2020 \$'000	Fair value measurement at end of reporting period in accordance with the fair value hierarchy:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
2020				
Land at fair value				
<i>Specialised land</i>				
- Water storage land	3,671	-	-	3,671
- Treatment plants land	17,126	-	-	17,126
- Telemetry land	32	-	-	32
- Tank wastewater land	6,501	-	-	6,501
- Pump station land	4,422	-	-	4,422
- Other land	4,035	-	-	4,035
Total of land at fair value	35,787	-	-	35,787
Buildings at fair value				
<i>Specialised buildings</i>				
- Sheds	48	-	-	48
- Other buildings	10,478	-	-	10,478
- Pump station buildings	1,167	-	-	1,167
Total of buildings at fair value	11,693	-	-	11,693
Infrastructure at fair value				
<i>Specialised infrastructure</i>				
- Reservoirs	44,105	-	-	44,105
- Water pipework	279,545	-	-	279,545
- Water/storage tanks	44,707	-	-	44,707
- Sewer/Recycled water pipework and rising mains	410,099	-	-	410,099
- Sewer access points	44,261	-	-	44,261
- Lagoons	14,046	-	-	14,046
- Pumps	6,803	-	-	6,803
- Sewer treatment tanks	23,375	-	-	23,375
- Other infrastructure	157,583	-	-	157,583
Total of infrastructure at fair value	1,024,524	-	-	1,024,524
Equipment at fair value				
<i>Specialised equipment</i>				
- Computer, furniture and fittings	2,215	-	-	2,215
- Compressors	815	-	-	815
- Machinery	630	-	-	630
- Other equipment	9,922	-	-	9,922
Total of equipment at fair value	13,582	-	-	13,582
Motor vehicles at fair value				
<i>Non-specialised motor vehicles</i>				
- 4WD	1,127	-	-	1,127
- Passenger	667	-	-	667
- Trucks	691	-	-	691
- Utilities	16	-	-	16
Total of motor vehicles at fair value	2,501	-	-	2,501
Leasehold assets at fair value				
- Leasehold improvements	81	-	-	81
Total of leasehold assets at fair value	81	-	-	81
Total infrastructure, property, plant & equipment excluding assets under construction	1,088,168	-	-	1,088,168

Western Region Water Corporation
Notes to the Financial Statements
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4 Key Assets Available to Support Output Delivery (continued)

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

Fair value measurement at end of reporting period in accordance with the fair value hierarchy:

2019	Carrying amount as at			
	30 June 2019 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at fair value				
<i>Specialised land</i>				
- Water storage land	3,671	-	-	3,671
- Treatment plants land	17,126	-	-	17,126
- Telemetry land	32	-	-	32
- Tank wastewater land	6,501	-	-	6,501
- Pump station land	4,422	-	-	4,422
- Other land	2,440	-	-	2,440
Total of land at fair value	34,192	-	-	34,192
Buildings at fair value				
<i>Specialised buildings</i>				
- Sheds	870	-	-	870
- Other buildings	10,480	-	-	10,480
- Pump station buildings	49	-	-	49
Total of buildings at fair value	11,399	-	-	11,399
Infrastructure at fair value				
<i>Specialised infrastructure</i>				
- Reservoirs	44,477	-	-	44,477
- Water pipework	260,092	-	-	260,092
- Water/storage tanks	41,564	-	-	41,564
- Sewer/Recycled water pipework and rising mains	351,116	-	-	351,116
- Sewer access points	36,767	-	-	36,767
- Lagoons	14,287	-	-	14,287
- Pumps	6,936	-	-	6,936
- Sewer treatment tanks	21,259	-	-	21,259
- Other infrastructure	161,499	-	-	161,499
Total of infrastructure at fair value	937,997	-	-	937,997
Equipment at fair value				
<i>Specialised equipment</i>				
- Computer, furniture and fittings	1,358	-	-	1,358
- Compressors	867	-	-	867
- Machinery	680	-	-	680
- Other equipment	8,365	-	-	8,365
Total of equipment at fair value	11,270	-	-	11,270
Motor vehicles at fair value				
<i>Non-specialised motor vehicles</i>				
- 4WD	937	-	-	937
- Passenger	690	-	-	690
- Trucks	832	-	-	832
- Utilities	63	-	-	63
Total of motor vehicles at fair value	2,522	-	-	2,522
Leasehold assets at fair value				
- Leasehold improvements	113	-	-	113
Total of leasehold assets at fair value	113	-	-	113
Total infrastructure, property, plant & equipment excluding assets under construction	997,493	-	-	997,493

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

4 Key Assets Available to Support Output Delivery (continued)

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

Description of significant unobservable inputs to Level 3 valuations as at 30 June 2019 and 2020

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

**Western Region Water Corporation
Notes to the Financial Statements
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4 Key Assets Available to Support Output Delivery (continued)

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

There have been no transfers between levels during the period.

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

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

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

Specialised land

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

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

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

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

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

Western Water's fair value assessment of the specialised land class of assets, applying the June 2018 financial year indexation factors of industrial land by post code as issued by the VGV, identified an 11.6% increase in the fair value since the June 2016 Scheduled Revaluation. As the identified movement exceeds 10%, Western Water has completed a Managerial Revaluation of the specialised land assets and relevant entries are recorded in 30 June 2018.

The Corporation conducted an assessment at 30 June 2020 with no material movement identified since the 2018 valuation. The next scheduled revaluation of Western Water's specialised land is due as at 30 June 2021.

Specialised buildings

For the majority of Western Water's specialised buildings, the Depreciated Replacement Cost (DRC) method is used, adjusting for the associated depreciation. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

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

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

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

**Western Region Water Corporation
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30 June 2020**

4 Key Assets Available to Support Output Delivery (continued)

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

Western Water's fair value assessment of the specialised building class of assets, applying the June 2019 financial year indexation factors of commercial / industrial building as issued by the VGV, identified an 10.87% increase in the fair value since the June 2016 Scheduled Revaluation. As the identified movement exceeds 10%, Western Water has completed a Managerial Revaluation of the specialised building assets and relevant entries are recorded as at 30 June 2019.

The Corporation conducted an assessment at 30 June 2020 with no material movement identified since the 2019 valuation. The next scheduled revaluation of Western Water's specialised buildings is due as at 30 June 2021.

Specialised infrastructure

Specialised infrastructure is valued using the DRC method, adjusting for the associated depreciation and all forms of obsolescence. This cost represents the replacement cost of the infrastructure (building/component) after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as water pipe works, structural frames and foundations, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the structure. The estimated cost of reconstruction includes structure services and finishes as applicable.

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

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

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

Western Water's assessment of the specialised infrastructure class of assets, applying weighted average indexation factors to the March 2019 indices of Road and Bridge Construction Victoria (reference to pipelines, dams and reservoirs) and Domestic Capital (for all other infrastructure assets) as issued by the Australian Bureau of Statistics, identified an 12.38% increase in the fair value since the June 2016 Scheduled Revaluation. As the identified movement exceeds 10%, Western Water has completed a Managerial Revaluation of the specialised infrastructure assets and relevant entries are recorded as at 30 June 2019.

The Corporation conducted an assessment at 30 June 2020 with no material movement identified since the 2019 valuation. The next scheduled revaluation of Western Water's specialised infrastructure is due as at 30 June 2021.

Equipment

Equipment is held at fair value. When equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the DRC method.

Scheduled revaluation of Western Water's specialised equipment was performed using the DRC method by JLT Valuation Services on behalf of the Valuer General Victoria (VGV) as at 30 June 2016. The DRC approach considered the specialised nature of the equipment and was deemed suitable given the absence of an active market for such equipments. The next scheduled revaluation of Western Water's specialised equipment is due as at 30 June 2021.

There were no changes in valuation techniques throughout the year to 30 June 2020. For all assets measured at fair value, the current use is considered the highest and best use.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

4 Key Assets Available to Support Output Delivery (continued)

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

Motor vehicles

Vehicles are valued using the DRC method, adjusting for the associated depreciation. Western Water acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in Western Water who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

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

Leasehold assets

Leasehold assets represent the leasehold improvements. Leasehold assets are valued using the DRC method.

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

Western Water conducted an assessment at 30 June 2020 with no material movement identified since the 2016 valuation.

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

4 Key Assets Available to Support Output Delivery (continued)

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

(vii) Reconciliation of Level 3 fair value movements

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

Reconciliation of Level 3 fair value movements 2020	Specialised land \$'000	Specialised buildings \$'000	Specialised infrastructure \$'000	Non-specialised		Leasehold assets \$'000	Total \$'000
				Specialised equipment \$'000	motor vehicles \$'000		
Opening balance	34,192	11,399	937,997	11,270	2,522	113	997,493
Fair value of assets received free of charge	-	-	71,053	-	-	-	71,053
Additions	1,595	707	43,251	3,984	843	-	50,380
Disposals	-	-	(2,357)	-	(206)	-	(2,563)
Depreciation and amortisation	-	(413)	(25,420)	(1,672)	(658)	(32)	(28,195)
Subtotal	35,787	11,693	1,024,524	13,582	2,501	81	1,088,168
Revaluation	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
Closing balance	35,787	11,693	1,024,524	13,582	2,501	81	1,088,168

Western Region Water Corporation
Notes to the Financial Statements
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4 Key Assets Available to Support Output Delivery (continued)

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

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

Western Region Water Corporation
Notes to the Financial Statements
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4 Key Assets Available to Support Output Delivery (continued)

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

(viii) Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Charge for the period		
<i>Depreciation</i>		
Buildings	413	353
Infrastructure	25,420	21,009
Equipment	1,672	1,583
Motor vehicles	658	616
Total depreciation	28,163	23,561
<i>Amortisation</i>		
Leasehold improvements	32	32
Total amortisation	32	32
Total depreciation and amortisation	28,195	23,593

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

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

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

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

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

4 Key Assets Available to Support Output Delivery (continued)

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

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

Indefinite life assets

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

(ix) Impairment of assets

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

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is debited to the asset revaluation surplus, to the extent of the amount applicable to that class of asset and amounts in excess of the applicable asset revaluation surplus amount is written off.

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

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

(x) Net loss on disposal

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

	2020 \$'000	2019 \$'000
Proceeds from sale of infrastructure, property, plant and equipment	311	535
Less: Written down value of asset sold	<u>(2,563)</u>	<u>(1,005)</u>
Net loss on disposal of infrastructure, property, plant and equipment	<u>(2,252)</u>	<u>(470)</u>

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

4 Key Assets Available to Support Output Delivery (continued)

(b) Intangible assets

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

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

4 Key Assets Available to Support Output Delivery (continued)

(b) Intangible assets (continued)

	Computer software * \$'000	Master plans** \$'000	Bulk water entitlement \$'000	Assigned water allocation \$'000	Total \$'000
Year ended 30 June 2019					
At 1 July 2018, net of accumulated amortisation	7,042	-	2,591	1,544	11,177
Additions	1,551	745	26	-	2,322
Amortisation	(2,215)	(31)	-	(179)	(2,425)
	6,378	714	2,617	1,365	11,074
Under construction					
At 1 July 2018	3,091	-	-	-	3,091
Additions	1,779	3,016	-	-	4,795
Capitalisation	(1,551)	(745)	-	-	(2,296)
Transfer to infrastructure assets, property, plant and equipment (Note 4(a)(ii))	-	(219)	-	-	(219)
	3,319	2,052	-	-	5,371
At 30 June 2019, net of accumulated amortisation	9,697	2,766	2,617	1,365	16,445
Cost	24,813	2,797	2,617	1,600	31,827
Less: accumulated amortisation	(15,116)	(31)	-	(235)	(15,382)
Net carrying amount	9,697	2,766	2,617	1,365	16,445

* Software includes capitalised development costs.

** Master plans that were included under computer software previously are now separately disclosed.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

4 Key Assets Available to Support Output Delivery (continued)

(b) Intangible assets (continued)

(i) Recognition of intangible assets

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

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

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

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

	Computer Software	Master Plans	Bulk Water Entitlement	Assigned Water Allocation
Useful lives	5 years	5 years	Infinite	1 – 9 years
Amortisation method used	Straight-line	Straight-line	Not amortised or revalued	Units of production as utilised
Acquired/ internally generated	Acquired and internally generated	Internally generated	Acquired	Acquired
Impairment test/ recoverable amount testing	Amortisation method reviewed at each financial year end: Reviewed annually for indicators of impairment	Amortisation method reviewed at each financial year end: Reviewed annually for indicators of impairment	Annually tested and/or where an indicator of impairment exists	Annually tested and/or where an indicator of impairment exists

Bulk Water Entitlements

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

Assigned Water Allocation

In 2016/17 under Section 46(1) of the *Water Act 1989*, Barwon Water assigned 5,000ML of their carry over water in the Melbourne supply system to Western Water at a cost of \$1,600,000. During 2019/20 Barwon Water assigned another 5,000ML of their carry over water in the Melbourne supply system to Western Water at a cost of \$1,425,000. The right to the allocated water is a finite life intangible asset initially recognised at cost and after initial recognition Western Water carries the asset at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment testing is undertaken at least annually.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

4 Key Assets Available to Support Output Delivery (continued)

(b) Intangible assets (continued)

As a finite life intangible asset, the water allocated will be amortised on a systematic basis over its useful life. This is based on the expected usage of the right. Assuming a normal climate and demand scenario, usage of the remaining assigned water allocation of 9,169ML (2019: 4,264ML) is expected to occur over the period 2020/21 to 2025/26.

(ii) Amortisation of intangible assets

	2020	2019
	\$'000	\$'000
Charge for the period		
Computer software	2,254	2,215
Master Plans	175	31
Assigned water allocation	<u>30</u>	<u>179</u>
Total amortisation	<u>2,459</u>	<u>2,425</u>

The majority of the intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use. The Assigned Water Allocation is amortised on the basis of the water being utilised. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined below.

(iii) Impairment of intangible assets

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

In accordance with AASB 136 *Impairment of Assets*, Western Water has reviewed the carrying value of bulk water entitlements and the Assigned Water Allocation at 30 June. The assets were tested for impairment using value in use at the cash generating unit (CGU) level. The assessment has not identified an impairment of the bulk water entitlements or the Assigned Water Allocation as the value in use was higher than the carrying value.

In determining the value in use, the bulk water entitlements and the Assigned Water Allocation have been allocated to the total water system CGU. The recoverable amount of the water system CGU has been determined based on a value in use calculation using current five year cash flow projections. Cash flows beyond the final year forecast period have been extrapolated using a 3.1% (2019: 3.1%) growth rate (reflecting an assumed 2.3% (2019: 2.3%) price escalation and 0.8% (2019: 0.8%) organic growth forecast).

A pre-tax nominal discount rate of 4.25% (2018: 6.00%) that represents the current market assessment of the risks specific to the CGU, a long term normalised view of the cost of equity and taking into consideration the time value of money, has been utilised in determining the value in use.

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

5 Other Assets and Liabilities

Introduction

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

(a) Receivables

	Notes	2020 \$'000	2019 \$'000
Current			
<i>Contractual</i>			
Trade receivables	5(a)(i)	7,707	7,128
Allowance for expected credit losses	5(a)(ii)	(641)	(495)
Accrued water income		-	7,591
Accrued other income		22	298
Deposits		196	-
Total contractual receivables*		7,284	14,522
<i>Statutory</i>			
GST receivable		3,058	1,972
Total current receivables*		10,342	16,494
Non-current			
<i>Contractual</i>			
Trade receivables		24	36
Other receivables		49	127
Total non-current receivables		73	163
Total receivables		10,415	16,657

* Accrued water income of \$7,591,410 and Accrued other income of \$290,732, that were classified under Contractual receivables in 30 June 2019, are classified under Contracts assets on 1 July 2019 and disclosed in Note 2(b)(iv).

Receivables consist of:

- Contractual receivables, classified as financial instruments and categorised as financial asset at amortised cost are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. The carrying amount at amortised cost is the reasonable approximation of fair value. Current debtors - contractual relating to trade receivables are due for settlement no more than 28 days from the date of recognition for water service and usage debtors, and no more than 30 days for other debtors; and
- Statutory receivables, do not arise from a contract and are recognised and measured similarly to contractual receivables, but are not classified as financial instruments. Subsequent to initial measurement these are tested for expected credit loss as per AASB 9.

Non-current trade receivables - contractual are Sewerage Private Schemes, payable on terms of up to 20 years.

Non-current other receivables are security deposits paid for office rent and electricity services.

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

Payments received from customers in advance have been separated out from debtors and disclosed as a contract liability (Note 2(b)(iv)).

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

5 Other Assets and Liabilities (continued)

(a) Receivables (continued)

(i) Impairment of contractual current receivables

Western Water applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. On that basis, the loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for contractual current trade receivables:

30 June 2020	Not past due	More than 30 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate	0.07%	3.34%	6.52%	17.04%	8.32%
Gross carrying amount - contractual current trade receivables (\$000)	1,679	1,704	1,463	2,861	7,707
Expected credit loss allowance (\$000)	(1)	(57)	(95)	(488)	(641)
Net carrying amount - contractual current trade receivables (\$000)	1,678	1,647	1,368	2,373	7,066

30 June 2019	Not past due	More than 30 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate	1.85%	5.10%	8.92%	14.65%	6.94%
Gross carrying amount - contractual current trade receivables (\$000)	3,546	748	416	2,418	7,128
Expected credit loss allowance (\$000)	(66)	(38)	(37)	(354)	(495)
Net carrying amount - contractual current trade receivables (\$000)	3,480	710	379	2,064	6,633

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

5 Other Assets and Liabilities (continued)

(a) Receivables (continued)

Western Water has grouped contractual current receivables on shared credit risk characteristics and days past due and selected the expected credit loss rate based on Western Water's past performance, existing market conditions, as well as forward-looking estimates at the end of the financial year. The history includes analysis of credits applied to customers' accounts including write offs, Pay and Save incentives, leak allowances and other credits. When measuring expected credit losses any impact arising from Covid-19 on customers' payment profile has also been considered. The expected credit loss has increased by \$12,548 as a result of Covid-19 given there has been a minor increase in hardship requests at 30 June 2020.

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

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

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

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

(ii) Movement in the allowance for expected credit losses

	Notes	2020 \$'000	2019 \$'000
Balance at beginning of the year		(495)	(144)
Provision for impairment recognised on 1 July 2018		-	(231)
Provision for impairment recognised during the year (Note 3(g))		(920)	(491)
Receivables written off during the year		774	371
Balance at end of the year		(641)	(495)

An allowance for expected credit losses is made for estimated unrecoverable amounts from the sale of goods and services when there is objective evidence that an individual receivable is impaired. The increase in the expected credit loss allowance for the financial year is recognised in the net result.

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

5 Other Assets and Liabilities (continued)

(b) Payables	Notes	2020 \$'000	2019 \$'000
Current / unsecured			
<i>Contractual</i>			
Trade creditors		7,284	5,730
Contractor deposits & retentions		4,363	2,365
Accrued expenses - Interest		2,566	2,505
Accrued expenses - Other		26,470	24,471
Total contractual payables		40,683	35,071
<i>Statutory</i>			
Payables - GST		26	13
Payables - FBT		20	(7)
Payables - Superannuation	3(c)(i)	230	143
Payables - Payroll Tax		125	63
Total statutory payables		401	212
Total current payables		41,084	35,283

* Deferred government grant of \$73,093, that was reclassified under Contractual trade creditors in 30 June 2019, are classified under Contracts liabilities on 1 July 2019 and disclosed in Note 2(b)(iv).

Payables consists of:

- Contractual payables, classified as financial instruments and measured at amortised cost. Trade creditors represent liabilities for goods and services provided to Western Water prior to the end of the financial year that are unpaid; and
- Statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Payables for Trade creditors have an average credit period of 30 days. Western Water has started to pay supplier invoices that are approved within 5-10 working days to support them during Covid-19.

Western Water bills both its customers and non-customers a Waterways & Drainage Charge for all properties that fall within a designated boundary. As there is a principal - agent relationship between Melbourne Water and Western Water in relation to Waterways transactions, the charge is not recognised as revenue by Western Water. The funds are collected on behalf of Melbourne Water and therefore recognised as a corresponding liability. The Waterways and Drainage Charge collected from customers are paid to Melbourne Water at the end of each billing cycle as per the Service Level Agreement between Western Water and Melbourne Water. These collections are identified as a current liability and included in trade creditors.

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

5 Other Assets and Liabilities (continued)

(b) Payables (continued)	Notes	2020	2019
<i>(i) Ageing analysis of contractual current payables</i>		\$'000	\$'000
Less than 1 month		10,848	6,106
1 to 3 months		23,299	25,629
3 to 12 months		6,536	3,336
Total	5(b)	40,683	35,071
Carrying amount	5(b)	40,683	35,071
Nominal amount	5(b)	40,683	35,071

(c) Other non - financial assets

	2020	2019
	\$'000	\$'000
Prepayments	1,174	834
Amounts in trust	2,181	-
Total other non - financial assets	3,355	834

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

(d) Fair value determination of financial assets and liabilities

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

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

Western Water currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2020-21 reporting period.

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

5 Other Assets and Liabilities (continued)

(e) Leases

(i) Amounts recognised in the Balance Sheet

The Balance Sheet shows the following amounts relating to leases:

	2020 \$'000	2019 \$'000
Right-of-use assets		
Buildings	1,643	-
Accumulated depreciation	(571)	-
Total right-of-use assets	<u>1,072</u>	<u>-</u>
Lease liabilities		
Current	569	-
Non-current	521	-
Total lease liabilities	<u>1,090</u>	<u>-</u>

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

For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer Note 9(h)(iii).

(ii) Amounts recognised in the Comprehensive Operating Statement

The Comprehensive Operating Statement shows the following amounts relating to leases:

	2020 \$'000	2019 \$'000
Depreciation		
Right-of-use-assets - Buildings	571	-
Total depreciation	<u>571</u>	<u>-</u>
Interest expense		
Right-of-use assets	28	-
Total interest expense	<u>28</u>	<u>-</u>
Total lease related expense	<u>599</u>	<u>-</u>

(iii) Amounts recognised in the Cash Flow Statement

	2020 \$'000	2019 \$'000
Lease payments		
Building lease rental payments	-	588
Building lease interest payments	28	-
Principal elements of lease liability	553	-
Net cash outflow from Operating Activities	<u>581</u>	<u>588</u>

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

5 Other Assets and Liabilities (continued)

(e) Leases (continued)

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

Western Water leases various properties. Rental contracts are typically made for fixed periods of two to five years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. Western Water allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to Comprehensive Operating Statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in Comprehensive Operating Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and photo copiers with individual values less than \$10,000 when new.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

5 Other Assets and Liabilities (continued)

(e) Leases (continued)

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

- extension options and termination options;
- residual value guarantees; and
- leases not yet commenced to which the lessee is committed.

(v) Extension and termination options

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

Critical judgements in determining the lease term

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

6 How We Financed Our Operations

Introduction

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

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

(a) Interest bearing liabilities

	Notes	2020 \$'000	2019 \$'000
Current			
<i>Secured</i>			
Lease liabilities		569	-
Total current interest bearing liabilities		569	-
Non-current			
<i>Secured</i>			
Loans from Treasury Corporation of Victoria	6(a)(i), 7(a)	347,150	289,900
Lease liabilities		521	-
Total non current interest bearing liabilities		347,671	289,900
Total interest bearing liabilities		348,240	289,900

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

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

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

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

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

6 How We Financed Our Operations (continued)

(a) Interest bearing liabilities (continued)

(i) Maturity analysis of interest bearing liabilities

	Carrying amount \$'000	Nominal amount \$'000	1- 3 months \$'000	3 months - 1 year \$'000	1- 5 years \$'000	Over 5 years \$'000
2020						
Loans from Treasury Corporation of Victoria	347,150	347,150	-	-	104,500	242,650
Lease liabilities	1,090	1,090	441	366	154	-
Total interest bearing liabilities	348,240	348,240	441	366	104,654	242,650

2019

Loans from Treasury Corporation of Victoria	289,900	289,900	-	-	72,750	217,150
Total interest bearing liabilities	289,900	289,900	-	-	72,750	217,150

(ii) Borrowing costs

	2020 \$'000	2019 \$'000
Interest expense on loans	11,083	10,480
Financial accommodation levy	4,278	3,778
Interest expense on leases under AASB 16	28	-
Total borrowing costs	15,389	14,258

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

Borrowing costs are recognised in the period in which they are incurred and measured at fair value.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

6 How We Financed Our Operations (continued)

(b) Cash flow information

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

	2020	2019
	\$'000	\$'000
Cash on hand	2	2
Cash at bank	1,208	664
Deposits at call	-	2,500
Balance as per cash flow statement	1,210	3,166

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

	2020	2019
	\$'000	\$'000
Net results for the period	59,112	33,924
Non-cash movements:		
(Gain) / loss on disposal of infrastructure assets, property, plant and equipment	2,252	470
Depreciation and amortisation of infrastructure assets, property, plant and equipment	31,225	26,019
Assets received from developers	(71,053)	(40,534)
Increase in provision for impaired receivables	146	(351)
Movements in assets and liabilities		
Increase in receivables	(1,495)	(1,431)
(Increase) / decrease in contract assets	498	(689)
(Increase) / decrease in other non-financial assets	(345)	198
Increase in deferred tax asset	(361)	(216)
Decrease in trade creditors	(3)	(268)
Increase / (decrease) in contract liabilities - fees paid by developers in advance	(6,389)	(4,118)
Increase in contract liabilities - income in advance	897	194
Increase in tax payable	5,079	234
Increase in deferred tax liabilities	(920)	694
Increase in provisions	1,116	380
Net cash inflows from operating activities	19,759	14,506

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

6 How We Financed Our Operations (continued)

(b) Cash flow information (continued)

(ii) Financing facilities

	2020 \$'000	2019 \$'000
Secured bank overdraft facility, reviewed annually and payable at call (I)		
Amount unused at balance date	500	500
Total	500	500
Business card facility		
Amount used at balance date	23	28
Amount unused at balance date	277	272
Total	300	300
Secured loan facilities (II)		
Amount used at balance date	347,150	289,900
Amount unused at balance date	-	-
Total	347,150	289,900

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

(II) Security for loans is by way of Treasurer's guarantee in favour of the Treasury Corporation of Victoria dated 22nd June 2000. Loan interest is payable either every three or six months and loans have a maturity profile of up to 13 years (2019: 13 years).

All loans are with Treasury Corporation of Victoria borrowed under the Treasurer's approval. Any unused facilities are not automatically carried over into the next financial year with a fresh approval required for each financial year. Treasurer's approval was obtained in June 2020 which includes the refinancing of \$17.5 million of loans maturing in 2020/21 (\$18.5 million: 2019/20 and obtaining new loans of \$54.0 million between 1 July 2020 and 30 June 2021 (\$59.2 million: 2019/20).

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

6 How We Financed Our Operations (continued)

(c) Commitments

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

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

(i) Total operating commitments payable

	2020	2019
	\$'000	\$'000
Nominal amounts		
Operating lease commitments		
Within one year	651	649
One to five years	571	1,431
Total operating lease commitments payable *	1,222	2,080
Other significant operating commitments		
Within one year	10,445	8,721
One to five years	16,646	22,971
Total other significant operating commitments payable	27,091	31,692
Total operating commitments payable (inclusive of GST)	28,313	33,772
Less GST recoverable	(2,574)	(3,070)
Total operating commitments payable (exclusive of GST)	25,739	30,702

* Refer notes 5(e) and 9(h)(iii) for details of operating leases.

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

6 How We Financed Our Operations (continued)

(c) Commitments (continued)

(ii) Total operating lease commitments receivable

<i>Nominal amounts</i>	2020	2019
	\$'000	\$'000
Operating lease commitments receivables		
Within one year	295	293
One to five years	1,322	1,289
Over five years	-	255
Total operating lease commitments receivables (inclusive of GST)	1,617	1,837
Less GST payable	(147)	(167)
Total operating lease commitments receivables (exclusive of GST)	1,470	1,670

Minimum future lease receivables include the aggregate of all lease receivables and any guaranteed residual.

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

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

(iii) Total capital commitments payable

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

	2020	2019
	\$'000	\$'000
Capital expenditure commitments payable		
Within one year	27,788	23,979
One to five years	17,544	5,120
Total capital expenditure commitments payable (inclusive of GST)	45,332	29,099
Less GST recoverable	(4,121)	(2,645)
Total capital expenditure commitments payable (exclusive of GST)	41,211	26,454

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

7 Risks, Contingencies and Valuation Judgements

Introduction

Western Water is exposed to risk from its activities and external factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied mainly related to fair value determination.

(a) Financial instruments specific disclosures

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

All financial assets and financial liabilities of Western Water are measured at amortised cost in line with AASB 9 *Financial Instruments*.

(i) Categories of financial instruments

	2020 \$'000	2019 \$'000
Financial assets at amortised cost		
Cash and cash equivalents	1,210	3,166
Contractual current and non-current receivables (Note 5(a))	7,357	14,685
Total financial assets at amortised cost	8,567	17,851
Contractual current and non-current payables (Note 5(b))	40,683	35,071
Current and non-current lease liabilities (Note 5(e)(i))	1,090	-
Interest bearing liabilities (Note 6(a))	347,150	289,900
Total financial liabilities at amortised cost	388,923	324,971

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

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

Western Water recognises the following assets in this category:

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

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

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

7 Risks, Contingencies and Valuation Judgements (continued)

(a) Financial instruments specific disclosures (continued)

(ii) Derecognition of financial assets

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

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

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

(iii) Derecognition of financial liabilities

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

(iv) Impairment of financial assets

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

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

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

7 Risks, Contingencies and Valuation Judgements (continued)

(b) Financial risk management objectives and policies

Western Water's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

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

Risk management is carried out by Western Water under policies approved by the Board of Directors. Western Water identifies, evaluates and hedges financial risks in close co-operation with Treasury Corporation of Victoria. The Audit and Risk Committee which is a committee of the Board assists the Board to fulfil its governance and risk oversight responsibilities including the overview of policies covering specific areas, such as credit risk, liquidity risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(i) Credit risk

Credit risk is the risk of financial loss to Western Water as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from Western Water's receivables.

Western Water's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. Western Water has in place a policy and procedure for the collection of overdue receivables.

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

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

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

	Financial institutions (triple-A credit rating) \$'000	Government agencies (triple-A credit rating) \$'000	Other (min triple-B credit rating) \$'000	Total \$'000
2020				
Cash and cash equivalents	1,208	-	2	1,210
Contractual current and non-current receivables (Note 5(a))	-	-	7,357	7,357
Total contractual financial assets	1,208	-	7,359	8,567
2019				
Cash and cash equivalents	664	2,500	2	3,166
Contractual current and non-current receivables (Note 5(a))	-	-	14,685	14,685
Total contractual financial assets	664	2,500	14,687	17,851

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

7 Risks, Contingencies and Valuation Judgements(continued)

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

(ii) Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. Western Water's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution. Whilst Western Water continues to monitor the impact of Covid-19, from March 2020, Western Water has started to pay all supplier invoices that are approved within 5-10 working days. In addition, Western Water has suspended some of its non-priority capital projects deliveries.

Western Water manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

During the course of the financial year, Western Water relies on the Treasury Corporation of Victoria's ability to provide borrowings within the annual Treasurer's approval limits. Treasurer's approvals are usually provided in June prior to the commencement of the subsequent financial year based on Western Water's Corporate Plan submission. The Treasurer's approval for 2020/21 borrowings was obtained in June 2020.

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

(iii) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of Western Water's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. Western Water's exposure to market risk is primarily through interest rate risk. There is no exposure to foreign exchange risk and insignificant exposure to other price risks.

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

Interest rate risk

Western Water's exposure to market interest rates relates primarily to Western Water's long-term interest-bearing liabilities and funds invested with the Treasury Corporation of Victoria.

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

Western Water minimises its exposure to interest rate changes on its long-term borrowings by holding a high portion of fixed rate debt. Debt is sourced from Treasury Corporation of Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

Western Water has approval to enter into Forward Settling Loans (FSL) to hedge/protect the value of the Corporation's assets and liabilities against adverse movements in interest rates in accordance with its Treasury Management Policies. As at 30 June 2020, no FSL arrangements were in place (2019: Nil).

(iv) Interest rate risk exposure of financial instruments

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

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

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

7 Risks, Contingencies and Valuation Judgements (continued)

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

Interest rate risk exposure

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

	Contractual repricing or maturity periods									Total carrying amount \$'000
	Non interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	
2020										
Financial assets										
Cash	2	-	1,208	-	-	-	-	-	-	1,210
Contractual current and non-current receivables (Note 5(a))	7,357	-	-	7,284	73	-	-	-	-	7,357
	7,359	-	1,208	7,284	73	-	-	-	-	8,567
Financial liabilities										
Contractual current and non-current payables (Note 5(b))	40,683	-	-	40,683	-	-	-	-	-	40,683
Current and non-current lease liabilities (Note 5(e))	-	-	1,090	569	499	22	-	-	-	1,090
Interest bearing liabilities (Note 6(a))	-	347,150	-	-	18,250	25,250	26,000	35,000	242,650	347,150
	40,683	347,150	1,090	41,252	18,749	25,272	26,000	35,000	242,650	388,923
Net financial liabilities	(33,324)	(347,150)	118	(33,968)	(18,676)	(25,272)	(26,000)	(35,000)	(242,650)	(380,356)
Weighted average interest rate			0.32%		5.18%	5.11%	4.11%	5.12%	4.46%	

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

7 Risks, Contingencies and Valuation Judgements (continued)

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

2019	Contractual repricing or maturity periods									
	Non interest bearing \$'000	Fixed interest rate \$'000	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total carrying amount \$'000
Financial assets										
Cash	2	-	3,164	3,166	-	-	-	-	-	3,166
Contractual current and non-current receivables (Note 5(a))	14,685	-	-	14,522	163	-	-	-	-	14,685
	14,687	-	3,164	17,688	163	-	-	-	-	17,851
Financial liabilities										
Contractual current and non-current payables (Note 5(b))	35,071	-	-	35,071	-	-	-	-	-	35,071
Interest bearing liabilities (Note 6(a))	-	289,900	-	-	17,500	18,250	20,000	17,000	217,150	289,900
	35,071	289,900	-	35,071	17,500	18,250	20,000	17,000	217,150	324,971
Net financial liabilities	(20,384)	(289,900)	3,164	(17,383)	(17,337)	(18,250)	(20,000)	(17,000)	(217,150)	(307,120)
Weighted average interest rate			0.90%	0.90%	7.41%	5.18%	6.05%	5.10%	4.94%	

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

7 Risks, Contingencies and Valuation Judgements (continued)

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

(v) *Interest rate risk sensitivity*

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

2019	Carrying amount \$'000	Interest rate risk			
		0.5%		-0.5%	
		Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
Contractual financial assets					
Cash and cash equivalents	3,166	8	8	(8)	(8)
Contractual current and non-current receivables (Note 5(a))	14,685	-	-	-	-
Contractual financial liabilities					
Contractual current payables (Note 5(b))	35,071	-	-	-	-
Interest bearing liabilities	289,900	-	-	-	-
Total increase/ (decrease)		8	8	(8)	(8)

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

7 Risks, Contingencies and Valuation Judgements (continued)

(c) Other financial instruments

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

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

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

Under the Members' Agreement Western Water's liability as a member is limited to \$10 in the event of a winding up. As required by Australian accounting standards, Western Water has assessed the nature of its relationship with ZEW, and has concluded that it does not have control, joint control or significant influence over ZEW. The Corporation will account for its investment in ZEW as a financial instrument within the scope of AASB 9 *Financial Instruments*. ZEW is a related party of Western Water.

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW will act as a central intermediary between the energy generator and the 13 water corporations. The PPA contains a Contract for Difference (CFD) payment mechanism in respect of electricity generated by the facility and the sale and supply of Large-scale Generation Certificates (LGCs) from the facility. The PPA contains certain conditions precedent which were due to be satisfied during the 2019/20 financial year.

The solar farm energy generator experienced a construction delay due to redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO). Renegotiated terms have resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement to ZEW for the delay. Western Water's share of the settlement is \$611,473.28 which has been recognised in the Comprehensive Operating Statement as other income.

At 30 June 2020, the conditions precedent in the PPA are not completed, and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no transactions to recognise as at 30 June 2020.

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 ZEW may call on Western Water to make a loan available to ZEW amounting to \$350,997.81. The loan, if requested by ZEW would meet the definition of a financial asset as it gives rise to a contractual right for Western Water to receive cash from ZEW at the end of the loan term. As at 30 June 2020, no request has been made by ZEW.

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

7 Risks, Contingencies and Valuation Judgements (continued)

(d) Contingent assets and contingent liabilities

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

Contingent assets are presented inclusive of GST receivable.

(i) Contingent assets

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

Developer assets

	2020	2019
	\$'000	\$'000

Total estimated contingent assets - developer assets	21,573	25,565
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Western Water enters into agreements with land developers whereby assets are transferred to Western Water at no cost. These assets are brought to account as revenue (Note 2(b)(ii)) and capitalised on completion of the project (Note 4(a)(ii)). At the reporting date, land developers had commenced construction of assets that would eventually be transferred to Western Water contingent upon the release of Statements of Compliance by Western Water. This amount has been calculated as the sum of the estimate of the project costs by their percentage complete at 30 June.

Bulk water entitlements - Carry-over water

Western Water holds bulk water entitlements that allow for a carry-over of water not utilised under the annual allocation. There will be future economic benefits associated with the carried over water through its utilisation by selling to Western Water's customers and/or trade to an approved buyer post obtaining approval of the Minister. The quantum of bulk water entitlements allocation carried over and held by Western Water as at 30 June 2020 was 49,126ML (2019: 40,631ML).

(ii) Contingent liabilities

Contingent liabilities are:

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

Western Water is a party to a legal action brought against it by the Environment Protection Authority under the Environment Protection Act 1970 (Vic) relating to a sewage spill caused by a damaged rising main. At the time these financial statements were issued, the ultimate result of the legal proceedings could not be predicted with certainty.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

8 Statutory Obligations

Introduction

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

(a) Tax

(i) Income tax

Western Water is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

	2020 \$'000	2019 \$'000
Comprehensive Operating Statement		
Current income tax expense (paid or payable)	26,569	14,542
Deferred income tax expense		
Deferred tax relating to temporary differences	(682)	694
Deferred tax asset	(361)	(216)
(Over)/Under provision on prior year tax return	(144)	-
Income tax as reported in the Comprehensive Operating Statement	25,382	15,020

Tax reconciliation

Net result before income tax expense	88,384	48,994
Tax at the Australian tax rate of 30% (2019: 30%)	25,349	14,683

Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:

- Adjustment in respect of income tax of previous year	(144)	-
- Other	177	337

Income tax on profit before tax as reported in the Comprehensive Operating Statement	25,382	15,020
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	2020 \$'000	2019 \$'000
Balance Sheet		
Opening balance at 1 July	5,571	5,406
Adjustments in respect of income tax previous year	94	-
Adjustment due to application of AASB 9	-	(69)
Income tax paid during the year	(21,583)	(14,308)
Current income tax charge	26,568	14,542
Current tax payable	10,650	5,571

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

8 Statutory Obligations (continued)

(a) Tax (continued)

(ii) Deferred tax assets and liabilities

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

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

	2020 \$'000	2019 \$'000
Deferred tax assets		
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	192	148
Employee benefits	1,666	1,331
Lease liability under AASB 16	-	-
Other	7	25
Total deferred tax assets at 30 June	1,865	1,504
Movements		
Opening balance at 1 July	1,504	1,288
Credited to the Comprehensive Operating Statement	361	216
Total deferred tax assets at 30 June	1,865	1,504
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax asset to be recovered after more than 12 months	1,865	1,504
Total deferred tax assets at 30 June	1,865	1,504

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

8 Statutory Obligations (continued)

(a) Tax (continued)

	2020	2019
	\$'000	\$'000
Deferred tax liabilities		
Amounts recognised in Comprehensive Operating Statement		
Depreciation	33,450	33,549
Other provisions	1,480	2,063
Prior year under/(over) provision	(238)	-
Lease liability under AASB 16	-	-
	<u>34,692</u>	<u>35,612</u>
Amounts recognised directly in equity		
Revaluation of infrastructure property, plant and equipment	91,086	91,086
	<u>91,086</u>	<u>91,086</u>
Total deferred tax liabilities at 30 June	<u>125,778</u>	<u>126,698</u>
	2020	2019
	\$'000	\$'000
Movements		
Opening balance at 1 July	126,698	99,075
Charged to the Comprehensive Operating Statement	(682)	694
Asset revaluation	-	26,929
Prior year over provision	(238)	-
Total deferred tax liabilities at 30 June	<u>125,778</u>	<u>126,698</u>
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities to be recovered after more than 12 months	125,778	126,698
Total deferred tax liabilities at 30 June	<u>125,778</u>	<u>126,698</u>
Net deferred tax assets / (liabilities)	<u>(123,913)</u>	<u>(125,194)</u>

(b) Environmental contribution levy

	2020	2019
	\$'000	\$'000
Environmental contribution levy	3,083	3,083
Total environmental contribution levy	<u>3,083</u>	<u>3,083</u>

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water authorities. The Act establishes an obligation for authorities to pay into a consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each Corporation. The contribution period has been extended until 30 June 2024.

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

8 Statutory Obligations (continued)

(b) Environmental contribution levy (continued)

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

(i) Environmental contribution levy commitments

At 30 June 2020, Western Water had environmental contribution levy commitments to be paid as follows:

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

(c) Dividends

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. Western Water's preliminary estimate for the reporting period is \$nil (2019: \$nil).

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures

Introduction

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

(a) Equity

(i) Contributed capital

	2020 \$'000	2019 \$'000
Opening balance at 1 July	160,413	160,413
Closing balance at 30 June	160,413	160,413

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

(ii) Asset revaluation reserves

	2020 \$'000	2019 \$'000
Composition of the asset revaluation reserves		
Land	23,199	23,199
Buildings	2,407	2,407
Infrastructure	186,747	186,747
Equipment	178	178
Closing balance at 30 June	212,531	212,531

Movements during the reporting period

Balance 1 July	212,531	149,698
Buildings	-	743
Infrastructure	-	62,090
Closing balance at 30 June	212,531	212,531

(iii) Accumulated surplus

	2020 \$'000	2019 \$'000
Accumulated surplus at beginning of financial year	264,635	230,873
Adoption of new accounting standards: AASB 9 <i>Financial Instruments</i>	-	(162)
Net result for the period	59,113	33,924
Net result for the period	323,748	264,635

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(b) Events occurring after the balance sheet date

The Covid-19 pandemic has created unprecedented economic activity. Subsequent to 30 June 2020 further government restrictions imposed have included stage 3 and 4 restrictions in our region and restriction on travel between Victoria and NSW. These restrictions have not had a significant impact on Western Water's operations, however, actual economic events and conditions in the future may be different to those estimated by Western Water at balance date. As responses by government continue to evolve management recognises that it is difficult to reliably estimate, with any degree of certainty, the potential impact of the pandemic after the reporting date on Western Water, it's operations, it's future results and financial position.

We have implemented our business continuity plan to minimise risk of disruption to delivery of our services. The business has not seen any significant shift in water consumption as the customer base is predominately household usage. There have been some additional costs to pay, an allowance to staff to work from home, and additional personal protective equipment and cleaning. The introduction of temporary jobkeeper payments and increased jobseeker payments have assisted our customers, although a small adjustment to the expected credit loss has been included. To support the local economy, we continue to pay all supplier invoices that are approved within 5-10 working days.

We continue to monitor the impact of Covid-19 but it is difficult to assess the full economic impact of the pandemic on Western Water at the time these financial statements were issued. We will continue to monitor the impact Covid-19 is having on our customers and any possible increase in customer debt and hardship cases. Other key area that we are monitoring is for any decrease in developer activity and its impact on our suppliers, contractors and other stakeholders. We will also keep reviewing any potential change in the fair value of our assets.

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(c) Responsible Persons

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

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

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2019 to 30 June 2020
A Cairns	Chair of the Board of Directors Chair of the People and Culture Committee Chair of the Strategic Futures Committee	1 July 2019 to 30 June 2020 1 July 2019 to 30 June 2020 1 July 2019 to 30 June 2020
J Doolan	Deputy Chair of the Board of Directors Board Member	1 July 2019 to 30 June 2020 1 July 2019 to 30 June 2020
R Walker OAM	Chair of the Audit and Risk Committee Board Member	1 July 2019 to 30 September 2019 1 July 2019 to 30 September 2019
L Prain	Board Member Chair Community, Value and Environment Committee	1 July 2019 to 30 June 2020 18 October 2019 to 30 June 2020
I Higgins	Chair of the Community and Environment Committee Board Member	1 July 2019 to 30 September 2019 1 July 2019 to 30 September 2019
C Filson	Chair of the Investment Review Committee Chair of the Audit and Risk Committee Board Member	1 July 2019 to 18 October 2019 18 October 2019 to 30 June 2020 1 July 2019 to 30 June 2020
M McGarvie	Board Member	1 July 2019 to 30 June 2020
J Holt	Board Member	1 October 2019 to 30 June 2020
L McLean	Board Member	1 October 2019 to 30 June 2020
L McDonald	Board Member	1 October 2019 to 30 June 2020
J Rigby	Managing Director	1 July 2019 to 30 June 2020

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(c) Responsible Persons (continued)

(i) Remuneration of responsible persons

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

Remuneration received or receivable by the responsible persons in connection with the management of Western Water during the reporting period was in the range: \$630,000 - \$639,999 (2018/19: \$620,000 - \$629,999*).

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

Income Band (\$)	2020 No.	2019 No.
0 - 9,999	2	-
10,000 - 19,999	-	1
20,000 - 29,999	3	6
30,000 - 39,999	4	-
50,000 - 59,999	-	1
60,000 - 69,999	1	-
110,000 - 119,999	-	1
120,000 - 129,999	-	1
160,000 - 169,999*	-	1
170,000 - 179,999*	-	-
340,000 - 349,999	1	-
Total number of responsible persons	11	11

*The number of responsible persons disclosed in prior year income band \$170,000 - \$179,999 has been updated to be 160,000 - \$169,999. As a result, remuneration received or receivable by the responsible persons in connection with the management of Western Water for the prior year has been update from income band \$660,000 - \$669,999 to \$620,000 - \$629,999.

In 2018/19 one Director's and Managing Director's appointments ceased and new Managing Director's appointment commenced. In 2019/20 two Directors' appointments ceased and three new Directors' appointments commenced.

(ii) Retirement benefits of responsible persons

No retirement benefits were paid by Western Water in connection with the retirement of responsible persons for the financial year 2019/20 (2018/19: \$nil).

(d) Remuneration of executive officers

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

Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by Western Water, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(d) Remuneration of executive officers (continued)

	2020	2019
	\$'000	\$'000
Total remuneration of executive officers		
Short-term employee benefits	1,111	1,205
Post-employment benefits*	103	114
Other long-term benefits	25	31
Termination benefits	11	-
Total remuneration (I)	1,250	1,350
Total number of executives (II)	6	7
Total annualised employee equivalents (III)	5.09	6.00

* Prior year disclosed post-employment benefits of \$228,364 has been updated to be \$114,215.

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

(II) There was one non-executive staff on Government Sector Executive Remuneration Panel contract in 2018/19. There was no non-executive staff on Standard Public Entity Executive Employment contract in 2019/20.

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

(e) Related parties

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

Related parties of Western Water include:

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

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(e) Related parties (continued)

(i) Significant transactions with government-related entities

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

	2020	2019
	\$'000	\$'000
Treasury Corporation of Victoria		
Borrowings received	75,750	58,750
Borrowings paid	18,500	13,500
Borrowing costs	11,083	10,480
Interest income	1	39
Melbourne Water Corporation		
Water purchase expenses	10,042	9,588
Waterways and drainage levy paid	6,667	7,511
Waterways and drainage levy collection admin fee revenue	147	138
Project management fee Sunbury Integrated Water Management Plan delivery	-	70
Contribution paid to Melbourne Sewerage Strategy	-	50
Government grants and contributions revenue	14	13
Contribution paid to Werribee environmental flows	10	-
Government grants and contributions received	9	10
Department of Environment, Land, Water and Planning		
Environmental contribution levy	3,083	3,083
Unallocated share of lake Merrimu in Werribee system	465	-
Government grants and contributions revenue	50	1,588
Government grants and contributions received	110	502
EPA Environmental Monitoring Services fee	82	78
Land valuation fee	49	14
Greater Melbourne Lidar data collection fee	22	201
Native vegetation expense	2	-
Long service leave transferred out	-	40
State Revenue Office		
Payroll tax	868	747
Return of unclaimed money	-	5
Department of Treasury and Finance		
NTER income tax expense	27,242	14,951
Financial accommodation levy	4,278	3,778
ESC Regional Water and Sewerage Recovery fee	38	64
Southern Rural Water Corporation		
Water purchase expenses	1,955	1,842
Annual bore licence fees	9	9
Barwon Water Corporation		
Assigned water allocation – Intangible Asset	1,425	-
Department of Health & Human Services		
Water and waste water service and consumption rebate received	5,266	4,288
Water and waste water service and consumption rebate invoiced	6,464	3,851
Water and waste water service and consumption rebate receivable	1,198	-
Safe Drinking Water Act Administration levy	27	27
City West Water		
Sewerage charges	601	601
GIS service fee	70	84
Government grants and contributions received	15	-
Long service leave transfer	8	-
Funding contribution paid for Greening the West Strategy	-	5

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

9 Other Disclosures (continued)

(e) Related parties (continued)

	2020	2019
	\$'000	\$'000
Sustainability Victoria		
Government grants and contributions received	271	-
South East Water Corporation		
After hour call centre fee	38	46
Zero Emissions Water (ZEW) Limited		
Administrative fee expense	19	10
Yarra Valley Water		
Choose tap campaign	17	-
Long service leave transferred in	-	27
Joint water conservation market research expense	-	10
Central Highlands Water		
Sponsorship for Govhack programme	3	-
Long service leave transferred in	-	51
Coliban Water		
Long service leave transferred in	-	114
Department of Environment and Energy		
Environment Protection and Biodiversity Conservation referral fee expense	-	18

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(e) Related parties (continued)

(ii) Key Management Personnel

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

Key Management Personnel of Western Water include:

Key Management Personnel	Title
The Hon.Lisa Neville MP	Minister for Water
A Cairns	Chair of the Board of Directors
J Doolan	Board Member
R Walker OAM	Board Member (to 30 September 2019)
L Prain	Board Member
C Filson	Board Member
M McGarvie	Board Member
I Higgins	Board Member (to 30 September 2019)
J Holt	Board Member (from 1 October 2019)
L McLean	Board Member (from 1 October 2019)
L McDonald	Board Member (from 1 October 2019)
J Rigby	Managing Director
J Williams	Chief Finance and Accounting Officer (to 14 July 2020)
E Rowland	Chief Finance and Accounting Officer (from 20 July 2020)
R Murphy	General Manager Infrastructure and Water Resources (to 7 February 2020)
G Holt	Chief Operating Officer (to 9 February 2020) Interim General Manager Infrastructure and Water Resources (from 10 February 2020 to 30 June 2020)
P Clark	Interim Chief Operating Officer (from 10 February 2020 to 30 June 2020)
L Bonazzi	General Manager - Strategy and Innovation
B Moss	General Manager - People, Culture and Digital Technology
M Jeal	Company Secretary

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(e) Related parties (continued)

(iii) Compensation of Key Management Personnel

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

	2020	2019
	\$'000	\$'000
Short-term employee benefits	1,825	1,690
Post-employment benefits*	171	156
Other long-term benefits	35	37
Termination benefits	11	58
Total compensation	2,042	1,941

*Prior year disclosed post-employment benefits of \$308,641 has been updated to be \$155,580.

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

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

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

Outside of customer type transactions with Western Water, there were no related party transactions that involved Key Management Personnel and their close family members.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

(f) Remuneration of auditors

	2020	2019
	\$'000	\$'000
Victorian Auditor-General's Office (IV)		
Audit or review of the annual financial statements	54	53
	54	53
Other non-audit services		
Internal audit services	90	87
Regulatory audit services	56	50
	146	137
Total remuneration of auditors	200	190

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

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

9 Other Disclosures (continued)

(g) Ex-gratia expenses

	2020	2019
	\$'000	\$'000
Forgiveness or waiver of debt	774	371
Compensation for economic loss	<u>34</u>	<u>24</u>
Total ex-gratia expenses	<u>808</u>	<u>395</u>

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

(h) Changes in accounting policies

(i) AASB 15 Revenue from Contracts with Customers

Western Water has transitioned to AASB 15 *Revenue from Contracts with Customers* from 1 July 2019 (date of initial application). In accordance with the transition provisions in AASB 15 and as mandated by FRD 121 *Transitional requirements on the application of AASB 15 Revenue from Contracts with Customers*, this new standard has been adopted retrospectively (under the modified retrospective method). Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from this new standard are therefore recognised in the opening balance of retained earnings on 1 July 2019 only for contracts that are not 'completed contracts' at the date of initial application.

Additionally, as mandated by the Department of Treasury and Finance, Western Water applied the practical expedient described in AASB16.C5 (c), for contracts that were modified before the date of initial application. In applying this practical expedient, Western Water, did not retrospectively restate the contract for those modifications in accordance with AASB15.20-21. Instead, it reflected the aggregate effect of all of the modifications that occur before the date of initial application when:

- Identifying the satisfied and unsatisfied performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the satisfied and unsatisfied performance obligation.

Western Water has applied this practical expedient consistently to all contracts within the current reporting period.

AASB 15 accounting policies are disclosed in notes 2(b)(i) and 2(b)(iv) At the end of this note are:

- tables showing the adjustments recognised for each individual line item on adoption of AASB 15; and
- tables showing the amount by which each individual line item is affected in the current reporting period under AASB 15 as compared to AASB 118, AASB 111 and AASB 1004.

(ii) AASB 1058 Income of Not-for-Profit Entities

Western Water has transitioned to AASB 1058 *Income of Not-for-Profit Entities* from 1 July 2019. In accordance with the transition provisions in AASB 1058 and as mandated by FRD 122 *Transitional requirements on the application of AASB 1058 Income of Not-for-Profit Entities*, this new standard has been adopted retrospectively (under the modified retrospective method). Under this transition method, the entity has elected to apply this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application. A completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004 *Contributions*. Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from this new standard are therefore recognised in the opening balance of retained earnings on 1 July 2019.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(h) Changes in accounting policies (continued)

Western Water has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

AASB 1058 accounting policies are disclosed in notes 2(c). At the end of this note are:

- tables showing the adjustments recognised for each individual line item on adoption of AASB 1058;
- tables showing the amount by which each individual line item is affected in the current reporting period by the application of AASB 1058 as compared to AASB 1004 before the change; and
- an explanation of the reasons for significant changes identified.

(iii) AASB 16 Leases

Western Water has transitioned to AASB 16 *Leases* from 1 July 2019. In accordance with the transition provisions in AASB 16 and as mandated by FRD 123 *Transitional requirements on the application of AASB 16 Leases*, the new rules have been adopted retrospectively (under the modified retrospective method). Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of retained earnings on 1 July 2019. Western Water has applied this approach to transition consistently to all of its leases for which it is a lessee.

On adoption of AASB 16, Western Water recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 was 2.12%. On transition, Department of Treasury and Finance mandates measurement of Right-of-use assets at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet as at 30 June 2019.

AASB 16 accounting policies are disclosed in note 5(e). At the end of this note are tables showing the adjustments recognised for each individual line item on adoption of AASB 15, AASB 16 and AASB 1058.

Practical expedients applied

In applying AASB 16 for the first time, Western Water has used the following practical expedients to all its contracts as permitted by the standard and as mandated by the Department of Treasury and Finance:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 July 2019;
- accounting for leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- accounting for low value leases.

Western Water has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date Western Water relied on its assessment made applying AASB 117 and interpretation four determining whether an arrangement contains a lease.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(h) Changes in accounting policies (continued)

Reconciliation of operating lease commitment to lease liability

	\$'000
Operating lease commitments disclosed as at 30 June 2019	1,891
30 June 2019 operating lease commitments discounted using the lessee's incremental borrowing rate at 1 July 2019	1,537
(Less): short-term leases not recognised as a liability	(19)
Add/(less): adjustments as a result of a different treatment of extension and termination options	<u>125</u>
Lease liability recognised as at 1 July 2019	<u>1,643</u>
Current lease liabilities	576
Non-current lease liabilities	<u>1,067</u>
Lease liability recognised as at 1 July 2019	<u>1,643</u>

Low value leases

Western Water is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Western Water shall recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. Western Water shall apply another systematic basis if that basis is more representative of the pattern of the Corporation's benefit. Western Water shall account for those leases applying AASB 16 from the date of initial application 1 July 2019.

Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

	1 July 2019 \$'000
AASB 16 Leases	
Increase in right-of-use assets	1,643
Increase in lease liabilities - current	(576)
Increase in lease liabilities - non-current	<u>(1,067)</u>
The net impact on retained earnings - increase/decrease	<u>-</u>

Lessor

Western Water as a lessor is not required to make any adjustments on transition for leases in which it is a lessor and accounts for those leases applying this Standard from the date of initial application.

(iv) Impact on financial statements

As a result of the above changes in Western Water's accounting policies, the following tables show the adjustments recognised for each line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

9 Other Disclosures (continued)

(h) Changes in accounting policies (continued)

Impact on Balance Sheet (AASB 15, AASB 16 and AASB 1058) on 1 July 2019

	30 June 2019 \$'000	AASB 15 \$'000	AASB 16 \$'000	AASB 1058 \$'000	1 July 2019 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	3,166	-	-	-	3,166
Receivables	16,494	(7,882)	-	-	8,612
Contract assets	-	7,882	-	-	7,882
Other non-financial assets (Prepayments)	834	-	-	-	834
Total current assets	20,494	-	-	-	20,494
Non-current assets					
Receivables	163	-	-	-	163
Infrastructure assets, property, plant and equipment	1,073,611	-	-	-	1,073,611
Intangible assets	16,445	-	-	-	16,445
Right-of-use assets	-	-	1,643	-	1,643
Deferred tax assets	1,504	-	-	-	1,504
Total Non-current assets	1,091,723	-	1,643	-	1,093,366
TOTAL ASSETS	1,112,217	-	1,643	-	1,113,860
LIABILITIES					
Current liabilities					
Payables	35,283	(73)	-	-	35,210
Income in advance	12,750	(12,750)	-	-	-
Contract liabilities	-	12,823	-	-	12,823
Employee benefits	3,770	-	-	-	3,770
Current tax payable	5,571	-	-	-	5,571
Lease Liabilities	-	-	576	-	576
Total current liabilities	57,374	-	576	-	57,950
Non-current liabilities					
Interest bearing liabilities	289,900	-	-	-	289,900
Deferred tax liabilities	126,698	-	-	-	126,698
Lease Liabilities	-	-	1,067	-	1,067
Employee benefits	666	-	-	-	666
Total non-current liabilities	417,264	-	1,067	-	418,331
TOTAL LIABILITIES	474,638	-	1,643	-	476,281
NET ASSETS	637,579	-	-	-	637,579
EQUITY					
Contributed capital	160,413	-	-	-	160,413
Asset revaluation reserves	212,531	-	-	-	212,531
Accumulated surplus	264,635	-	-	-	264,635
TOTAL EQUITY	637,579	-	-	-	637,579
TOTAL EQUITY	637,579	-	-	-	637,579

Western Region Water Corporation
Notes to the Financial Statements
30 June 2020

9 Other Disclosures (continued)

(h) Changes in accounting policies (continued)

Presentation of assets and liabilities related to contracts with customers

Western Water voluntarily updated the presentation of certain balances in the balance sheet to reflect the terminology of AASB 15. Payments received from customers for water and sewerage services, and fees paid by developers where Western Water has yet to provide its performance obligations, that was previously disclosed as Income in Advance, are disclosed as Contract Liabilities under Current Assets.

Impact of AASB 15 and AASB 1058 compared to AASB 118 and AASB 1004 for 2019-20

	Notes	2020	2020	Difference
		AASB 15/1058 \$'000	AASB 118/1004 \$'000	
Revenue and income from continuing operations				
Revenue from contracts with customers	2(b), 9(h)	194,802	194,802	-
Government grants and contributions	2(c), 9(h)	123	123	-
Other income	2(d), 9(h)	1,280	1,280	-
Interest income		6	6	-
Net loss on disposal of infrastructure, property, plant and equipment	4(a)(x)	(2,252)	(2,252)	-
Total revenue and income from continuing operations		193,959	193,959	-
Expenses				
Borrowing costs	5(e)(ii), 6(a)(ii)	15,389	15,389	-
Depreciation	4(a)(viii), 5(e)(ii)	28,734	28,734	-
Amortisation	4(a)(viii), 4(b)	2,491	2,491	-
Employee benefits	3(b), 3(c), 9(d)	19,225	19,225	-
Repairs and maintenance	3(d)	5,096	5,096	-
Environmental contribution levy	8(b), 9(e)(i)	3,083	3,083	-
Water purchases	3(e), 9(e)(i)	12,006	12,006	-
Electricity	3(f)	4,849	4,849	-
Other operating and administration expenses	3(g)	18,591	18,591	-
Total expenses		109,464	109,464	-
Net result before tax		84,495	84,495	-
Income tax expense	8(a)(i)	25,382	25,382	-
Net result for the period		59,113	59,113	-
Other comprehensive income				
Pre-tax change in asset revaluation reserve		-	-	-
Income tax relating to change in asset revaluation reserve	8(a)(ii)	-	-	-
Other comprehensive income for the period, net of income tax		-	-	-
Comprehensive result		59,113	59,113	-

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

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

(i) Australian Accounting Standards (AASs) issued that are not yet effective

Certain new AASs and interpretations applicable to Western Water have been published that are not mandatory for the 30 June 2020 reporting period. Western Water has not and does not intend to adopt these standards early. Department of Treasury and Finance assesses the impact of all these new standards and advises Western Water of their applicability and early adoption where applicable. The following AASs become effective for reporting periods commencing after the operative dates stated.

Standard / Interpretation	Key requirements	Effective date	Effective date for the entity	Impact on Western Water financial statements
AASB 17 Insurance Contracts	The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle - based framework to account for all types of insurance contracts, including reinsurance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard currently does not apply to the not-for-profit public sector entities.	1 January 2021	1 July 2021	The assessment has indicated that there will be no significant impact for Western Water.
AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	1 July 2020	The assessment has indicated that there will be no significant impact for Western Water.
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022. However, ED 301 has been issued with the intention to defer application to 1 January 2023.	1 July 2022 or 1 July 2023 if deferred.	The assessment has indicated that there will be no significant impact for Western Water.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

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

The following accounting pronouncements were also issued and effective for the 2019-20 reporting period. However, they have an insignificant impact on public sector reporting.

AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business [AASB 3]

The AASB has issued amendments to the guidance in AASB 3 *Business Combinations* that revises the definition of a business.

The amendment is effective from 1 January 2020, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions, in particular for the real estate industry. Earlier application is permitted.

AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform

This Standard amends AASB 7 *Financial Instruments: Disclosures*, AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement*. It modifies some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the interest rate benchmark reform. It also requires entities to provide additional information about their hedging relationships that are directly affected by these uncertainties. This will have limited impact on Victorian public sector reporting.

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework

AASB 2019-1 amends effective from 1 January 2020, Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised Conceptual Framework for Financial Reporting (Conceptual Framework).

In addition to the new standards and amendments above, the AASB has issued the following list of other amending standards that are not effective for the 2019-20 reporting period (as listed below).

AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.

At this stage, preliminary assessment suggests they may have insignificant impacts on public sector reporting.

AASB 2019-4 Amendments to Australian Accounting Standards - Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements.

The assessment has indicated that there will be no significant impact for the public sector.

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.

At this stage, preliminary assessment suggests they may have insignificant impacts on public sector reporting.

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).

The assessment has indicated that there will be no significant impact for the public sector.

**Western Region Water Corporation
Notes to the Financial Statements
30 June 2020**

9 Other Disclosures (continued)

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

Conceptual Framework for Financial Reporting.

Conceptual Framework for Financial Reporting to be applied by for-profit private sector entities. Application by other for-profit entities is optional. At this stage, preliminary assessment suggests they may have insignificant impacts on public sector reporting.

**Western Region Water Corporation
Statutory Certification
30 June 2020**

Directors' and Chief Finance and Accounting Officer's Declaration

The attached financial report for Western Region Water Corporation has been prepared in accordance with Standing Directions 5.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the financial year ended 30 June 2020 and financial position of the Corporation as at 30 June 2020.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 18 September 2020.



Andrew Cairns
Chairman
Western Region Water Corporation



Jeff Rigby
Managing Director
Western Region Water Corporation



Elizabeth Rowland
Chief Finance and Accounting Officer
Western Region Water Corporation

Independent Auditor's Report

To the Board of the Western Region Water Corporation

Opinion	<p>I have audited the financial report of the Western Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • directors' and chief finance and accounting officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2020 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>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's
responsibilities
for the audit
of the financial
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

MELBOURNE
23 September 2020



Paul Martin
as delegate for the Auditor-General of Victoria



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Appendix 2: Addressing the Minister's Letter of Expectations

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	G2	Assess Board role & performance and make recommendations for improvement	N/A
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Note 1: Western Water does not manage any water storages accessible for recreation.

Appendix 3: Bulk entitlements

Western Water owns the following bulk entitlements

Bulk Entitlement (BE) System	BE clause	Water source and storage
Barringo	11.1	Barringo Creek, Pierce Reservoir
Lancefield	14.1	Garden Hut Creek (G), Monument Creek (M), Garden Hut Reservoir
Macedon	14.1	Railway Creek, Turitable Creek, Willimigongon Creek and Reservoir (W), Kitty English (K), Frank Mann (F), Andersons (A), McDonalds (MC) and Orde Hill (O) Reservoirs
Maribyrnong	19.1	Slatey Creek, Jacksons Creek, Salty Creek, Gisborne Creek, Rosslynne Reservoir
Myrniong	12.1	Pykes Creek, Pykes Creek Reservoir
Riddells Creek	11.1	Main Creek, Forster and Wright Reservoirs
Romsey	12.1	Bolinda Creek, Kerrie Reservoir
Werribee	13.1	Lerderberg River, Goodmans Creek, Coimadai Creek, Lake Merrimu (M) Djerriwarrh Creek, Djerriwarrh Reservoir (DJ)
Woodend	14.1	Campaspe River, Falls and Smokers Creeks, Barbour and Kavanagh Springs, Straws Lane Bore, Campaspe (CR), Graham Brock (GB) Reservoir, Reservoir C (C)
Melbourne Headworks System	16.1	Various catchments via Melbourne Water's supply system

Bulk entitlement performance for 2019/20 is outlined in the following table

Bulk Entitlement	Barringo	Lancefield	Macedon	Maribyrnong	Myrning	Riddells Creek	Romsey	Werribee	Woodend	Melbourne Headworks
Annual rainfall (mm)	776.25	767.9	772.3	757	594	696.6	774.45	579	721	677
Capacity of storage (ML)	64	45.9	475	25,368	22,119	76	297	32,516 (M) 1,014 (DJ)	366	1,812,175
Annual bulk entitlement (ML)	585 in any year 1,600 over 5 years	315	873 in any year 3,225 over 5 years	6,100	58	300	460	12,263 (M) 1,486 (DJ)	470	18,250
Volume in storage at the start of the financial year (ML), and % full storage	15.95 25%	36.96 81%	391.37 82%	4,281 19%	58 100%	68.7 90%	161.57 54%	8,002 - 25% (M) 674.15 - 66% (DJ)	360.21 98%	32,194 176%
Inflows to storages from this BE water source (ML)	0	797.95	127	4204.02	SRW	228.5	362	4,259 (M) 291 (DJ)	1576	14,127
Extra inflows (diversions) or local catchment runoff	12.28	0	0	196.16	0	149	135	0 (M) 0 (DJ)	232	0

Key to table abbreviations

WW	Western Water component	ML	Megalitres
SRW	Aspect managed by Southern Rural Water	N/A	Not applicable
MW	Aspect managed by Melbourne Water		

Bulk Entitlement	Barringo	Lancefield	Macedon	Maribyrnong	Myrning	Riddells Creek	Romsey	Werribee	Woodend	Melbourne Headworks
Volume taken from the storage (ML)	0	124.4	217.6	1129	53.3	135	521 See Note 6	2402 (M) 52 (DJ)	298 (CR) 201 (GB/C)	13872
Maximum extraction from storage or water source (ML/day)	0 from Barringo Creek	0.71 from Garden Hut Reservoir	2.78 from Macedon storages	20.2 from Rosslynne Reservoir	0.4 from Pykes Reservoir	1 from Main Creek	6.83 from Bolinda Creek	20 from (M) 20 from (DJ)	2.62 from Campaspe Reservoir 0 from Falls & Smokers Creek	34
Estimated evaporation (ML)	-3.3	-1.18	19.74	Included in other losses – SRW See Note 2	SRW See Note 2	4.99	13.6	SRW (M) See Note 2 106 (DJ)	46	MW
Other losses e.g. seepage, plant losses (ML)	15.28	Included in passing flows	-161.61	2,139 See Note 2	SRW	237.14	-107.79	1,263 (M) 74.6 (DJ)	1281.7	-4555
Environmental releases (ML)	0	0	0	362	SRW	0	0	0(M) 0(DJ)	0	0
Volume of environmental and passing flows (ML)	301.58	All Monument Creek & 618.7	139.477	SRW	SRW	177.45	315.42	SRW (M) 0 (DJ)	399 (b)	MW
Passing/ environmental requirements met	Yes	Yes	Yes See Note 1	SRW	SRW	See Note 4	Yes	SRW (M) Yes (DJ)	See Note 5	MW
Any new BE with respect of the system or amendments to the BE	No	No	No	No	No	No	No	Yes	No	No
Failure to comply with the BE	No	No	No	No	No	No	No	No	No	No
BE compliance difficulties experienced or anticipated in the future	No	No	See Note 1	No	No	See Note 4	No	See Note 3	See Note 5	No
Entitlement unused or remaining in storage at end of financial year (ML) and % full storage	16.25 25%	45.9 100%	442.64 93%	5051 20%	4.7 8%	68.68 90%	239.92 78%	8,539 – 26% (M) 732.5 – 72% (DJ)	361 99%	33,584 104%

Barringo	Pierce Reservoir is an emergency off stream storage supplied by Barringo Creek and was not used for supply during the year.
Lancefield	The Lancefield bores & Garden Hut Creek are used together as the sources of water for this town, after being treated at the Lancefield Water Filtration Plant. The transfer network from Romsey allowed water to be transferred from Romsey, Riddells and Maribyrnong BE during the year.
Macedon (See table for sources)	Storages are closely monitored to ensure adequate levels are maintained for fire-fighting (i.e. > 60%). This was always achieved during the year. The Macedon system allows for storages to be grouped for efficient monitoring of the total volume taken from these groups of storages. These groups are Kitty English and Frank Mann reservoirs (Railway Creek), Andersons and McDonalds reservoirs (Turitable Creek), and Orde Hill and Willimigongon reservoirs (Willimigongon Creek).
Myrniong	Small entitlement from Pykes Creek Reservoir for supply to Myrniong. No water was taken under this entitlement at any other works other than Pykes Creek Reservoir by Western Water. In addition to the Myrniong Bulk Entitlement, Western Water holds 10 ML of High Reliability and 5 ML of Low Reliability water shares in the Upper Werribee Diverters. These water shares provide additional water security for Myrniong. At 30 June 2020, the closing balance of these shares was 12.75 ML.
Riddells Creek	A volume of Maribyrnong BE was transferred to Riddells Creek and, combined with Riddells Creek BE, was transferred to Kerrie Reservoir to supplement supply and security in Romsey and Lancefield.
Romsey	97.7 ML is able to be added to the drought reserve for this BE from 2019/20. Extra inflows were sent to this BE from Riddells Creek and Maribyrnong BEs. Bore water was used during 2019/20 to supplement surface water supplies for Romsey.
Werribee	Djerriwarrh Reservoir was used for a portion of supply to Bacchus Marsh during 2019/20, which is supplied via Merrimu Water Filtration Plant. A small raw water supply is also provided for local properties. Merrimu Reservoir is operated by SRW, WW has BE to take water from this storage. The unallocated portion of the Merrimu Reservoir was purchased by Western Water during 2019/20. This purchase has amended the bulk entitlement amount from 8,500ML to 12,263ML.
Woodend	Woodend is supplied by local sources from Campaspe River and storages located on Mt Macedon. The connection to Macedon also means Woodend can be supplied from the Maribyrnong BE and Melbourne Headworks. Supply from the Maribyrnong BE was required during the year.
Melbourne Headworks	The total taken shown in the table can be split into 6,987 ML taken via the Hillside interface point to Melton and 7,140 ML taken via the Loemans Rd interface point to Sunbury and the Macedon Ranges region.

APPENDICES

Southern Rural Water traded an additional 1,200 ML into Western Water’s Melbourne Headworks BE as an assignment transfer in June 2016 for supplying the Bacchus Marsh Irrigation District. SRW did not require any of this volume during 2019/20. Western Water acquired through trade an additional 5,000 ML from Barwon Water during the year which has been added to Western Water’s 2019/20 carryover balance.

Western Water made no other temporary assignments or permanent transfers to or from its bulk entitlements during 2019/20.

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

Any reference to SRW in the above table indicates that this item is managed by SRW and the information can be sourced from the SRW Annual Report.

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

Western Water has previously submitted an Environmental Management Program associated with its bulk entitlements.

Western Water made no applications for changes under the Making Allowances clause in any of its relevant bulk entitlements in 2019/20.

Notes

Note	Comment
1	Passing flow requirements for Willimigongon Creek required manual operation for the first half of the financial year, with the site being upgraded to contain automation in December 2019. As a result, failures to daily passing flow requirements occurred during July-Dec 2019, with significantly less non-compliance events happening between Jan-June 2020. These non-compliances were compensated by releasing extra flows when possible, resulting in overall compliance for the bulk entitlement.
2	SRW provides net inflows which include adjustments for Merrimu, Rosslynne and Pykes Creek reservoirs. The estimated evaporation for Merrimu and Rosslynne reservoirs is included in ‘Other losses’ and is part of the SRW volume correction water balance.
3	Western Water has relied on changes in storage volume to determine inflows to Djerrirwarrh Reservoir. These reservoir volumes are recorded weekly. This has been adequate in the past due to the stop / start nature of inflows. During 2017/18, a level sensor was installed to improve data collection frequency which will enable passing flows requirements to be more readily met during 2019/20.
4	Western Water released an extra 36ML than needed, to compensate for passing flow shortfalls of 1.2ML over 17 occurrences.
5	Compliance difficulties were experienced for the passing flow requirements at Woodend due to high rainfall events and delays in data received. These factors coupled affected the response time to adjust the flow accordingly. To compensate, extra flows were released to sustain a healthy waterway.
6	Total volume taken from the Romsey Bulk Entitlement includes 61ML from the drought reserve.

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