

WANNON WATER

# Annual Report

17/18



wannonWATER

# Our Region



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## Our vision

Beyond water for strong communities.

## Our mission

To provide safe, reliable, innovative and sustainable water services and strengthen communities in south-west Victoria

## Our corporate objectives

- Stronger Communities
- Business Excellence
- Value for Customers
- Performance Culture

## Statement of Acknowledgement

Wannon Water encourages and promotes diversity, fairness and respect for everyone and acknowledges that Aboriginal and Torres Strait Islanders are Australia's first people and the traditional owners and custodians of the land and the water on which we rely.

# A message from the Chair and Managing Director

Guided by our vision of going beyond water for strong communities, the past 12 months showcase Wannon Water as a key regional partner.

Our vital role is in delivering safe, secure and affordable water and sewerage services for our customers, but we also recognise the importance of our place in south-west Victoria, and the need to lead by example.

We have a responsibility to support economic growth, to help tackle climate change, and to promote community health and wellbeing. Many of our achievements this year reflect those commitments and are consistent with the themes of the State Government's *Water for Victoria* plan.

It is fair to say that the year has also been a challenging one, with a large number of unforeseen incidents resulting in Wannon Water spending 52 per cent of the year operating under "enhanced" or "emergency" management status.

Two major incidents – the illegal dumping of nurdles into our sewage treatment plant at Warrnambool in November and the devastating south-west bushfires in March – placed Wannon Water very much in the public eye. We collaborated with other government and emergency management agencies in the response and recovery efforts for both incidents.

In a letter to Wannon Water, the Emergency Management Commissioner praised the efforts of the agencies involved in the fires: "The Victorian sector's commitment to managing this incident, and to community-focused outcomes, should be commended: this is how we work together. The work that has been undertaken... is an amazing testament to your organisation and the people you have working side by side through difficult circumstances."

A strategic priority this year was finalising our 2018-2023 Price Submission for review by the Essential Services Commission. We are very proud of our effort and detail that went into preparing the submission, as well as the

high level of engagement with our customers and the community. We have always worked – and will continue to work – to ensure our business is efficient, sustainable and meets our residential and business customers' needs.

Wannon Water has a record of being a water industry leader in reducing prices. Our customers can look forward to lower bills until 2023, with the average householder paying \$1,110 and tenants \$201 a year. The decision means that average bills for household customers will have actually declined by 12 per cent over the past six years – from \$1,262 to \$1,110.

We appreciate the efforts of employees for their innovation and creativity in finding efficiencies and making these savings possible for our community.

Planning and design work for a \$40 million expansion of the Warrnambool Sewage Treatment Plant continued during the year. Due to begin in 2019, the project is vital to support residential and industrial growth over the next 20-plus years, particularly in the milk and meat processing sectors.

Wannon Water's water and sewerage treatment services are central to the prosperity of the food and fibre industry in our region.

Projections show that by 2040, the major industrial users could account for 65 – 70 per cent of the treatment plant's capacity. Our region is home to a dairying industry which produces 22 per cent of Australia's milk supply or 2.1 billion litres a year. Economic analysis shows that the industry expansion enabled by the treatment plant would have the following spin-offs for south-west Victoria:

- 1,512 full-time equivalent jobs.
- \$199 million in added economic value per year.
- \$196 million in exports per year.



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Committed to reducing our greenhouse gas emissions by no less than 40 per cent by the year 2024/25.

This is a once-in-a-generation upgrade project, designed to support the growth of a nationally significant industry.

Energy is a significant cost to the operation of our business and our commitment to mitigating climate change and investing in renewable energy has been strong.

We pushed ahead with our pledge to reduce carbon emissions by 40 per cent by the year 2025 and achieve net-zero carbon emissions by 2050.

Contracts for our wind generation project that will provide all the power for our energy-intensive water and sewage treatment facilities in Portland were signed in May. We estimate the \$4.2 million capital cost will be recovered within 10 years through reduced energy bills. Over the life of the asset, the total payback is forecast to be substantial, resulting in future savings for our customers.

In another exciting and innovative initiative, Wannon Water partnered with a number of local businesses, organisations and community groups on a proposal to develop the region's first Smart Energy Precinct at Port Fairy. The partnership will investigate how local renewable energy solutions can reduce operating costs for local businesses, improve the security of energy supply, provide price certainty and deliver environmental benefits. It will also consider how the multi-million dollar precinct could provide economic spin-offs for the education, training and tourism sectors.

We have expanded the ways we communicate with our customers, including the use of additional social media platforms, e-news and project updates on our website. Our engagement and education activities have also been expanded and include open days at water towers, school and group tours of treatment plants and facilities, and sessions for children from kindergarten to secondary level.

Our new community sponsorship and grants program, known as *The Ripple Effect*, was launched, supporting organisations and projects working on issues important to Wannon Water and of benefit to communities in our region.

As a business, we recognise that financial stress and exclusion has many root causes and its impact can be profound. We were proud to develop a Financial Inclusion Access Plan during the 2017/18 year, helping to shape new initiatives and support those who are disadvantaged and vulnerable.

Wannon Water signed a new partnership with the Glenelg Hopkins Catchment Management Authority in September to foster vibrant communities across the south-west. Together, we will be considering joint initiatives, such as employee leadership, urban waterway improvement, sharing community education and engagement plans, and identifying areas for carbon neutrality and biodiversity programs. Improving partnerships with the indigenous community through programs such as traineeships has also been identified as a priority.

Once again, our financial results for the year were pleasing. We achieved a net profit before tax of \$4.19 million for the financial year. We generated cash flows of \$26.31 million from operating activities and invested \$21.42 million in capital projects.

We would like to recognise the efforts of Wannon Water's employees over the past 12 months. They have demonstrated a high level of professionalism, expertise and resilience in stepping up to tackle a number of challenges and supporting each other, while ensuring our core functions were not impacted.

In accordance with the *Financial Management Act 1994*, we are pleased to present Wannon Water's annual report for the year ending 30 June 2018.



**Jacinta Ermacora**  
Chair

August 2018

**Andrew Jeffers**  
Managing Director

August 2018



# 2017/18 Snapshot

**34**  
towns  
served

**32**  
million litres of  
drinking water  
provided to  
customers  
each day

**30**  
million litres of  
sewage & trade  
waste treated  
each day

**23,500**  
square km  
region

**1,970**  
kilometres  
of water  
mains

**937**  
kilometres  
of sewer  
mains

**1,788**  
megalitres of  
water recycled  
for re-use  
each year





# Key Developments



*Customer relations officer Ebony Fleming and project manager asset creation Sophie Baulch help collect nurdles and other plastics at Shelly Beach in Warrnambool.*

## Emergency Response

Wannon Water's capacity to respond to emergencies and major incidents was put under the spotlight during the 2017/18 financial year as employees stepped up to meet a range of challenges.

The corporation spent a total of 192 days in the declared status of Enhanced Operational or Emergency Management Team.

The illegal dumping of pre-production plastic pellets – known as nurdles – into the Warrnambool Sewage Treatment Plant was a major issue and involved a concerted and sustained effort across the entire business.

The incident is possibly the first record of a nurdle spill via a sewage treatment plant in Australia.

In mid-November, several members of the public noticed large concentrations of nurdles washed up on Warrnambool's Shelly Beach, close to the sewage treatment plant. After being made aware of the nurdles, Wannon Water inspected the plant and discovered large numbers in the infrastructure.

We initially established an Incident Management Team to deal with the response. Due to the complexity of the incident, it was subsequently classified as a Class 2 State Emergency with a number of other government agencies becoming involved.

An investigation showed the nurdles had been illegally dumped through the sewage treatment system and were





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Through a determined effort by our employees and contractors, the pipeline project was completed in one weekend and was commissioned the next day”.

being expelled to the ocean through the plant's effluent outfall. The plant has multiple systems in place, including fine screens, to filter out the huge majority of plastics and other foreign material. However, they are not designed to remove microplastics, such as nurdles.

Operations staff isolated the tank and physically removed several million nurdles from the plant's infrastructure, preventing these from entering the ocean environment. Additional screens were also installed within the plant to stop any remnant nurdles from entering the ocean and improve environmental protections. Plans were already in place for a major upgrade of the plant, including the construction of a new screening plant. The project, estimated to cost between \$30 and \$40 million, is expected to be completed by 2020/21.

The clean-up effort along beaches from Port Fairy to Warrnambool involved a concerted and sustained effort by large numbers of community members including individuals, groups and schools, as well as Wannon Water and other agency staff.

**We remain committed to the ongoing monitoring and clean-up of nurdles on local beaches until at least the end of 2018.**

The original source of the nurdles continues to remain a mystery despite a methodical investigation and the inspection of a number of sites. Wannon Water will continue this investigation in an effort to help avoid future events, and to bring a greater sense of closure for all who have been involved. We are also considering the possibility that the original source may never be known.

The nurdle clean-up has also highlighted an even larger volume of other discarded plastics that can be found on local beaches, which in our view represents the more significant environmental risk. These plastics are not related to Wannon Water.

As a result of this observation, we initiated and sponsored the Clean Oceans Collective – Caring for Mirteech group (Mirteech is the local indigenous term for ocean). The program will use a science-based approach to better understand the beach plastics problems, prioritise actions and implement changes. The steering group involves Wannon Water, Warrnambool City Council, Moyne Shire, Glenelg Hopkins Catchment Management Authority and

two community representatives.

Wannon Water also responded to the devastating bushfires in mid-March that impacted many south-west communities. Our immediate and main priority was to maintain the water supply and water quality to customers. This was achieved despite logistical difficulties including power outages and restricted access on local roads.

We were asked to take over the project management for the installation of a temporary pipeline to help provide water to control a peat fire that was causing major community issues for emergency agencies at Lake Cobrico.

Through a determined effort by our employees and contractors, the pipeline project was completed in one weekend and was commissioned the next day. The flexible, high-pressure pipe was connected to the North Otway pipeline, north of the fire, and was rolled out for four kilometres along the roadside to a catch dam beside the lake. From here, it supplied water to irrigate and flood the lake, which proved to be a key measure in extinguishing the blaze.

As part of the bushfire relief and recovery stage, Wannon Water's customer relations team reached out to our rural customers within the fire area to provide support and offer assistance if their properties were directly affected.

We waived our rural water usage surcharge for customers impacted by the fires for their final two accounts of the financial year and we automatically applied a \$250 credit to the account of rural customers with a water meter located in the fire area. We engaged contractors to empty rainwater tanks in the area impacted by the fires, pressure-clean them and then refill them with a load of water.

A sewer system failure in Uebergang Street, Port Fairy also triggered an enhanced operational response over an extended period. The incident was a result of a combination of issues, including a challenging environment and access restrictions.

A security breach at the Harrington Road water storage facility in Warrnambool was another incident that required an enhanced operational response over a few days during the year.



# Key Developments



Civil maintenance operators Harley Angus and Jordan Scott test water samples in Port Fairy.

## Price Submission

Every five years, water businesses in Victoria are required to undertake a review of their water prices to be submitted to the Essential Services Commission (ESC) for approval.

Wannon Water's 2018-23 Price Submission outlined the activities and investment we propose to undertake over the next five years from 1 July 2018.

The Price Submission was built upon the feedback received through a record level of engagement with customers and the community over the past two and a half years to determine which outcomes they value the most. This included more than 3,000 instances of engagement through surveys, small group forums,

community events, meetings, interviews and a deliberative forum.

In the next pricing period, we plan to maintain high quality service levels, meet our capital and operational spending requirements, and deliver outcomes most valued by our customers. This is consistent with our corporate vision, "beyond water for strong communities".

Average household bills for Wannon Water customers will reduce from \$1,121 to \$1,100 next year and are planned to incrementally move down for the next five financial years, reaching \$1,067 (plus CPI) in 2022/23. This will mean that average household bills will have declined by 12 per cent - from \$1,262 to \$1,110 - over the previous six years and by 13.5 per cent over 10 years.

We have been able to keep prices stable despite a

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About 50 per cent of the current flow through the plant comes from three major industrial users and, by 2040, this is expected to increase to between 65 and 70 per cent of capacity.

number of challenges including:

- The very low growth rates in south-west Victoria compared to other state water corporation areas, meaning our ability to absorb cost increases using revenue from new customers is limited.
- Our 23,500 square kilometre operating area is the state's second largest of the state's regional urban water corporations, meaning we have to pump water significant distances to provide services to our customers.
- We have 46 metres of water mains per customer – the highest in the state – placing increasing pressure on operating costs and asset renewal costs.

To help offset these challenges and keep bills low, we have committed to finding efficiencies of \$2.6 million over the five-year period. Areas that will come under the spotlight include energy costs, goods and services, and efficiencies associated with new investment in technology. We will also investigate working with industry and collaborative purchasing to reduce costs.

An exciting new initiative is our Water for Community program that will support sports and recreation groups, providing a rebate of up to \$7,200 a year on their bills.

It will assist eligible not-for-profit organisations, including local councils, offering a 40 per cent discount on annual water bills up to 5,000 kilolitres and a 25 per cent discount for usage between 5,000 and 10,000 kilolitres.

Water for Community recognises the mental, physical and social benefits that recreation and sporting facilities provide for south-west residents. This is consistent with the Victorian Government's Water for Victoria policy, which recognises the importance of the social and economic benefits of providing water for recreational purposes.

Although we heard that 88 per cent of customers are satisfied with the water quality they receive from Wannon Water, we want to do even better. Over the next five years we will continue to improve the taste, smell, hardness and clarity of the drinking water in our region.

We will also continue to protect and enhance the environment. The submission includes \$2.1 million for

projects that will reduce our carbon emissions by 40 per cent by 2025, consistent with a goal to be carbon-neutral by 2050. This will save \$1.2 million in annual operating costs with minimal impact on customer bills, which is consistent with what we heard from our customers.

We will also invest more than \$160 million in capital works projects to pave the way for long-term regional growth and investment.

The commitment includes our largest-ever single project, a \$40 million upgrade of the Warrnambool Sewage Treatment Plant, expanding its capacity by 50 per cent to cater for projected increases in domestic and industrial in the next 20-plus years.

About 50 per cent of the current flow through the plant comes from three major industrial users and, by 2040, this is expected to increase to between 65 and 70 per cent of capacity. Economic modelling shows the expansion will support industrial growth in south-west Victoria, representing 1,512 new ongoing jobs, \$199 million in annual added value and an annual increase in exports of \$196 million.

Other major projects planned include:

- The construction of a new water tower to cater for residential demand in north-east Warrnambool - \$4.3 million.
- New facilities in Hamilton and Camperdown to manage biosolids for beneficial re-use - \$6.3 million.
- A new water supply bore at Port Campbell to increase water security - \$2 million
- A comprehensive water and sewer renewals program across the region - \$70 million, and
- New assets to cater for growth - \$52 million.

# Wannon Water's Vital Role

Each day across the south-west of Victoria we deliver clear, fresh drinking water to our customers. We also take away sewage and trade waste which we treat and return safely to the environment.

As a key regional organisation, Wannon Water also strives to be an influential community partner, contributing to the wellbeing and prosperity of the region as a whole. Wannon Water - beyond water for strong communities.

## ABOUT US

Wannon Water (Wannon Region Water Corporation) is a regional urban water corporation wholly owned by the Victorian State Government and constituted under the Water Act 1989 as a statutory corporation in July 2005. The responsible Minister from 1 July 2017 to 30 June 2018 was the Hon. Lisa Neville MP, Minister for Water.

Wannon Water is Victoria's second largest regional urban water corporation by area, covering 23,500 square kilometres and a total population of 100,400. Our region, the Great South Coast, extends from the Otway Ranges to the South Australian border. It includes the major centres of Warrnambool, Portland and Hamilton and features the diverse landscapes of the Great Ocean

Road, the Grampians, the volcanic plains and the Budj Bim National Heritage Landscape, which is sacred to the Gunditjmara people.

The region's agriculture (particularly dairying), forestry, education, manufacturing, tourism and healthcare contribute more than \$5 billion in gross regional product to the Victorian economy each year.

Wannon Water provides services to 34 towns, including residential, commercial, industrial and rural customers.

Our 216-strong employee base has more than 1,500 years' experience at Wannon Water to fulfil our purpose of providing safe, reliable, innovative and sustainable water services and strengthening communities in south-west Victoria. We embrace all forms of diversity and promote family-friendly working hours and leave arrangements to ensure our workforce is representative of the community that we serve.

Each team of employees, from our humble beginnings back in the 1860s, to the complex operation we are today, continues to act and operate as stewards of our finite resources.

## CUSTOMERS

Our customer base is composed of 85 per cent residential customers, 11 per cent business customers and four per cent rural customers.

| Customer segment | Number of customers | Total water consumption (megalitres) | Percentage of total consumption | 5-year average consumption (megalitres) | Average consumption per customer 2017/18 (kilolitres) |
|------------------|---------------------|--------------------------------------|---------------------------------|---|---|
| Residential      | 36,649              | 5,279                                | 44%                             | 5,181                                   | 144   |
| Business         | 4,649               | 5,236                                | 43%                             | 4,739                                   | 1,126   |
| Rural            | 1,772               | 1,516                                | 13%                             | 1,580                                   | 856   |
| <b>Total</b>     | <b>43,070</b>       | <b>12,031</b>                        | <b>100%</b>                     | <b>11,500</b>                           | <b>279*</b>   |

\*NOTE – The average consumption per customer figure covers all customer segments including seven major industries who each use more than 100 megalitres per year.



## WATER SOURCES

Wannon Water supplies water from a diverse range of water sources, including surface water catchments, deep geothermal and shallow groundwater aquifers.

| System       | Source   | Towns Supplied  |
|--------------|--|---|
| Otway        | Gellibrand River catchment & groundwater   | Warrnambool, Simpson, Cobden, Camperdown, Glenormiston, Lismore, Derrinallum, Terang, Mortlake, Purnim, Allansford & Koroit |
| Grampians    | Streams in the southern Grampians catchment (this system is supplemented by water piped from Rocklands Reservoir as required). | Hamilton, Cavendish, Dunkeld & Tarrington   |
| Balmoral     | Rocklands Reservoir  | Balmoral  |
| Glenthompson | A local catchment & groundwater  | Glenthompson  |
| Dilwyn       | Dilwyn Aquifer   | Dartmoor, Heywood, Peterborough, Port Campbell, Port Fairy, Portland & Timboon  |
| Tullich      | Tullich borefield  | Casterton, Coleraine, Sandford, Merino  |
| Other        | Local aquifers   | Penshurst, Caramut, Macarthur, Darlington   |

## CORPORATE INTENT

Wannon Water provides secure, safe and affordable water and sewerage services that are highly valued by our customers. Because we have established this solid foundation for our business, we are able to think beyond these traditional services with the aim of strategically partnering with other organisations to help build stronger communities in south-west Victoria.

### Our vision:

*Beyond water for strong communities*

We understand that the water and sewerage services we provide are essential for life. The overall wellbeing of urban and rural communities and the success of small, medium and large businesses is integral to the long-term success of our organisation. Our vision underpins our focus on supporting stronger communities.

### Our mission:

*To provide safe, reliable, innovative and sustainable water services and strengthen communities in south-west Victoria.*

We endeavour to deliver superior customer, community and stakeholder value and improve community outcomes by creating shared value (win-win outcomes) for the community and Wannon Water.

### Our corporate objectives:

#### Value for our customers

- We will deliver long-term value to our customers by supplying water-related products and services that reflect their expectations for quality, reliability and price.

- We will supply fit-for-purpose water products now and for the future by developing and implementing integrated solutions utilising the range of water resources within our region.

#### Stronger communities

- We will strategically partner with stakeholders to strengthen communities in the south-west region.
- We will mitigate and adapt to climate change through planning, innovation, taking proactive actions and considering carbon neutrality.
- We will enhance the health of natural capital (water, biodiversity, soil and air) within our region.

#### Performance culture

- We will grow the capability of our organisation by investing in the skills and wellbeing of our employees.
- We will enhance organisational capability by having an inclusive culture and benefit from diversity.

#### Business Excellence

- We will maintain our financial viability by applying sound business planning, managing financial risks and ensuring sufficient income is generated to meet operating costs and debt commitments.
- We will maximise the efficiency of our business by using our initiative, embracing innovation and investing in assets and technology that minimise whole-of-life costs.
- We will ensure our decision making is evidence-based and robust by implementing management and information systems based on externally recognised principles and standards relevant to our business.

# At a Glance

|  | 2017/18 | Change (%) | 2016/17 | Change (%) | 2015/16 | Change (%) | 2014/15 | Change (%) | 2013/14 | Change (%) |
|--|---------|------------|---------|------------|---------|------------|---------|------------|---------|------------|
| Connected properties (water)             | 43,070  | 0.7        | 42,766  | 0.7        | 42,466  | 0.5        | 42,261  | 0.6        | 42,008  | 1.1        |
| Connected properties (sewerage)          | 36,816  | 0.9        | 36,492  | 1.0        | 36,146  | 0.9        | 35,839  | 1.2        | 35,419  | 1.2        |
| Water treatment plant volumes (ML)       | 11,630  | 12.8       | 10,311  | -12.4      | 11,772  | 4.7        | 11,240  | -3.1       | 11,604  | -4.7       |
| Sewage treatment plant volumes (ML)      | 10,857  | -8.8       | 11,910  | 20.0       | 9,921   | -4.1       | 10,347  | -4.1       | 10,786  | 14.3       |
| Employee numbers (FTE)                   | 202     | -1.5       | 205     | 9.0        | 188     | -0.5       | 189     | -7.8       | 205     | 0.5        |
| Number of days lost to injury            | 99      | 371.4      | 21      | -16.0      | 25      | -39.0      | 41      | 310.0      | 10      | -68.8      |
| Total revenue (\$'000)                   | 76,962  | 3.3        | 74,512  | -3.2       | 77,006  | 0.3        | 76,786  | 4.6        | 73,432  | -4.2       |
| Net operating result before tax (\$'000) | 4,192   | 34.4       | 3,118   | -61.7      | 8,145   | 64.2       | 4,959   | 90.3       | 2,606   | -69.7      |
| Total assets (\$'000)                    | 768,630 | -0.1       | 769,718 | -0.9       | 776,364 | 32.2       | 587,121 | -0.8       | 591,681 | -1.4       |
| Capital expenditure (\$'000)             | 21,420  | 1.5        | 21,112  | 23.0       | 17,170  | 3.6        | 16,573  | -18.1      | 20,237  | -16.0      |



# Performance Against Objectives

## VALUE FOR CUSTOMERS

*We are strategic and responsive, supporting our communities to be safe and healthy. We apply smart solutions to continually improve our services to meet and exceed customer needs and expectations. We provide long-term value for our customers*

| Objective   | Status | Comment   |
|---|--------|---|
| All aspects of service delivery will be customer and community centred  | Met    | <ul style="list-style-type: none"><li>• 90% customer satisfaction rating</li><li>• Real reductions in water and sewerage bills while maintaining levels of service</li><li>• New Community Engagement Framework introduced</li><li>• 3,000 instances of engagement during Price Submission development</li><li>• New customer and community engagement cycle designed</li></ul> |
| We will supply fit-for-purpose water products now and for the future by developing and implementing integrated solutions utilising a range of water resources within our region | Met    | <ul style="list-style-type: none"><li>• Coordinated Great South Coast Integrated Water Management Forum</li><li>• Promoted Target Your Water Use</li><li>• Expanded Warrnambool's roof water harvesting collection network</li></ul>  |

## STRONGER COMMUNITIES

*We are a visionary and influential community partner, helping our region to flourish through improved education and training, health and wellbeing and environmental outcomes, supporting community initiatives and assisting those in need*

| Objective   | Status | Comment   |
|---|--------|---|
| Contribute to healthy communities supported by safe, affordable, high quality services and resilient environments       | Met    | <ul style="list-style-type: none"><li>• 3,900 people participated in education programs</li><li>• Developed a Financial Inclusion Action Plan</li><li>• Founding partners of Thriving Communities Partnership program</li><li>• Tailored assistance for customers experiencing financial hardship</li><li>• New Ripple Effect grant and sponsorship program implemented</li></ul>   |
| Provide services that minimise environmental impacts and mitigate climate change and put in place adaptation strategies | Met    | <ul style="list-style-type: none"><li>• Carbon Neutrality Action Plan developed.</li><li>• Gateway Road solar PV system reduced office emissions by 20%</li><li>• 100 kW solar PV system installed at the Hamilton Water Treatment Plant</li><li>• Contracts signed for further 250 kW of solar energy and 800 kW of wind energy.</li><li>• Port Fairy Smart Energy Precinct Partnership</li><li>• Explored options to improve summer flows in the Gellibrand River</li></ul> |

|  |     |   |
|--|-----|---|
| Recognise and support Aboriginal cultural values and economic inclusion in the water sector                        | Met | <ul style="list-style-type: none"> <li>Indigenous traineeship offered</li> <li>Indigenous scholarship provided for Leadership Great South Coast Program</li> <li>Procurement Policy updated to include social procurement</li> <li>Inclusion and Diversity Committee completed cultural competency training</li> <li>Participation in Killara Kooyong Water Project supporting the development of an eel aquaculture business at Lake Condah</li> <li>Tours of indigenous heritage sites for Directors and employees at Budj Bim and Tower Hill</li> <li>Cultural Heritage Management Plans prepared where required</li> <li>Worn Gundidj tours of Wannon Water facilities</li> </ul> |
| Support the wellbeing of rural and regional communities by considering the recreational values in water management | Met | <ul style="list-style-type: none"> <li>Continued ongoing management of significant flora and fauna species across our 2,500 hectares of land</li> <li>Completed biodiversity management plan for significant coastal healthland around Portland Water Treatment Plant</li> <li>Maintained native grassland trial sites</li> <li>Continued next stage improvements to Konongwootong Reservoir to recognise significant indigenous heritage and recreational values</li> <li>Began development of new Water for Community rebate to support sports and recreation groups</li> </ul>   |

## PERFORMANCE CULTURE

*A professional, progressive and committed local employer of choice, our employees have the experience, knowledge, skills and leadership qualities needed to maintain best-practice operations, deliver reliable, high-quality services and instil confidence within our communities*

| Objective   | Status | Comment  |
|---|--------|--|
| We will enhance organisational capability by having an inclusive culture that benefits from diversity   | Met    | <ul style="list-style-type: none"> <li>Inclusion and Diversity Committee established</li> <li>Inclusion and Diversity Officer appointed</li> <li>Inclusion and Diversity E-Learn program developed with broader water industry</li> <li>Recognised as leader in flexible work practices with one third of workforce working flexibly</li> <li>17 positions recruited – 53% final appointments were female</li> <li>Family violence training for Customer Relations team</li> </ul>   |
| We will grow the capacity of our organisation by investing in the skills and wellbeing of our employees | Met    | <ul style="list-style-type: none"> <li>88% participation in People Matter survey – up 6%</li> <li>78% overall job satisfaction – up 4%</li> <li>58 hours per employee of learning and development provided</li> <li>Focus on leadership development</li> <li>Leading Managers' Training Program continued</li> <li>Two engineering scholarship participants</li> <li>Seven trainees offered 12-month positions in 2017 and five in 2018</li> <li>New <i>Zero Harm</i> OHS and health and wellbeing program launched</li> </ul> |



## BUSINESS EXCELLENCE

*We are a responsible, reliable and efficient iorganisation in a strong fnancial position and with the right management systems to deliver affordable, high quality water and sewerage services.*

| Objective   | Status | Comment  |
|---|--------|--|
| We will deliver safe and cost-effective water and wastewater services in a financially sustainable way  | Met    | <ul style="list-style-type: none"><li>• 10% bill reduction for average residential customers since 2013/14</li><li>• Safe drinking water provided to 34 towns</li><li>• High levels of EPA licence compliance.</li></ul>                                 |
| We will maintain our financial viability by applying sound business planning, managing financial risks and ensuring sufficient income is generated to meet operating costs and debt commitments     | Met    | <ul style="list-style-type: none"><li>• Total borrowings reduced by \$5 million.</li><li>• Gearing ratio enhanced to 5.2%</li><li>• 100% of capital works paid for from operating cash flows.</li><li>• A+ credit rating</li></ul>                       |
| We will ensure our decision making is evidence-based and robust by implementing management and information systems based on externally recognised principles and standards relevant to our business | Met    | <ul style="list-style-type: none"><li>• Success in retaining certification of:<ul style="list-style-type: none"><li>– Environmental Management System (ISO 14001:2015)</li><li>– OHS Management System (AS/NZS 4801)</li><li>– HACCP</li></ul></li></ul> |

# Corporate Governance

Wannon Water is governed by a nine-member Board. The role of the Board is to set the strategic direction for Wannon Water by establishing goals and objectives for senior management. The Board also monitors Wannon Water's performance and reports to the Victorian Government.



**Board of Directors:** Back row: Michael Crutchfield, Kenneth King, Sarah-Jane Walsh, Managing Director Andrew Jeffers and Deputy Chair Georgina Gubbins. Front: Helen Scarborough, Rob Wallis, Chair Jacinta Ermacora and Mick Murphy OAM

## OUR BOARD

Wannon Water's Board comprises eight independent non-executive Directors and one executive Director, who is the Managing Director. The non-executive Directors are appointed by the Minister for Water in consultation with the Treasurer for terms up to four years and the Victorian Government sets their remuneration. The Managing Director is appointed by the Board in accordance with the *Water Act 1989*.

The Board is responsible for overall corporate governance of Wannon Water, including:

- setting the strategic direction for Wannon Water;
- guiding and measuring implementation of the strategy;
- setting the risk appetite for Wannon Water;
- establishing and leading the culture of Wannon Water;
- being accountable to stakeholders including the authorising environment, the community and staff; and
- meeting all governance and compliance requirements.

The Directors bring to the Board an appropriate mix of skills and experience.

### JACINTA ERMACORA - CHAIR

**BSocWk, MSocSc (Policy and Management), FAICD.**

**Appointed 1 October 2015**

Jacinta is a qualified quality improvement performance assessor, company director and social worker. She is currently a member of the Great South Coast Australian Institute of Company Directors regional committee. Previously she was a founding director and deputy chair at Wannon Water and a director at Glenelg Hopkins Catchment Management Authority. Jacinta was a Warrnambool City Councillor for 12 years, including two as mayor. Jacinta's professional background is in primary health, policy, regional economic development and community engagement. Jacinta has a Master of Social Science, Bachelor of Social Work and is a Graduate and Fellow of the Australian Institute of Company Directors.

Jacinta is the Chair of the Strategic Issues Committee and the Executive Remuneration Committee.

### GEORGINA GUBBINS – DEPUTY CHAIR

**BN, MAB, FAICD.**

**Appointed 1 October 2011**

Georgina brings to the Board over 20 years' experience in commercial business and corporate governance in the agribusiness sector where her skills have been in natural resource management, research and development, strategic planning, production efficiency and financial management.

As a specialist red meat producer, Georgina employs sustainable and environmental farming practices,

extending to local wetland protection and the establishment of wildlife corridors. With numerous roles in industry advisory committees on a local, state and national level, Georgina has gained experience in community and stakeholder engagement.

Georgina was awarded a Corporate Governance Scholarship from Meat & Livestock Australia, holds a Masters of Agribusiness and is a Fellow of the Australian Institute of Company Directors.

Georgina was appointed as Deputy Chair in 2017, is a member of the Strategic Issues Committee and the Executive Remuneration Committee.

### ANDREW JEFFERS - MANAGING DIRECTOR

**B. Eng (Civil), M. Eng (Env), MBA, GAICD.**

**Appointed 20 July 2015**

Prior to his appointment in July 2015, Andrew worked for 16 years with Wannon Water and 23 years within the Victorian water industry in various engineering and corporate roles, which has resulted in a deep understanding of the water industry and the business of a water corporation.

Andrew recognises that Wannon Water exists because of its customers and understands the importance and community value of providing high quality water, sewerage and trade waste services. He has a special interest in ensuring that Wannon Water helps communities in the south-west flourish.

Andrew is a member of the Victorian Intelligent Water Network Executive Committee, an independent member of the Corangamite Shire Audit Committee, a Director of the Great South Coast Group and a Director of Beyond the Bell.

Andrew is a member of the Strategic Issues Committee.

### MICK MURPHY OAM

**DipCE, MAICD, P.Grad. Dip.Bus.Man.**

**Appointed 1 October 2015**

From Mortlake, Mick has a background in civil engineering and business development consulting. He has 20 years' experience as a local government and water board engineer. Prior to joining Wannon Water, Mick spent 20 years as a Chair and Director of a number of State and Regional Statutory Authorities, and has served as a Mayor and Councillor of Moyne Shire, and as a foundation director of South West Water.

He was awarded a Centenary Medal in 2002 for service to water management, and an Order of Australia Medal (OAM) in 2006 for service to the community of regional Victoria, particularly through local government, water conservation and environment organisations.

He is currently Executive Chair of Michael J Murphy & Co Pty Ltd, Independent Chair of headspace South West, Independent Chair of Southern Grampians Audit and Risk Committee, Independent Chair of the State Riparian

Forum and Chair of Abbeyfield Aged Care.

Mick is Chair of the Audit & Risk Management Committee, a member of the Strategic Issues Committee and the Executive Remuneration Committee.

## **MICHAEL CRUTCHFIELD**

**MBA, BA, BPE, Dip Ed.**

**Appointed 1 October 2015**

Michael is a Country Fire Authority Operations Officer and was previously a member of the Victorian Parliament, where he was the Parliamentary Secretary for Water and Environment. He has a Master of Business Administration, Bachelor of Arts, Bachelor of Physical Education and Diploma of Education.

Michael is Chair of the People & Culture Committee and a member of the Strategic Issues Committee.

## **ROB WALLIS**

**BSc (Hons), MSc, PhD, Dip Ed, Grad.Dip.Ed.Studs, Grad. Cert.Management, FAICD.**

**Appointed 1 October 2007**

Rob has worked in higher education for many years and has held positions of Pro Vice-Chancellor (Rural and Regional) at Deakin University and Pro Vice-Chancellor (Research) at the University of Ballarat. He is at present a Professor in Research Development at Federation University Australia.

Rob has postgraduate qualifications in Science, Education and Management.

Rob has previously served as director for a number of boards and is a Fellow of the Australian Institute of Company Directors.

Rob is a member of the Audit and Risk Management Committee and the Strategic Issues Committee.

## **KENNETH KING**

**Appointed 1 October 2017.**

Ken is a Senior Project Manager at the Metropolitan Planning Authority.

Previous roles include the Deputy Secretary of the Department of Sustainability and Environment (DSE), holding executive roles in DSE, its predecessors, and Parks Victoria (PV) for 25 years.

Ken has extensive experience in forestry, fire, fauna and flora management, and operations, policy and strategy.

Ken has previously served as Director for a number of Boards, holds a range of leadership roles within Victorian agencies including Natural Resources Conservation League of Victoria, and is a member of Colac Area Health's Risk and Audit Committee.

Ken holds a Diploma of Forestry and Bachelor of Forest Science (Hons).

Ken is a member of Executive Remuneration Committee, People & Culture Committee and Strategic Issues Committee.

## **HELEN SCARBOROUGH**

**Appointed 1 October 2017.**

Helen has held various academic roles at Deakin University for over 25 years and is currently Associate Professor and Director of Teaching in the Department of Economics.

Previous roles include Research Economist roles for Westpac Bank and the Australian Chamber of Manufacturers.

Helen has previously served as a Member of the Western Coastal Board.

Helen holds a Bachelor of Economics and a Master of Economics. She also holds a Doctor of Philosophy for which she won the Australian Agricultural and Resource Economics Society PhD Prize.

Helen is a member of the Audit & Risk Management Committee, People & Culture Committee and Strategic Issues Committee.

## **SARAH-JANE WALSH**

**B.Ec, LLB, LLM, MBA, FAICD**

**Appointed 1 October 2017.**

Sarah-Jane is a Fellow and Accredited Facilitator with the AICD (since 2011) and has operated her own consultancy since 2009, advising on legal and governance issues for boards.

Previous roles have included Ombudsman at the Financial Ombudsman Service, Senior Fellow at Monash University lecturing on corporate governance and directors' duties, Deputy General Counsel of ANZ Banking Group, and General Counsel and Company Secretary at Liberty Financial Ltd.

Sarah-Jane has previously served as Director for a number of Boards, holds a Bachelor of Law and Master of Law and is admitted as a legal practitioner in Victoria. She also holds a Bachelor of Economics and a Master of Business Administration.

Sarah-Jane is a member of the Audit & Risk Management Committee, People & Culture Committee and Strategic Issues Committee.



## DIRECTOR ATTENDANCE AT BOARD AND COMMITTEE MEETINGS:

|                     | Board    | Audit & Risk Management Committee | Executive Remuneration Committee | Strategic Issues Committee | People & Culture Committee | Community Advisory Committee |
|---------------------|----------|-----------------------------------|----------------------------------|----------------------------|----------------------------|------------------------------|
|                     | Attended | Attended                          | Attended                         | Attended                   | Attended                   | Attended                     |
| Jacinta Ermacora    | 9 of 9   | -                                 | 4 of 4                           | 8 of 8                     | -                          |                              |
| Michael Crutchfield | 7 of 9   | -                                 | -                                | 5 of 8                     | 2 of 2                     |                              |
| Georgina Gubbins    | 9 of 9   | -                                 | 4 of 4                           | 8 of 8                     | -                          |                              |
| Andrew Jeffers      | 9 of 9   | -                                 | -                                | 8 of 8                     | -                          |                              |
| Kenneth King*       | 6 of 7   | -                                 | 2 of 2                           | 4 of 6                     | 1 of 2                     |                              |
| Mick Murphy         | 8 of 9   | 2 of 2                            | 4 of 4                           | 8 of 8                     | -                          | 2 of 2                       |
| Helen Scarborough*  | 7 of 7   | 2 of 2                            | -                                | 6 of 6                     | 2 of 2                     |                              |
| Rob Wallis          | 8 of 9   | 4 of 4                            | 2 of 2                           | 7 of 8                     | -                          |                              |
| Sarah-Jane Walsh*   | 7 of 7   | 2 of 2                            | -                                | 6 of 6                     | 2 of 2                     |                              |
| Sharon Lewis#       | 1 of 2   | 1 of 1                            |                                  | 1 of 2                     |                            |                              |
| Russell Worland#    | 2 of 2   | 1 of 1                            |                                  | 2 of 2                     |                            | 1 of 1                       |

\*Total number of meetings reflects appointment to Board on 1 October 2017  
 #Total number of meetings reflects completion of term on 30 September 2017

### BOARD MEETINGS

Board meetings are scheduled monthly except for January and July. Minutes of meetings record Board decisions.

Directors receive customer and other stakeholder feedback through a range of mechanisms, and an ongoing rolling program of direct customer and stakeholder engagement, customer surveys, community consultation and project-based customer committees.

### ETHICAL STANDARDS

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance practice and ethical conduct by Directors, employees and contractors. The Board has a comprehensive governance framework that seeks to ensure high standards of ethical behaviour through policies supported by specific awareness and compliance programs. The governance framework is regularly reviewed.

The Code of Conduct for Directors of Victorian Public Entities issued by the Public Sector Standards Commissioner provides guidance to Directors for compliance with the public sector values and good governance practice.

The Board reviewed the Instrument of Delegation for financial and non-financial decision making during the reporting period.

### PECUNIARY AND CONFLICT OF INTEREST DECLARATIONS

Directors and managers completed declarations of pecuniary interest and potential conflicts of interest during the reporting period.

The Board also reviewed its conflict of interest practices against the Department of Environment, Land, Water and Planning model policy for conflict of interest.

### INDEPENDENT ADVICE

The Board ensures that it maintains independent judgement. Directors are entitled to seek independent legal advice on matters relating to the business of Wannon Water at the corporation's expense, subject to consultation with the Chair. No Director exercised this right during the reporting period.

### BOARD COMMITTEES

The Board has four committees to assist the Board in carrying out its responsibilities:

- Audit and Risk Management Committee;
- Executive Remuneration Committee;
- People and Culture Committee; and
- Strategic Issues Committee.

## AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee provides independent assurance and advice to the Board on Wannon Water's risk, control and compliance framework and its external accountability responsibilities. The committee meets with the internal auditor, Pitcher Partners, and the external auditor.

As at 30 June 2018 the committee comprised non-executive independent Directors Mick Murphy (Chair), Helen Scarborough, Rob Wallis, Sarah-Jane Walsh and independent external members Stephen Bird, and Shannyn Carter.

## EXECUTIVE REMUNERATION COMMITTEE

The Executive Remuneration Committee oversees succession planning and remuneration policies and practices for executive employment in line with Government Sector Executive Remuneration Panel guidelines.

As at 30 June 2018 the committee comprised four non-executive Directors: Jacinta Ermacora (Chair), Georgina Gubbins, Ken King and Mick Murphy.

## PEOPLE AND CULTURE COMMITTEE

The People and Culture Committee strategically reviews processes for identifying, assessing and prioritising public health and occupational health and safety risks and associated risk abatement programs.

As at 30 June 2018 the committee comprised non-executive Directors Michael Crutchfield (Chair), Ken King, Helen Scarborough and Sarah-Jane Walsh.

## STRATEGIC ISSUES COMMITTEE

The Strategic Issues Committee provides a forum for Directors to explore issues of strategic importance to Wannon Water in depth and build relationships with key stakeholders.

As at 30 June 2018 the committee comprised non-executive Directors Jacinta Ermacora (Chair), Michael Crutchfield, Georgina Gubbins, Ken King, Mick Murphy, Helen Scarborough, Rob Wallis and Sarah-Jane Walsh, as well as Managing Director Andrew Jeffers.

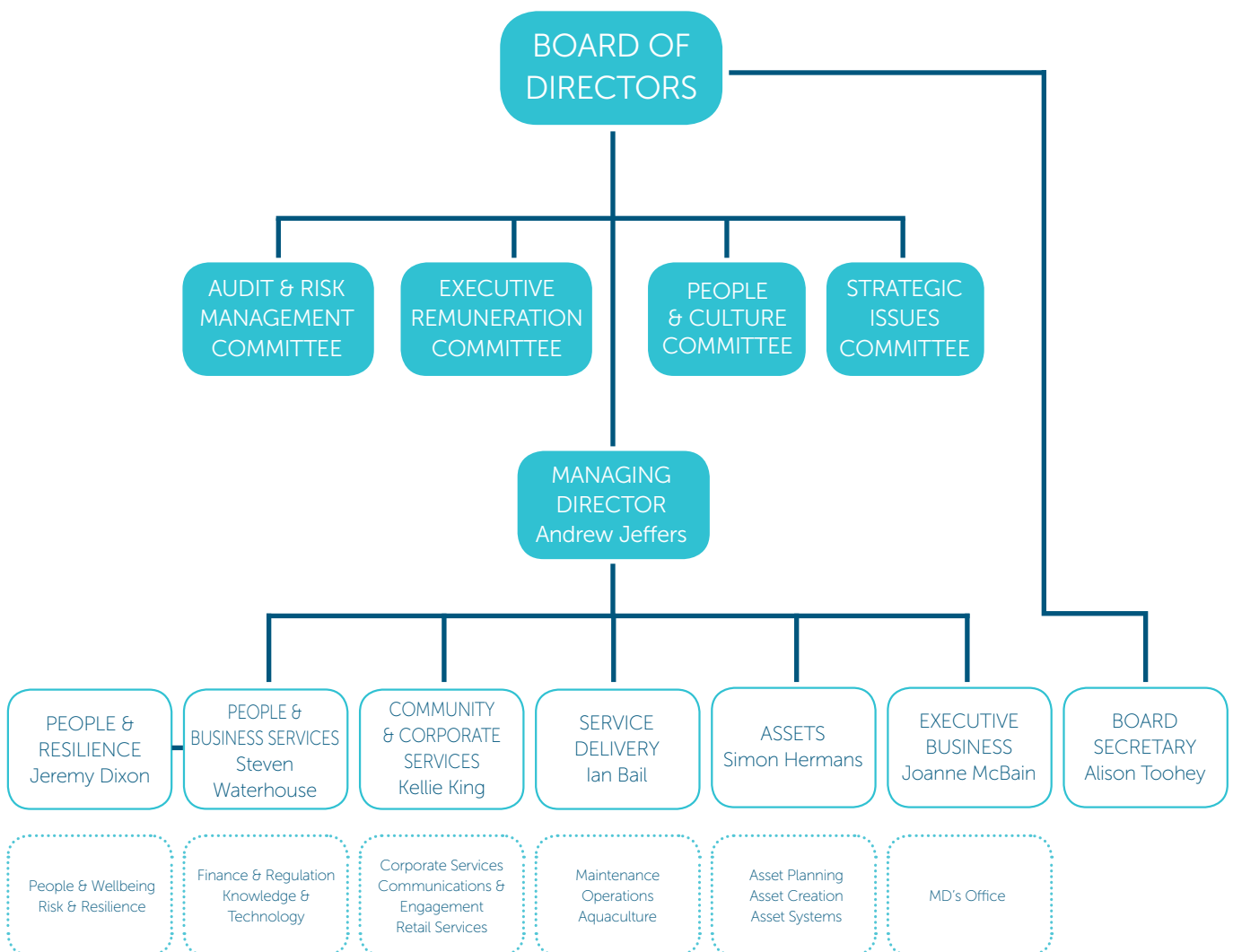
## COMMUNITY ADVISORY COMMITTEE

The Community Advisory Committee, which included Directors Mick Murphy and Russell Worland, was wound up following the Price Submission engagement in November 2017.

Wannon Water has now introduced an annual engagement cycle to ensure a diverse group of customers, stakeholders and community members have an opportunity to provide valuable input and advice to help inform our decision-making, quality improvement and annual corporate plan.

# Organisational Structure

As at 30 June 2018



## CORPORATE OBJECTIVES:

- Services reflect expectations
- Integrated solutions

# Value for Customers

We are strategic and responsive, keeping our communities safe and healthy while applying smart solutions to continually improve our world-class services to meet and exceed customer needs and expectations, deliver affordable prices and provide long-term value for our region.



**\$3.67m**  
REBATES & GRANTS

**218**  
NEW WATER  
CUSTOMERS

**201**  
NEW SEWERAGE  
CUSTOMERS

## CUSTOMERS



**39** megalitres  
of roof water  
harvested

LOWER  
water &  
sewerage  
**BILLS**



**90%**  
Customer  
satisfaction  
**RATING**

AVERAGE  
RESIDENTIAL  
CONSUMPTION  
**171**  
litres/day



In recent years we have made a concerted effort to deliver business efficiencies and pass the savings on to customers.

## REFLECTING CUSTOMER EXPECTATIONS

Wannon Water strives to deliver long-term value to customers by supplying water-related products and services that reflect customer expectations for quality, reliability and price.

### Customer bills

During the reporting period, we again enhanced customer value by delivering real reductions in customers' water and sewerage bills while maintaining levels of service. In recent years we have made a concerted effort to deliver business efficiencies and pass the savings on to customers. In addition to reduced prices, Wannon Water also provided a fourth \$70 Government Efficiency Rebate to residential water customers in the first quarterly bills of the 2017/18 financial year.

In 2017/18, owner-occupiers in the Wannon Water region paid an average bill of \$1,100. This figure is based on our region's average residential consumption of 146 kilolitres a year. The annual bill for a residential customer with a consumption of 200 kilolitres was \$1,201.

### Growth of water services

Wannon Water provides water services to a total of 43,070 residential, commercial, industrial and rural customers across 34 customer zones. The total growth in the number of water customers was 0.5 per cent in 2017/18, with 218 new customers being provided with a reticulated water service.

### Growth of sewerage services

Wannon Water provides sewerage services to a total of 38,899 residential, commercial and industrial customers across 16 sewerage systems. The total growth in the number of sewerage customers was 0.5 per cent in 2017/18, with 201 new customers being provided a reticulated sewerage service.

### Water consumption

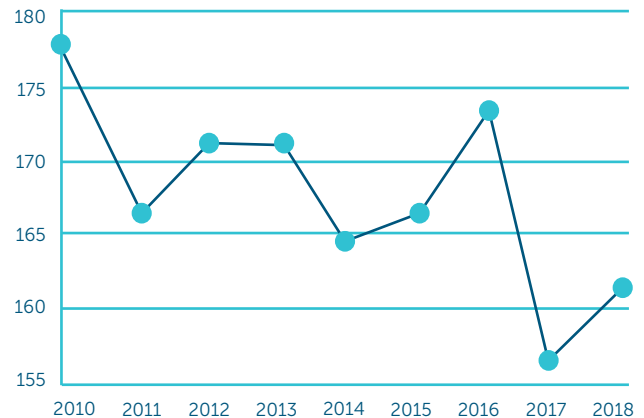
Total water consumption increased by 12 per cent to 12,032 megalitres in 2017/18 compared to 10,737 megalitres for 2016/17.

Residential water use per person per day was 170 litres. When climate-corrected, residential water use per person per day was 161 litres, up three per cent compared to 157 litres in 2016/17.

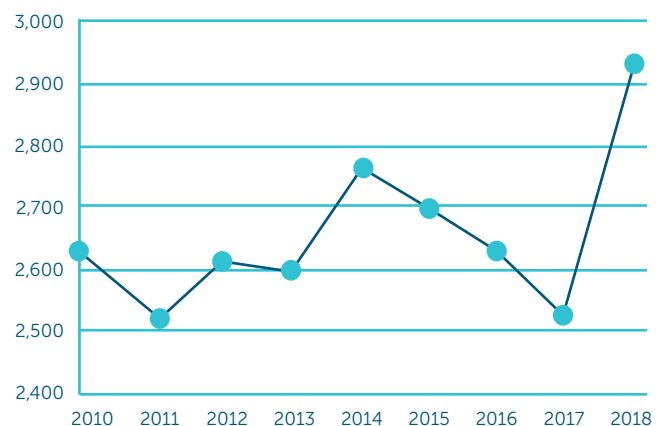
Non-residential water use per connection (when climate corrected) increased 17 per cent compared to the previous year.

Rural water use per connection (when climate corrected) increased 10 per cent compared to the previous year.

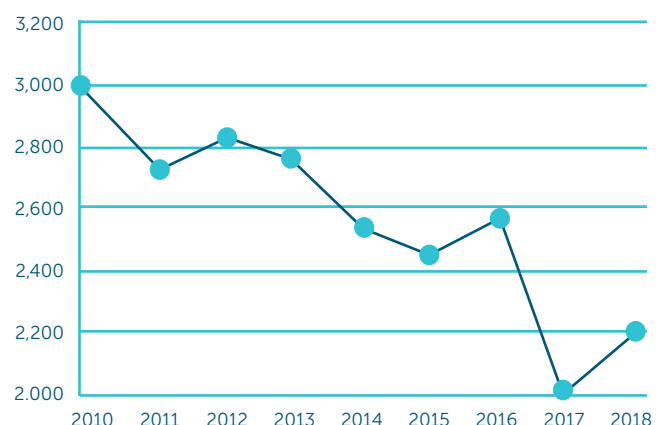
Residential Water Use (litres/person/day)



Non-residential Water Use (litres/connection/day)



Rural Water Use (litres/connection/day)





## WATER CONSUMPTION BY TOWN/CITY (MEGALITRES) 2017/18

| System                  | Residential customers |              | Non-residential customers |              | Rural customers |              | Total consumption |               | 5-year average annual consumption (ML) | Per capita daily residential drinking water consumption (L) |
|-------------------------|-----------------------|--------------|---------------------------|--------------|-----------------|--------------|-------------------|---------------|--|---|
|                         | No.                   | Volume (ML)  | No.                       | Volume (ML)  | No.             | Volume (ML)  | No.               | Volume (ML)   |  |   |
| Allansford              | 320                   | 53.4         | 39                        | 59.7         | 9               | 24.8         | 368               | 137.9         | 127.0                                  | 198   |
| Balmoral                | 106                   | 13.5         | 29                        | 6.9          | 17              | 11.2         | 152               | 31.5          | 30.5                                   | 151   |
| Balmoral Pipeline*      | -                     | -            | -                         | -            | 3               | 10.5         | 3                 | 10.5          | 7.1                                    | -   |
| Camperdown              | 1,624                 | 249.5        | 219                       | 145.5        | -               | -            | 1,843             | 395.0         | 369.0                                  | 182   |
| Camperdown Rural        | -                     | -            | -                         | -            | 400             | 480.5        | 400               | 480.5         | 489.5                                  | -   |
| Caramut                 | 56                    | 7.1          | 12                        | 6.5          | 7               | 2.2          | 75                | 15.8          | 16.1                                   | 150   |
| Caramut Pipeline*       | -                     | -            | -                         | 0.0          | 12              | 2.2          | 12                | 2.2           | 3.1                                    | -   |
| Casterton               | 822                   | 104.2        | 145                       | 55.8         | 24              | 6.4          | 991               | 166.4         | 162.5                                  | 150   |
| Cavendish               | 72                    | 8.4          | 20                        | 2.2          | 4               | 1.1          | 96                | 11.7          | 11.5                                   | 138   |
| Cobden Rural            | -                     | -            | -                         | -            | 18              | 22.1         | 18                | 22.1          | 25.1                                   | -   |
| Cobden Urban            | 714                   | 110.4        | 104                       | 590.5        | 86              | 74.1         | 904               | 775.0         | 667.2                                  | 183   |
| Coleraine               | 517                   | 50.3         | 83                        | 20.9         | 15              | 6.7          | 615               | 77.9          | 81.4                                   | 115   |
| Coleraine Pipeline*     | -                     | -            | -                         | -            | 4               | 1.6          | 4                 | 1.6           | 1.0                                    | -   |
| Darlington*             | 19                    | 2.3          | 3                         | 0.6          | -               | -            | 22                | 2.9           | 3.6                                    | 142   |
| Dartmoor                | 124                   | 13.8         | 18                        | 6.2          | -               | -            | 142               | 20.1          | 15.6                                   | 132   |
| Dunkeld                 | 312                   | 60.9         | 49                        | 24.8         | 29              | 11.8         | 390               | 97.5          | 83.8                                   | 232   |
| Glenthompson            | 99                    | 9.4          | 24                        | 3.0          | 8               | 1.5          | 131               | 13.8          | 11.3                                   | 113   |
| Hamilton                | 4,751                 | 705.5        | 631                       | 214.3        | 42              | 51.5         | 5,424             | 971.2         | 961.9                                  | 176   |
| Hamilton Pipeline*      | -                     | -            | -                         | -            | 37              | 19.8         | 37                | 19.8          | 17.9                                   | -   |
| Heywood                 | 657                   | 93.3         | 106                       | 31.4         | 1               | 0.3          | 764               | 125.1         | 120.7                                  | 168   |
| Konongwootong Pipeline* | -                     | -            | -                         | -            | 65              | 32.4         | 65                | 32.4          | 39.6                                   | -   |
| Koroit                  | 747                   | 111.6        | 55                        | 289.0        | 3               | 2.5          | 805               | 403.2         | 265.8                                  | 177   |
| Lismore & Derrinallum   | 349                   | 42.3         | 75                        | 13.6         | 78              | 50.6         | 502               | 106.5         | 102.3                                  | 144   |
| Macarthur               | 135                   | 13.6         | 35                        | 2.8          | 2               | 0.8          | 172               | 17.2          | 17.9                                   | 120   |
| Merino                  | 129                   | 15.4         | 18                        | 5.7          | 35              | 11.4         | 182               | 32.5          | 33.6                                   | 142   |
| Mortlake                | 576                   | 84.6         | 101                       | 61.6         | 5               | 4.0          | 682               | 150.1         | 139.4                                  | 174   |
| Noorat & Glenormiston   | 161                   | 26.5         | 18                        | 12.8         | 78              | 53.2         | 257               | 92.4          | 108.2                                  | 195   |
| North Otway Pipeline*   | -                     | -            | 1                         | 1,200.5      | 452             | 453.8        | 453               | 1,654.2       | 1,375.4                                | -   |
| Penshurst               | 269                   | 37.5         | 52                        | 14.5         | 1               | -            | 322               | 52.0          | 52.7                                   | 165   |
| Peterborough            | 334                   | 23.1         | 15                        | 10.7         | 10              | 7.2          | 359               | 41.1          | 40.9                                   | 82  |
| Port Campbell           | 259                   | 27.0         | 40                        | 49.8         | -               | -            | 299               | 76.8          | 72.7                                   | 124   |
| Port Fairy              | 2,146                 | 279.4        | 230                       | 282.7        | 2               | 0.2          | 2,378             | 562.2         | 573.9                                  | 154   |
| Portland                | 5,111                 | 707.5        | 694                       | 643.6        | 6               | 1.2          | 5,811             | 1,352.3       | 1,401.9                                | 164   |
| Purnim                  | -                     | -            | -                         | -            | 98              | 25.6         | 98                | 25.6          | 20.5                                   | -   |
| Sandford                | 59                    | 9.1          | 4                         | 0.2          | 28              | 9.3          | 91                | 18.7          | 20.7                                   | 184   |
| Simpson                 | 78                    | 11.2         | 19                        | 29.8         | 10              | 11.0         | 107               | 52.0          | 62.9                                   | 170   |
| Tarrington              | 142                   | 27.5         | 5                         | 2.7          | 16              | 6.2          | 163               | 36.5          | 30.4                                   | 230   |
| Terang                  | 948                   | 136.2        | 144                       | 49.9         | 1               | 6.1          | 1,093             | 192.2         | 195.9                                  | 170   |
| Timboon                 | 421                   | 63.0         | 81                        | 34.5         | 105             | 68.3         | 607               | 165.8         | 170.0                                  | 178   |
| Tullich Pipeline*       | -                     | -            | -                         | -            | 7               | 2.2          | 7                 | 2.2           | 1.8                                    | -   |
| Warrnambool             | 14,592                | 2,181.8      | 1,580                     | 1,363.7      | 24              | 23.7         | 16,196            | 3,569.3       | 3,548.6                                | 177   |
| Willaura Pipeline*      | -                     | -            | -                         | -            | 30              | 18.6         | 30                | 18.6          | 19.4                                   | -   |
| <b>Totals</b>           | <b>36,649</b>         | <b>5,280</b> | <b>4,649</b>              | <b>5,236</b> | <b>1,772</b>    | <b>1,516</b> | <b>43,070</b>     | <b>12,032</b> | <b>11,500</b>                          | <b>171</b>  |

\* Non-drinking water districts

## TOTAL DRINKING AND NON-DRINKING WATER CONSUMPTION (MEGALITRES) 2017/18

| City/Town          | Residential customers |              | Non-residential customers |              | Rural customers |              | Total consumption |               | 5-year average annual consumption (ML) |
|--------------------|-----------------------|--------------|---------------------------|--------------|-----------------|--------------|-------------------|---------------|--|
|                    | No.                   | Volume (ML)  | No.                       | Volume (ML)  | No.             | Volume (ML)  | No.               | Volume (ML)   |  |
| Drinking water     | 36,630                | 5,277        | 4,645                     | 4,035        | 1,162           | 975          | 42,437            | 10,288        | 10,031                                 |
| Non-Drinking Water | 19                    | 2            | 4                         | 1,201        | 610             | 541          | 633               | 1,744         | 1,469                                  |
| <b>Totals</b>      | <b>36,649</b>         | <b>5,280</b> | <b>4,649</b>              | <b>5,236</b> | <b>1,772</b>    | <b>1,516</b> | <b>43,070</b>     | <b>12,032</b> | <b>11,500</b>                          |

## WATER CONSUMPTION BY SYSTEM (MEGALITRES)

| System        | 2017/18 volume (ML) | Change (%) | 2016/17 volume (ML) | Change (%)  | 2015/16 volume (ML) | Change (%) | 2014/15 volume (ML) | Change (%) | 2013/14 volume (ML) | Change (%) |
|---------------|---------------------|------------|---------------------|-------------|---------------------|------------|---------------------|------------|---------------------|------------|
| East Dilwyn   | 284                 | 11%        | 256                 | -20%        | 320                 | 13%        | 283                 | 3%         | 274                 | 0%         |
| Grampians     | 1,211               | 9%         | 1,116               | -10%        | 1,238               | 7%         | 1,163               | 2%         | 1,141               | -11%       |
| Other         | 122                 | 6%         | 115                 | -24%        | 152                 | 13%        | 134                 | -5%        | 141                 | -13%       |
| Otway         | 8,056               | 14%        | 7,038               | -9%         | 7,739               | 5%         | 7,369               | 1%         | 7,282               | -1%        |
| Tullich       | 299                 | 9%         | 275                 | -20%        | 345                 | 16%        | 298                 | 3%         | 289                 | -10%       |
| West Dilwyn   | 2,060               | 6%         | 1,937               | -11%        | 2,182               | 2%         | 2,149               | -4%        | 2,233               | 1%         |
| <b>Totals</b> | <b>12,032</b>       | <b>12%</b> | <b>10,737</b>       | <b>-10%</b> | <b>11,976</b>       | <b>5%</b>  | <b>11,397</b>       | <b>0%</b>  | <b>11,360</b>       | <b>-2%</b> |

## NON-REVENUE WATER

|                            | 2017/18 (ML) | 2016/17 (ML) |
|----------------------------|--------------|--------------|
| Leakage                    | 1,356        | 1,529        |
| Fire fighting              | 8            | 8            |
| Other (including flushing) | 25           | 47           |
| <b>TOTAL</b>               | <b>1,389</b> | <b>1,584</b> |

## CORPORATE WATER CONSUMPTION 2017/18

Apart from office-based water use, consumption at other Wannon Water sites is difficult to determine and compare, as consumption includes operational usage (at treatment plants, etc.) as well as employee water usage.

| Office location             | Total full-time equivalent employees | Office space (m2) | Water consumption (kL) | kL/FTE     | Water consumption by office space (L/m2) |
|-----------------------------|--------------------------------------|-------------------|------------------------|------------|--|
| 25 Gateway Rd, Warrnambool* | 118                                  | 3,530             | 219                    | 1.9        | 62                                       |
| 15 Townsend St, Portland    | 5                                    | 278.4             | 65                     | 13.0       | 233                                      |
| 66 Gray St, Hamilton        | 6                                    | 614.7             | 32                     | 5.3        | 52                                       |
| <b>Total</b>                | <b>129</b>                           | <b>4,423.1</b>    | <b>316</b>             | <b>2.4</b> | <b>71</b>                                |

\* Rain water is used for flushing toilets and watering gardens at the Gateway Road office in Warrnambool.

## COBRICO PEAT FIRE

In April 2018, Wannon Water installed a temporary pipeline to help control a peat fire burning at Lake Cobrico. The pipe was connected to the North Otway pipeline and delivered 18.45 megalitres for the fire fighting efforts. An estimated 25 megalitres from Cobden, Camperdown and Terang was also used to control the fire (with costs covered by the Department of Environment, Land, Water and Planning).

## MAJOR CUSTOMER WATER USE

Large non-residential customer water use is reported under section 122ZJ of the *Water Act 1989*.

## CUSTOMERS BY VOLUME RANGE

| Volume – per year             | No. customers<br>2017/18 | No. customers<br>2016/17 | No. customers<br>2015/16 | No. customers<br>2014/15 | No. customers<br>2013/14 |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 100ML to 200ML                | 1                        | 2                        | 2                        | 0                        | 1                        |
| 200ML to 300ML                | 2                        | 2                        | 1                        | 3                        | 2                        |
| 300ML to 400ML                | 1                        | 1                        | 1                        | 1                        | 1                        |
| 400ML to 500ML                | 1                        | 0                        | 2                        | 1                        | 2                        |
| 500ML to 750 ML               | 1                        | 1                        | 0                        | 0                        | 0                        |
| 750ML to 1,000ML              | 0                        | 1                        | 1                        | 1                        | 1                        |
| Greater than 1,000ML          | 1                        | 0                        | 0                        | 0                        | 0                        |
| <b>Total no. of customers</b> | <b>7</b>                 | <b>7</b>                 | <b>7</b>                 | <b>6</b>                 | <b>7</b>                 |

## MAJOR CUSTOMER PARTICIPATION IN WATER CONSERVATION PROGRAMS

Wannon Water encourages all non-residential customers to implement sustainable water use practices.

| Major customer   | Location of customer   | Information as to customer participation in water conservation programs  |
|--|--|--|
| Warrnambool Cheese and Butter Factory Company Holdings Ltd<br>Fonterra Australia Pty Ltd<br>Fonterra Australia Pty Ltd<br>Alcoa Portland Aluminium Pty Ltd<br>Murray Goulburn Co-operative Company Ltd<br>Midfield Meat International Pty Ltd<br>Sun Pharmaceutical Industries (Australia) Pty Ltd | Allansford<br>Cobden<br>Warrnambool<br>Portland<br>Koroit<br>Warrnambool<br>Port Fairy | Wannon Water does not keep records of individual customer's participation or otherwise in water conservation programs. |

## SOCIAL SUSTAINABILITY - COMMUNITY SERVICE OBLIGATIONS

Wannon Water provided the following community service obligation rebates and grants to eligible customers:

| Community Service Obligations       | 2017/18 (\$)     | 2016/17 (\$)     | 2015/16 (\$)     | 2014/15 (\$)     | 2013/14 (\$)     |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Concession card rebates             | 3,335,651        | 3,207,310        | 3,115,967        | 2,958,770        | 2,899,696        |
| Not-for-profit organisation rebates | 272,774          | 254,145          | 259,618          | 259,898          | 257,705          |
| Utility relief grant scheme         | 60,760           | 78,093           | 88,384           | 73,141           | 98,332           |
| Water usage life machine rebates    | 2,280            | 1,024            | 1,185            | 1,520            | 660              |
| <b>Total</b>                        | <b>3,671,465</b> | <b>3,540,572</b> | <b>3,465,154</b> | <b>3,293,329</b> | <b>3,256,383</b> |

## NUMBER OF CUSTOMERS RECEIVING SEWERAGE SERVICES (BY TOWN/CITY)

| City/town             | No. of customers 2017/18 |
|-----------------------|--------------------------|
| Allansford            | 308                      |
| Camperdown            | 1,782                    |
| Casterton             | 859                      |
| Cobden Urban          | 790                      |
| Coleraine             | 612                      |
| Dunkeld               | 318                      |
| Hamilton              | 5,008                    |
| Heywood               | 743                      |
| Koroit                | 828                      |
| Mortlake              | 649                      |
| Noorat & Glenormiston | 2                        |
| Peterborough          | 391                      |
| Port Campbell         | 292                      |
| Port Fairy            | 2,295                    |
| Portland              | 6,094                    |
| Simpson               | 83                       |
| Terang                | 1,019                    |
| Timboon               | 472                      |
| Warrnambool           | 16,354                   |
| <b>TOTAL</b>          | <b>38,899</b>            |

## SEWAGE TREATMENT PLANT DISCHARGE VOLUMES

| City/town             | 2017/18<br>ML | 2016/17<br>ML | Change     |
|-----------------------|---------------|---------------|------------|
| Camperdown domestic   | 332           | 423           | -22%       |
| Camperdown industrial | 45            | 47            | -5%        |
| Casterton             | 135           | 111           | 21%        |
| Cobden                | 168           | 230           | -27%       |
| Coleraine             | 25            | 15            | 69%        |
| Dunkeld               | 11            | 13            | -12%       |
| Hamilton              | 810           | 1,074         | -25%       |
| Heywood               | 399           | 340           | 17%        |
| Mortlake              | 56            | 56            | -1%        |
| Peterborough*         | 22            | 1             | 1,591%     |
| Port Campbell         | 71            | 64            | 10%        |
| Portland              | 1,361         | 1,497         | -9%        |
| Port Fairy domestic   | 764           | 864           | -12%       |
| Port Fairy industrial | 151           | 184           | -18%       |
| Simpson               | 21            | 21            | -2%        |
| Terang                | 211           | 125           | 68%        |
| Timboon               | 61            | 64            | -4%        |
| Warrnambool           | 5,474         | 5,728         | -4%        |
| <b>TOTAL</b>          | <b>14,091</b> | <b>14,205</b> | <b>-7%</b> |

\* Note: The Peterborough plant has a large storage capacity. The 2017/18 figure includes sewage that was held in storage from 2016/17, but not discharged until the following year.

## ASSISTING CUSTOMERS EXPERIENCING DIFFICULTY IN PAYING BILLS

Wannon Water provided tailored assistance to customers in financial hardship, including:

- encouraging customers receiving Centrelink payments to use the Centrepay facility;
- offering flexible instalment payment plans to customers who prefer to pay by regular instalments;
- assisting customers to complete government-funded rebate and grant scheme applications;
- engaging an independent agency to conduct assessments of customers in hardship to determine their ability to make payments, helping to develop the most appropriate payment plans for those customers;
- providing information on how to reduce household water consumption;
- referring customers to a free independent financial counselling service; and
- waiving interest on overdue charges, providing relief for unexpected high water use, providing bonus credits and waiving long-term debt for customers in genuine financial hardship.

| Customer assistance         | Number of customers<br>2017/18 | Total value<br>2017/18 (\$) | Number of customers<br>2016/17 | Total value<br>2016/17 (\$) | Number of customers<br>2015/16 | Total value<br>2015/16 (\$) | Number of customers<br>2014/15 | Total value<br>2014/15 (\$) |
|-----------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| High water usage allowances | 327                            | 126,139                     | 266                            | 131,840                     | 276                            | 110,377                     | 275                            | 131,202                     |
| Hardship rebates            | 146                            | 33,501                      | 208                            | 42,523                      | 256                            | 61,728                      | 308                            | 70,146                      |
| <b>Total</b>                | <b>473</b>                     | <b>159,640</b>              | <b>474</b>                     | <b>174,363</b>              | <b>532</b>                     | <b>172,105</b>              | <b>583</b>                     | <b>201,348</b>              |

## INTEGRATED SOLUTIONS

Wannon Water has played a lead role with the Department of Environment, Land, Water and Planning in establishing a Great South Coast Integrated Water Management Forum. The forum aims to achieve better community outcomes as water corporations, local government and other stakeholders collaborate across the water cycle in areas such as:

- land use planning;
- flood management;
- environmental and waterway health;
- green space activation;
- climate adaptation; and
- alternative water provision.

The importance of an integrated water management forum was highlighted in Wannon Water's Urban Water Strategy 2017-2065. The strategy, which commenced in July 2017, is consistent with the Victorian Government's Water for Victoria plan and provides a detailed forecast of water demands across the region, taking into account population growth, climate change and water security.

The strategy recognises the inter-relationship between water, the needs of the environment and the needs of communities. It allows for a rapid growth in total demand over the next five years from the corporation's major customers to reflect their advice. They comprise mainly milk and food processors who use 25 per cent of the total volume of water we supply.

The strategy shows that Wannon Water's groundwater-supplied systems will have sufficient supply to meet projected demand for the next 50 years. Of our surface water systems, Glenthompson requires minor augmentation in coming years to avoid water restrictions if demand increases or supply falls. No other augmentation works are required during the next five years to meet the forecast demand for water.

If a high-demand scenario was to eventuate in regions supplied by the Otway System, which is by far the largest of Wannon Water's systems, its augmentation would be required as early as 2030. While the Warrnambool Roof Water Harvesting initiative is already alleviating demand from the Otway System, the longer term augmentation plan is to bring an existing back-up bore at Curdievale fully online to cater for Warrnambool's future growth.

The Urban Water Strategy was prepared in consultation with customers, local councils, industry, businesses, other water agencies and traditional owner groups. It is a living document subject to major review every five years.

### Warrnambool Roof Water Harvesting Program

Wannon Water's Roof Water Harvesting Program won the Victorian Stormwater Association Infrastructure Project Innovation Award during the year. The concept continues to demonstrate the benefits of integrated water management and the use of alternative sources of water to help meet the challenges of climate change adaptation.



This system is progressively being expanded as development occurs in Warrnambool's main north-east growth corridor over the next 30 years. The roofs of some 3,000 new homes to be constructed will form an urban catchment that is expected to contribute 471 megalitres of water per year into the Brierly Basin and then treated at the Warrnambool Water Treatment Plant for urban drinking water.

Wannon Water arranged the installation of the pipe network and pumping station to collect roof water from industrial sheds built on stage one (22 lots) of the Horne Road Industrial Estate in East Warrnambool. Two sheds are now connected and others are under construction. When fully developed, this stage is expected to harvest 25 megalitres per year.

In 2017/18, this innovative system harvested a total of 39 megalitres of roof water from the roofs of connected houses, a slight increase on the 38 megalitres harvested in 2015/16.

#### Water efficiency initiatives

Water efficiency initiatives continue to be a key component of our schools and community education programs with messaging and activities specifically targeted for the relevant audience.

Victoria's voluntary water efficiency program, Target Your Water Use, was promoted on our website, ensuring that our customers have easy access to the information they need to make informed decisions about the amount of water they use.

The need to use water responsibly was also highlighted on our social media channels, through our sponsorship program, and promoted through the government-funded Community Rebate Program for customers experiencing hardship and with high water use.

#### Permanent Water Saving Measures and water restrictions

Permanent Water Saving Measures continue to apply across all of Wannon Water's service area. No water restrictions were required in the reporting period.

#### Drought response

Wannon Water has a Drought Response Plan to protect water resources during severe dry periods. Due to reliable rainfall levels, the plan was not invoked in 2017/18 and there were no restrictions on recreational playing fields in our service area. Many of these playing fields already use recycled water or other non-drinking water supplies.

#### Water recycling

A drier 2017/18 summer saw Wannon Water's recycled water storages reduced to minimal levels.

Recycled water was primarily used for agricultural and industrial purposes, including process water supply to the Mortlake Power Station. Recycled water flows to the Iluka Resources Mineral Sands Separation Plant at Hamilton ceased during late 2017 due to the closure of the facility.

The volume of recycled water reused during the reporting period was 1,788 megalitres. This represents 18 per cent of the overall available supply of treated effluent. Most of the recycled water was used for agriculture on Wannon Water farms over the irrigation season.

Wannon Water also reused 82 megalitres at the screening plant and belt press at the Warrnambool Sewage Treatment Plant, offsetting potable water use for this site.

#### Support for industry

Wannon Water works with local industry to improve water management outcomes and, where possible, provide recycled water solutions instead of drinking water.

Our Brine Receiving Facility in Warrnambool provides a local solution for treating salty trade waste from large industries.

# Stronger Communities

We are a visionary and influential community partner, helping our region to flourish through improved service, education and training, health, recreational and environmental outcomes, supporting community initiatives and assisting those in need.

## CORPORATE OBJECTIVES:

- forming strategic partnerships
- tackling climate change
- enhancing our natural capital



**660**  
PEOPLE  
follow  
US ON



**833**  
PEOPLE ENJOYED  
TOURS

Thriving  
Communities  
Partnership  
**FOUNDING  
MEMBER**

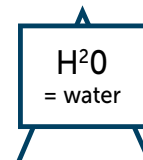
## Ripple Effect



GRANTS ALLOCATED  
TO 10 COMMUNITY  
ORGANISATIONS



Financial Inclusion  
**ACTION PLAN**



**3,900**  
INDIVIDUALS  
EDUCATED

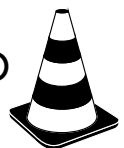
**CARBON**  
NEUTRALITY  
ACTION PLAN



**893**  
followers

SUSTAINED  
RESPONSE TO

**incidents  
& emergencies**





We are committed to shaping new initiatives to support those who are disadvantaged and vulnerable.

## FORMING STRATEGIC PARTNERSHIPS

### Community Strategy

This year Wannon Water completed its foundation Community Strategy, *Partnering for Stronger Communities*. This strategy has been an important step in establishing our organisation to drive our vision of going *beyond water for strong communities*.

Community Strategy initiatives undertaken in 2017/18 include:

- Establishment of the *Ripple Effect* Grant Program.
- Development and implementation of a Wannon Water Community Engagement Framework and Toolkit;
- Introduction of the concept and practice of partnership brokerage to Wannon Water and more than 19 other organisations within south-west Victoria;

- Continuation of a myriad of partnerships across the region, including new partnerships formed during emergencies experienced in the south-west during this past year.

A postliminary Community Strategy will be developed in 2018/19 to continue the established direction and deliver shared value for Wannon Water and our region.

### Ripple Effect Grant Program

The Ripple Effect Grant Program was launched to support organisations and projects who are working on projects important to Wannon Water and of benefit to communities in our region.

The first round of the program awarded \$38,183 to 11 community projects across the region.

## RIPPLE EFFECT GRANTS AWARDED

| Organisation  | Project   | Total grant | 2017/18 allocation |
|---|---|-------------|--------------------|
| Warrnambool Coastcare Landcare Network                | <i>Going Upstream Again</i> – community education project to build river health and water conservation.   | \$5,000     | \$4,000            |
| Life4Life Glenelg Partnership Group                   | Training for two new teen mental health instructors, ensuring sustainability of <i>Life4Life</i> pilot program.                                       | \$4,500     | \$3,600            |
| United Way Glenelg                                    | Bring the book <i>Touch the Earth</i> to life through education and engagement programs to promote literacy and water conservation.                   | \$1,675     | \$1,340            |
| Worn Gundidj Enterprises                              | <i>Live Local Learn Local</i> - Discover the wetland wonders of Tower Hill.   | \$5,000     | \$4,000            |
| South West Local Learning and Employment Network      | <i>Read to Dog</i> - primary school-based literacy intervention program mentor training and program delivery.   | \$3,750     | \$3,000            |
| Dharwurd-Wuurlung Elderly & Community Health Services | <i>Sew Deadly</i> - purchase of sewing machines to teach basic sewing skills to women involved with the Well Women and Their Children health program. | \$3,462     | \$2,770            |
| Foodshare Warrnambool Inc.                            | <i>Staplefood</i> guarantee – six-month guarantee of staple food. School fresh – six-month guarantee of school fresh program boxes.                   | \$2,500     | \$2,000            |
| Coleraine & District Development Association          | Coleraine Reserve gravel track resurfacing.   | \$5,000     | \$4,000            |
| Camperdown Pastoral & Agricultural Society            | <i>Drip, Tap, Stop</i> - improving the plumbing infrastructure at the Camperdown Showgrounds to address water waste.                                  | \$3,500     | \$2,800            |
| 3RPC Incorporated                                     | Purchase four sets of high quality microphone/headphones to increase broadcast quality.   | \$1,396     | \$1,117            |
| Friends of the Great South West Walk                  | <i>Water Wise Walkers</i> - promotional material, demonstrating walkers' role in protecting walking tracks.   | \$2,400     | \$1,920            |

## Community and customer engagement

Community engagement is essential to understanding our customer and community needs, enhancing the value of the services we provide and strengthening the communities in which we operate. We view community engagement as a genuine process of working with people to build capacity, strengthen relationships and inform decisions.

In 2017/18, we completed the final engagement report to accompany our 2018-23 Price Submission for the Essential Services Commission. A total of 3,000 instances of engagement occurred over five engagement rounds from December 2015 to June 2017.

Wannon Water's Community Advisory Committee (CAC) considered the information on these engagements and provided feedback into the final submission in September 2017. Having completed their final task, the greatly valued group of volunteers that made up the CAC concluded their work in late 2017. We thank the committee members John Wilken (Chairperson), Lou Hollis (Vice Chairperson), Tim Clingan, Matt Colla, Tom Doherty, Alex Dupleix, Amy Gibson, Les Harrison, Joseph Milani, Tom Nieuwveld, Judith Sarto, Frank Zeigler, Wannon Water Director Mick Murphy, and former Director Russell Worland for their efforts and commitment.

The information gleaned from the Price Submission engagement allowed us to determine seven Customer Promises that will guide our work in the 2018-2023 price period.

In 2017/18, a new annual customer and community engagement cycle was designed. This will begin in the first half of 2018/19, coinciding with the annual Corporate Plan development process. This will not only ensure our work continues to be informed by customers and community, but will allow us to be more flexible and adapt as their needs change.

## Community education and awareness

A new initiative this year was the introduction of an education program for kindergartens. The aim is to increase the importance of drinking tap water through an interactive Choose Tap learning experience. Wannon Water also continued to deliver water education through schools and community programs across the region, including specialised Kids Teaching Kids events which attracted around 300 students and teachers.

Tours of treatment facilities and water towers (to more than 800 people) remained a strong component of community education, providing valuable first-hand experience of Wannon Water's role in the treatment and supply of water. Wannon Water continues to educate the community through bill messaging, the website and at events.

Wannon Water continued to encourage behaviour change for better health and environmental sustainability through the Choose Tap initiative. The program not only

promotes the benefits and value of drinking tap water, but it encourages people to be more sustainable with reusable drink bottles. Distribution of Choose Tap water bottles supported this campaign through the Ripple Effect community support program and the education program.

## Supporting vulnerable members of our community

The best way to strengthen communities is to ensure the most vulnerable people in our communities are supported. Sadly, on average, residents of south-west Victoria have lower median household incomes, experience higher rates of family violence and there are more people needing assistance with core daily activities as compared to the whole of Victoria.

In 2017/18, we developed and launched our foundational Financial Inclusion Access Plan (FIAP). These plans are being undertaken by all G20 Nations and are one of the initiatives designed to fulfill the United Nations' sustainable development goals. We are one of the first 30 'trailblazer' organisations across Australia to have undertaken a FIAP.

FIAPs seek to ensure fair and affordable access to finance in order to achieve economic wellbeing. They are a practical way of articulating actions for Wannon Water's customers, employees, suppliers and wider community to prevent or minimise financial hardship.

This year, we also became a founding partner of the Thriving Communities Partnership. This partnership is amongst more than 150 like-minded organisations across Australia. Partners are working together with the goal that everybody has fair access to the essential services they need to thrive in contemporary Australia.

## Recognising cultural heritage

At Wannon Water, we recognise and acknowledge that Aboriginal and Torres Strait Islanders are Australia's first peoples and the traditional owners and custodians of the land on which we operate our service, including the water on which we rely.

Wannon Water prepared one cultural heritage management plan in accordance with the *Aboriginal Heritage Act 2006* during the reporting period. A plan was developed for the North Otway Pipeline cathodic protection project. We appointed a cultural heritage consultant to prepare the cultural heritage management plan and liaise with Registered Aboriginal Party applicants.

A number of other cultural heritage management plans are currently in the process of being prepared and will be included in future reporting periods on completion of the plans.

## Links with local government

Wannon Water values its close working relationships with local government.

We partnered with councils in our region as part of a pilot project to streamline the provision and collation of data on infrastructure installed as part of new subdivisions.

The pilot project involves details of constructed roads, drainage, water and sewerage works being provided in a specific format for direct loading into Wannon Water's and Warrnambool City Council's asset management systems. The project is known as AC/DC (as constructed design certification) and has involved consultants providing the information in the new format over the last six months.

Wannon Water also worked closely with the Warrnambool City Council to coordinate water supply works with the significant upgrade of Warrnambool's main street - Liebig Street. This resulted in a number of cross road services and meter pits and some older mains being replaced, reducing the likelihood of disturbing the new pavements over the coming years. Our collaboration with the city council on expanding the Warrnambool Roof Water Harvesting Program also continued during the year.

## MITIGATING & ADAPTING TO CLIMATE CHANGE

Wannon Water recognises the importance of playing our part to reduce greenhouse gas emissions and keep the global temperature rise to no less than two degrees. We have a strong track record as an environmentally sustainable business and are committed to enhancing our environmental performance through climate change mitigation and adaption.

We have pledged to reduce our greenhouse gas emissions by no less than 40 per cent by 2025 and to achieve net-zero emissions by 2050, a target set in the Water for Victoria plan. A comprehensive Carbon Neutrality Action Plan was developed during the 2017/18 year to guide this commitment.

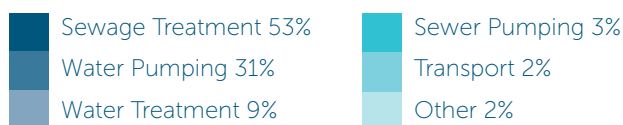
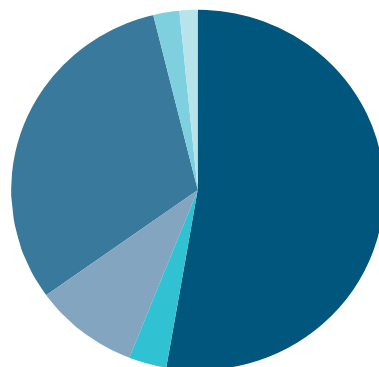
Our Gateway Road solar PV system reduced office emissions by 20 per cent during the year and we installed an additional 100 kilowatts of solar PV at the Hamilton Water Treatment Plant. We have now signed contracts for the installation of a further 250 kilowatts of solar energy and 800 kilowatts of wind energy. Several other opportunities are being investigated to reduce operating costs, reduce emissions and deliver value for our customers.

Of note was the launch of the Port Fairy Smart Energy Precinct at the South West New Energy Roundtable in June 2018. This innovative proposal has been developed in partnership with Bamstone, Southern Ocean Mariculture, Sun Pharma, and Moyne Health Services, with additional support from Deakin University and South West Community Energy. The partnership will investigate how local renewable energy solutions can reduce operating costs for local businesses, improve security of energy supply, provide price certainty and deliver environmental benefits. The project will be a powerful example of how local leadership can demonstrate solutions for regional development whilst tackling climate change.

## Greenhouse gas emissions

Wannon Water produced 30,674 tonnes of greenhouse gas emissions during the 2017/18 year. This level is consistent with achieving our 2025 goal.

Increased water pumping caused an increase in emissions for our water supply systems due to lower rainfall and increased demand in the service region. We also supplied an additional 30 million litres of water to extinguish peat fires caused by the March bushfires. However, emissions from sewage treatment and the vehicle fleet reduced slightly.



| Emission by activity (t CO <sub>2</sub> -e) | 2017/18       | 2016/17       | 2015/16       | 2014/15       | 2013/14       |
|---|---------------|---------------|---------------|---------------|---------------|
| Water treatment                             | 12,502        | 10,158        | 13,530        | 12,143        | 10,628        |
| Sewage treatment                            | 16,992        | 17,459        | 18,132        | 18,147        | 16,897        |
| Transport                                   | 715           | 706           | 773           | 807           | 850           |
| Other (inc. office energy use)              | 465           | 557           | 535           | 628           | 720           |
| Reductions / offsets                        | 0             | 0             | 0             | 0             | 0             |
| <b>Total</b>                                | <b>30,674</b> | <b>28,880</b> | <b>32,970</b> | <b>31,725</b> | <b>29,095</b> |



|                                     | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 |
|-------------------------------------|---------|---------|---------|---------|---------|
| <b>Energy ratio (MJ/ML)</b>         |         |         |         |         |         |
| Water supply                        | 3,463   | 3,599   | 3,250   | 2,879   | 3,802   |
| Sewage treatment                    | 3,177   | 3,355   | 3,510   | 3,499   | 4,688   |
| <b>Electricity use (MWh)</b>        | 22,185  | n/a     | n/a     | n/a     | n/a     |
| <b>Electricity generation (MWh)</b> | 23.6    | 21.6    | < 1     | < 1     | < 1     |
| <b>Renewable percentage (%)</b>     | < 1%    | < 1%    | < 1%    | < 1%    | < 1%    |

### Regional Catchment Management Strategy

Wannon Water participated in Regional Catchment Strategies during the reporting period and continued to work in close partnership with the Glenelg Hopkins Catchment Management Authority and the Corangamite Catchment Management Authority.

A key outcome during the year was the completion of a significant case study as part of the Catchment Carbon Offset Trial. The trial complements Victorian Government policies and strategies relating to climate change, water, catchment management and biodiversity by demonstrating how projects can deliver emission reductions, climate resilience and improve catchment management outcomes. The case study undertaken as part of this project was completed with both local CMAs and Federation University, with consulting support from Jacobs. One of the main findings was that, at least in the Gellibrand River catchment, a catchment carbon offset project could provide a cost-effective option to generate certifiable carbon offsets to help Wannon Water meet its emissions reduction targets.

The Catchment Carbon Offset Trial has created an important legacy that has established that catchment carbon offset projects can be an appropriate means of generating carbon offsets, while providing various environmental and social benefits. It has also provided a replicable process for designing and evaluating catchment carbon offset projects, as well as supporting collaborative interactions among water sector organisations.

### ENHANCING OUR NATURAL CAPITAL

Wannon Water is committed to becoming a more environmentally sustainable business and recognises that it is through our people and practices that this commitment is delivered. This commitment is embedded in our corporate objectives and includes enhancing the health of the natural capital (water, biodiversity, soil and air) within our region.

During November 2017 an illegal dumping of small plastic pellets (also known as nurdles) was received at the Warrnambool Sewage Treatment Plant. This is the first known occurrence of an event of this type in Australia, and was completely unexpected. Around 130 litres of pellets were captured within the plant itself, but some were also released into the ocean. Around 30 to 40 litres of pellets have been collected from beaches extending from Port Fairy to east of Warrnambool.

The incident sparked a multi-agency Class 2 State Emergency and a large community campaign. Whilst there were no recorded impacts on public health and safety and no wildlife deaths attributed to the incident, this event has challenged us given our strong commitment to the environment. Wannon Water is continuing to monitor and clean up local beaches following the incident. Unfortunately, our lengthy investigations have not yet been able to confirm the original volume or the source of the pellets. Additional screening has been implemented at the plant to further protect the receiving environment.

As a result of this incident, we have turned our attention to reviewing the risks that threaten our environmental performance, and to opportunities to influence behaviour change in our community. Our actions have included the roll out of an awareness campaign urging consumers to take a closer look at their habits when disposing of items other than sewage, and communicating our learnings to the broader water and emergency management sectors.

We awarded a \$5,000 grant to the Warrnambool Coastcare Landcare Network for a month-long education program at local schools and provided funding and support to develop a new community-led campaign to reduce the overall level of plastic pollution on our beaches, known as the Clean Oceans Collective – Caring for Mirteech.

Our Environmental Management System was audited and found to continue to meet the requirements of the ISO14001 standard. This system gives us a robust approach to protecting and enhancing the environment across all the core activities of Wannon Water, including harvesting, storage, treatment and distribution of drinking

water and the collection, transportation, treatment and reclamation of sewage.

### ***Victorian Waterway Management Strategy 2013 and Regional Waterway Strategies***

The Victorian Waterway Management Strategy provides a framework for the management of rivers, estuaries and wetlands across Victoria. The strategy aims to maintain or improve the environmental condition of Victoria's waterways.

Wannon Water complies with its environmental obligations under its Bulk Entitlements issued under this framework, including providing passing flows at its North and South Otway offtakes on the Gellibrand River, and providing passing flows on the tributaries of Tea Tree Creek in the Grampians supply system, north of Hamilton.

The Corangamite and Glenelg Hopkins waterway strategies provide regional implementation of the Victorian strategy and aim to improve the health of the region's waterways. Wannon Water supports these strategies.

Wannon Water continued to work with the Corangamite Catchment Management Authority to investigate alternate groundwater resources in the Gellibrand Valley that may be used to substitute for river water during period of low summer flows. This would allow more water to continue to flow in the river with the associated improved environmental benefits. The substitution options are better understood following the groundwater investigations undertaken at the South Otway Pipeline offtake through the year.

### ***State Environmental Protection Policy (SEPP)***

Wannon Water continues to manage its operations to support the objectives of the State Environmental Protection Policy (Waters of Victoria) and ongoing compliance with the licence conditions for our water reclamation facilities, including the discharge of recycled water to stream from sewage treatment plants at Simpson, Cobden and Heywood.

Wannon Water has Ecological Risk Assessments (ERA) for the majority of its sewage treatment facilities where we discharge to the receiving environment. We continue to participate in the review of the SEPP in consultation with the Environment Protection Authority Victoria and water industry peers.

### ***Victorian Biodiversity Strategy***

Protecting Victoria's Environment – Biodiversity 2037 is Victoria's plan to stop the decline of our native plants and animals and improve our natural environment so it is healthy, valued and actively cared for. The plan was launched in April 2017, and now provides a clear strategic direction for agencies and communities across the state.

Consistent with the plan, Wannon Water has continued the ongoing management of significant flora and fauna species across the 2,500 hectares of land under our management, as well as exploring opportunities to contribute to broader regional outcomes in line with our intent to go beyond water for strong communities.

During the year, we completed a detailed biodiversity management plan for significant coastal heathland surrounding the Portland Water Treatment Plant and undertook further indigenous planting around the neighbouring wetland. We continued specialist weed control across a range of sites, supporting previous work to re-establish natural vegetation and reduce woody weeds. We also monitored and maintained our native grassland trial sites that look to increase business efficiencies and deliver positive biodiversity outcomes through reducing the abundance of introduced pasture on our sites.

To establish our capability to deliver on the objectives of Biodiversity 2037 and to enable us to continue to protect and enhance the environment in line with our community expectations, we have secured our requested funding through the 2018-2023 Pricing Submission process.

### ***Aquaculture project***

Wannon Water's innovative Aquaculture Research & Development (R&D) Project wound up in 2017/18 after nine years of operation.

The idea of using fish to improve the quality of recycled water and reducing the reliance on expensive mechanical de-sludging of sewage lagoons was first suggested in 2008. Since then, we have undertaken an extensive range of trials in partnership with Deakin University, and on behalf of the broader water sector.

Our early research successfully pioneered the use of goldfish to reduce sludge during tank trials in Hamilton. The aquaculture program then scaled up to enable the production of goldfish at our Warrnambool hatchery and Juvenile Fish Production Facility in Hamilton. Goldfish were tested in the Hamilton sewage treatment lagoons and, most recently, in a controlled trial at the Port Campbell Sewage Treatment Plant. The more colourful goldfish were sold into the aquarium market to provide additional revenue for the project. In addition, we successfully bred carp-goldfish hybrids specifically designed for an effluent lagoon environment.

The most recent trial at Port Campbell has now concluded and operational scale data has been collated and analysed. Wannon Water has now concluded the R&D as planned.

Wannon Water is pleased to have taken on the Aquaculture R&D and progress the science and knowledge base of what we still think has huge potential for the water industry in Australia.

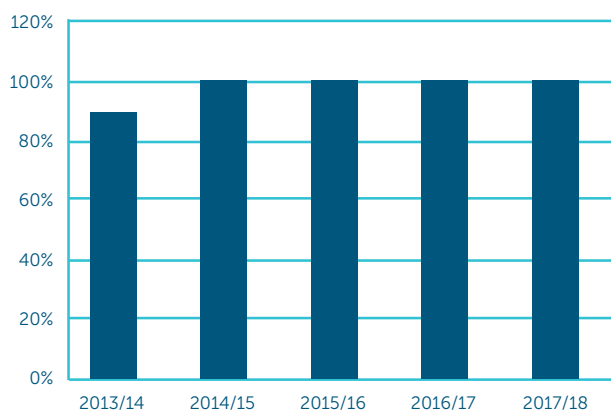
## Biosolids reuse

Our biosolids reuse initiative delivers environmental and economic benefits for farmers and for Wannon Water.

Biosolids are a nutrient-rich organic matter produced from sludge, which is the solid component of sewage removed during treatment. Once the sludge is dried and composted for at least three years, satisfying Environment Protection Authority guidelines, it is known as biosolids. This product looks, smells and feels like dark, rich soil and is used as a soil conditioner on local farms, mainly for broad-acre agriculture, pasture and cropping.

During the reporting period, Wannon Water transported sludge from the Warrnambool and Port Fairy sewage treatment plants to its biosolids treatment facility at Camperdown, and reused 100 per cent of available biosolids by applying 4,180 dry tonnes to farm land.

Percentage of Biosolids Reused



## Bulk water entitlements

A bulk entitlement is a legal right to water granted by the Minister for Water under the *Water Act 1989*.

Bulk entitlements are commonly held by water corporations to:

- provide a clearly defined property right to water;
- provide flexibility to manage water within the entitlement;
- provide a basis for sharing limited water resources, protecting the entitlements of other users and protecting in-stream values;
- facilitate water trading between user groups to ensure appropriate redistribution over time to finite water resources; and
- allow specific entitlements for environmental purposes.

Wannon Water operates under seven surface water bulk entitlements (refer table below), each containing provisions on minimum passing flows and maximum daily extractions from waterways. Wannon Water achieved 100 per cent compliance with these requirements in 2017/18.

With regard to the reporting requirements for each of Wannon Water's Bulk Entitlements during 2017/18, the following clauses are common to all:

- The Corporation did not transfer any temporary or permanent parts of the bulk entitlements;
- No temporary or permanent transfers of water entitlements occurred to the waterway systems;
- Environmental programs were in place where required and there were no amendments to these programs;
- Wannon Water did not seek to amend any of its Bulk Entitlements;
- No new Bulk Entitlements were granted to Wannon Water;
- The Corporation complied with all Bulk Entitlement conditions;
- No difficulties were experienced in complying with any Bulk Entitlements.

In addition to these, during 2017/18, there were a number of specific requirements for individual Bulk Water Entitlements including:

- No water was credited to or taken from the Hamilton Bulk Entitlement drought reserve;
- From the Wimmera and Glenelg Rivers Bulk Entitlement, three megalitres were taken by the Hamilton Pipeline offtake and 47 megalitres by the Balmoral offtake;
- Wannon Water did not take any water in the Wimmera and Glenelg Rivers Bulk Entitlement for any other works.
- The final allocation to Wannon Water for the year under the Wimmera and Glenelg Rivers Bulk Entitlement was 2,120 megalitres.

| Bulk Entitlement Order  | Bulk entitlement volume (ML) | Volume extracted in 2017/18 (ML) | Percentage of bulk entitlement extracted in 2017/18 | Water in storage at 30 June 2018 (ML) | Water level at 30 June 2018 | Reporting requirement clause |
|---|------------------------------|----------------------------------|---|---------------------------------------|-----------------------------|------------------------------|
| Otway System Conversion Order 1998                              | 12,580                       | 8,756                            | 70%   | N/A                                   | N/A                         | Clause 12                    |
| Hamilton Conversion Order 1997                                  | 3,435                        | 1,351                            | 39%   | N/A                                   | N/A                         | Clause 12                    |
| Dunkeld System Conversion Order 1997                            | 170                          | 0                                | 0%  | 118                                   | 77%                         | Clause 13                    |
| Glenthompson Conversion Order 1997                              | 94                           | 12                               | 13%   | 61.1                                  | 56%                         | Clause 13                    |
| Coleraine, Casterton and Sandford Conversion Order 1997         | 885                          | 67                               | 8%  | 1,819                                 | 95%                         | Clause 13                    |
| Wimmera and Glenelg Rivers – Wannon Water Conversion Order 2010 | 2,120                        | 50                               | 2%  | 6,075                                 | N/A                         | Clause 13                    |
| Willaura System – Wannon Water Conversion Order 2012            | 58                           | 44                               | 76%   | N/A                                   | N/A                         | Clause 10                    |

### Groundwater licences

No groundwater licences were traded during the reporting period. Wannon Water holds no licences for Managed Aquifer Recharge.

| Locality      | Licence No.         | Entitlement (ML) | Usage 2017/18 (ML) |
|---------------|---------------------|------------------|--------------------|
| Albert Park   | BEE024155 (1152971) | 750              | 393.3              |
| Bullawin      | BEE026192 (911313)  | 1,102            | 0                  |
| Caramut       | BEE021943 (924563)  | 50               | 24.7               |
| Carlisle      | BEE029488 (9016487) | 1,800            | 32.9               |
| Casterton     | BEE022551 (885355)  | 1,000            | 381.6              |
| Condah        | 4001451             | N/A              | 0                  |
| Curdie Vale   | 904309              | 2,150            | 0                  |
| Darlington    | BEE021827 (1082159) | 10               | 6.2                |
| Dartmoor      | 9016786             | 150              | 23.8               |
| Heywood       | 900184              | 333              | 158.0              |
| Koroit        | BEE029066 (899038)  | 524              | 0.6                |
| Macarthur     | BEE021944 (4001451) | 130              | 27.3               |
| Mocamboro     | BEE026109 (903701)  | 100              | 0                  |
| Mortlake      | BEE030858 (907049)  | 335              | 26.9               |
| Penshurst     | BEE036146 (914444)  | 250              | 64.9               |
| Port Campbell | BEE026252 (904309)  | 1,009            | 327.6              |
| Port Fairy    | 890472              | 1,026            | 609.1              |
| Portland      | 923621              | 6,222            | 1741.8             |

## CORPORATE OBJECTIVES:

- Invest in employees
- Inclusive culture and diversity

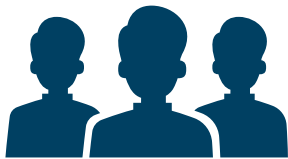
# Performance Culture

We recognise that it is through our people that we can provide our services and products, exceed the expectations of our customers and stakeholders and achieve our 2023 strategic direction. A safe environment to work, excel within, and go home from, is paramount.



# 216

employees



# 71

female

# 145

male



## LEARNING AND DEVELOPMENT



# 12,570

total hours

## Inclusion and Diversity

- \* Family violence training
- \* E-learn program
- \* Committee established
- \* Officer appointed



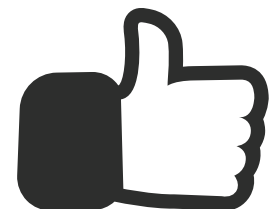
## ZERO HARM

# 1/3<sup>rd</sup>

employees work flexibly



Engaged and satisfied workforce



## EQUAL TO OR ABOVE

industry benchmark





Our people will thrive in an environment that benefits from inclusion and diversity to deliver both improved business and personal outcomes.”

In 2017/18, we undertook a review of our corporate objectives against what we believe will help achieve our longer-term strategic direction of 2023: *beyond water for strong communities*. An outcome of this review was redefining ‘organisational capability’ as ‘performance culture’. This was to reflect that the capability and investment in our people must ultimately result in increased performance to deliver stronger communities, business excellence and value for customers. To help drive these outcomes, our attention in 2018/19 will be on:

- Being an employer of choice in Victoria;
- Advancing gender diversity and Aboriginal inclusion;
- Building resilience and capabilities to respond to future workforce dynamics.

## INVESTING IN OUR EMPLOYEES

At the core of everything we do is our people. With a passion for excellence, we will engage with our employees to define and enable a performance culture that meets the expectations of our stakeholders and delivers on our strategic direction for 2023. Our people will thrive in an environment that benefits from inclusion and diversity to deliver both improved business and personal outcomes.

We are committed to ensuring our employees understand the significance of what they do and how this influences the way we serve our community. We will continue to focus on best practice and empower our employees to take initiative and be confident in doing so.

### Engagement

An engaged and satisfied workforce will help contribute to Wannon Water being an employer of choice. Knowing that employee engagement and job satisfaction have a direct impact on overall performance and results, we use the Victorian Public Sector Commission’s People Matter survey participation rate, engagement index and overall job satisfaction as measures of performance.

Both rates have increased from the 2016/17 results with the engagement index and overall job satisfaction equal to or above the industry benchmark average. Wannon Water’s engagement score was 76 compared to the group average of 72, while the satisfaction score of 78 equalled the industry benchmark.

### Employment and conduct principles

Wannon Water is compliant with the *Public Administration Act 2004*, and is committed to applying merit and equity principles when appointing employees. Our processes are continually reviewed and assessed against best practice to ensure applicants are assessed and evaluated fairly and equitably against key selection criteria and other accountabilities without discrimination.

Our code of conduct reinforces the expectations of employment, including making decisions and providing advice consistent with human rights.

### Workforce statistics

The number of full-time equivalent employees increased by three in the reporting period. This was primarily due to a number of vacant positions at the time of reporting at 30 June 2017, and the creation of a new inclusion and diversity position to help support *Water for Victoria* outcomes in this area. The total all-employee headcount remained the same between 2016/17 and 2017/18.

The release of new flexibility provisions during the reporting period significantly influenced a nine-person increase in employees who now operate on a flexible part-time basis.

The table presentation of workforce statistics has been amended from the previous reporting period and now provides additional levels of information. Two of the previous Executive classifications have now been reclassified as Senior Managers.

Employees have been correctly classified in workforce data collection.

|                                    | 2017/18 | 2016/17 |
|------------------------------------|---------|---------|
| People Matter survey participation | 88%     | 82%     |
| Engagement index                   | 76%     | 73%     |
| Overall job satisfaction           | 78%     | 74%     |

|                        | 30 June 2018  |            |            |           |                     |           |           | 30 June 2017  |            |            |           |                     |           |           |
|------------------------|---------------|------------|------------|-----------|---------------------|-----------|-----------|---------------|------------|------------|-----------|---------------------|-----------|-----------|
|                        | All employees |            | Ongoing    |           | Fixed term & casual |           |           | All employees |            | Ongoing    |           | Fixed term & casual |           |           |
|                        | No.           | FTE        | Full-time  | Part-time | FTE                 | No.       | FTE       | No.           | FTE        | Full-time  | Part-time | FTE                 | No.       | FTE       |
| <b>GENDER</b>          |               |            |            |           |                     |           |           |               |            |            |           |                     |           |           |
| Male                   | 145           | 142        | 132        | 4         | 135                 | 9         | 7         | 148           | 144        | 136        | 3         | 138                 | 9         | 6         |
| Female                 | 71            | 60         | 39         | 25        | 56                  | 7         | 4         | 68            | 61         | 43         | 17        | 54                  | 8         | 7         |
| <b>AGE</b>             |               |            |            |           |                     |           |           |               |            |            |           |                     |           |           |
| 15-24                  | 14            | 12         | 7          | 0         | 7                   | 7         | 5         | 15            | 13         | 9          | 0         | 9                   | 6         | 4         |
| 25-34                  | 45            | 42         | 35         | 6         | 39                  | 4         | 3         | 48            | 46         | 40         | 3         | 42                  | 5         | 4         |
| 35-44                  | 61            | 56         | 47         | 11        | 54                  | 3         | 2         | 60            | 56         | 47         | 9         | 53                  | 4         | 3         |
| 45-54                  | 57            | 55         | 50         | 7         | 55                  | 0         | 0         | 58            | 56         | 52         | 6         | 56                  | 0         | 0         |
| 55-64                  | 33            | 32         | 29         | 4         | 32                  | 0         | 0         | 30            | 29         | 28         | 1         | 28                  | 1         | 1         |
| 65+                    | 6             | 5          | 3          | 1         | 4                   | 2         | 1         | 5             | 5          | 3          | 1         | 4                   | 1         | 1         |
| <b>CLASSIFICATION</b>  |               |            |            |           |                     |           |           |               |            |            |           |                     |           |           |
| Band 1                 | 1             | 1          | 0          | 0         | 0                   | 1         | 1         | 0             | 0          | 0          | 0         | 0                   | 0         | 0         |
| Band 2                 | 1             | 1          | 0          | 0         | 0                   | 1         | 1         | 1             | 1          | 0          | 0         | 0                   | 1         | 1         |
| Band 3                 | 5             | 5          | 3          | 0         | 3                   | 2         | 2         | 4             | 4          | 3          | 0         | 3                   | 1         | 1         |
| Band 4                 | 65            | 60         | 50         | 9         | 56                  | 6         | 4         | 68            | 64         | 53         | 6         | 57                  | 9         | 7         |
| Band 5                 | 47            | 42         | 36         | 8         | 41                  | 3         | 1         | 46            | 42         | 37         | 6         | 41                  | 3         | 1         |
| Band 6                 | 42            | 39         | 32         | 9         | 38                  | 1         | 1         | 40            | 38         | 32         | 6         | 36                  | 2         | 2         |
| Band 7                 | 21            | 21         | 19         | 2         | 21                  | 0         | 0         | 21            | 21         | 20         | 1         | 21                  | 0         | 0         |
| Band 8                 | 16            | 16         | 15         | 1         | 16                  | 0         | 0         | 18            | 18         | 17         | 1         | 18                  | 0         | 0         |
| Senior Manager         | 13            | 12         | 11         | 0         | 11                  | 2         | 1         | 13            | 12         | 12         | 0         | 11                  | 1         | 1         |
| <b>EXECUTIVES</b>      |               |            |            |           |                     |           |           |               |            |            |           |                     |           |           |
| General Manager        | 4             | 4          | 4          | 0         | 4                   | 0         | 0         | 4             | 4          | 4          | 0         | 4                   | 0         | 0         |
| Managing Director      | 1             | 1          | 1          | 0         | 1                   | 0         | 0         | 1             | 1          | 1          | 0         | 1                   | 0         | 0         |
| <b>TOTAL EMPLOYEES</b> | <b>216</b>    | <b>202</b> | <b>171</b> | <b>29</b> | <b>191</b>          | <b>16</b> | <b>11</b> | <b>216</b>    | <b>205</b> | <b>179</b> | <b>20</b> | <b>192</b>          | <b>17</b> | <b>13</b> |

- Excludes seven non-executive Board Directors appointed by State Government
- FTE refers to full-time employee equivalent
- Data on employees who identify themselves as "self described" is not collected
- Employees are classified as a band (Band 1 to 8) under the Wannon Water Enterprise Agreement 2016. Senior Managers refer to employees who have signed a Senior Management Agreement. Executives refer to employees who have signed a Government Sector Executive Remuneration Panel (GSERP) contract.

## Learning and development

Wannon Water recognises that the professionalism, capability and effectiveness of its workforce is linked to its success and as such is committed to:

- Providing a supportive learning environment;
- Job satisfaction and motivation;
- Improving workplace productivity;
- Career and personal development; and
- Recognising and encouraging good employee performance.

During the reporting period, Wannon Water provided 12,570 hours (58 hours per employee) of employee learning and development.

Wannon Water had a focus on leadership development in 2017/18 across all levels within the organisation. Employees participated in several leadership development programs, including:

- Peter Cullen Trust - Women in Water;
- International Water Centre Leadership Program;
- JMW Foundations of Transformational Leadership;
- JMW Leader of the Future;
- Great South Coast Leadership Program; and
- Victorian Water Industry Network Operators Program.

Wannon Water also introduced an internal Leading Managers' Training Program. An employee survey specifically measuring the outcomes of the program reflected a 4.6 per cent increase of performance and capabilities across our manager cohort in its first year. We will continue to build on the program to generate further value that enables and supports our employees.

To support performance and career development, we launched a new contemporary performance engagement system to improve development discussions.

## Investing in the future

Wannon Water recognises that access to quality education options and training for people in our region, including high levels of educational attainment, is essential to delivering a skilled workforce and boosting regional prosperity. We undertook our first secondment with the Corangamite Catchment Management Authority, providing an opportunity to share ideas and further develop our people. Internally, these opportunities provide space for other employees to undertake higher duties and additional responsibilities while the employee is away on secondment. This further invests in our leadership and succession planning. We also consider these initiatives to progress gender equity outcomes.

We remain committed to providing employment opportunities for local students who want to develop their skills and pave a solid career in south-west Victoria.

Wannon Water has two participants studying as part of an Engineering Scholarship Program where we offer support a local Year 12 student through a four-year degree in Civil Engineering at a Victorian university. The scholarship consists of \$5,000 annually towards the cost of tertiary fees and study needs, paid work experience at the end of second and third years and guaranteed post-graduate employment.

We have also continued to partner with regional employment and training providers to offer a 12-month Traineeship Program, allowing trainees to work in various Wannon Water departments and sites across the region. Seven trainees took part in the program in 2017 and five trainees are employed in 2018.

## INCLUSIVE CULTURE AND DIVERSITY

Wannon Water is committed to an inclusive workplace that embraces and promotes diversity and where everyone is treated with respect and feels valued. Not only is this the right thing to do, but it leads to better business outcomes and improved performance.

### Inclusion and Diversity Management Plan

Work continues on the implementation of our Inclusion and Diversity Management Plan, and our Gender Diversity Plan. One of the outcomes of the Inclusion and Diversity Management Plan was to appoint an Inclusion, Diversity & Wellbeing Officer in July 2017.

An Inclusion & Diversity Committee was also formed, bringing together a diverse group of employees to:

- Champion inclusion and diversity at Wannon Water to ensure people love working at Wannon Water;
- Provide strategic input, oversight and help formulate implementation process of inclusion and diversity activities; and
- Provide feedback on the success or otherwise of implementation of the Inclusion and Diversity Management Plan, the Gender Diversity Plan and any additional work plans.

Wannon Water has worked with the broader water industry to develop an Inclusion & Diversity e-Learn program. Work on this will continue through 2018.

We have had a strong focus on reviewing, updating and reporting on our recruitment processes to improve gender balance of shortlists, interview panels and appointments. For the 17 positions filled in 2017/18, the numbers showed:

- 55% of the shortlisted candidates were female;
- 46% of the internal interview panel were female; and
- 53% of the final appointments were female.

### A leader in flexible work practices

Supporting outcomes of the plans, Wannon Water participated in the Victorian Public Sector Gender Auditing Pilot to create an industry model for measuring progress.

Wannon Water was also recognised as a leader in flexible work practices and invited, as one of three entities, to act as a business case for quantifying the return on investment of flexible work practices. An outcome of this was an initiation to share outcomes as part of a panel at the inaugural 2018 Women@Work conference hosted by the Hon. Natalie Hutchins, Minister for Industrial Relations and Minister for Women.

### Cultural awareness

We have engaged with regional indigenous groups and employment organisations to further explore indigenous employment opportunities, particularly in our traineeship program.

The Board, Executive and Inclusion & Diversity Committee have undertaken cultural awareness training with plans progressing for an employee program in 2018/19.

### Family violence training

Supporting the recommendations arising from the Victorian Royal Commission into Family Violence, we completed a number of customer and employee initiatives. These included the development of an employee Family Violence Procedure and Family Violence Guidelines for managers and leaders.

Family Violence Training, delivered by Good Shepherd, has occurred for our Customer Relations team and is scheduled for all employees in 2018/19.

### People Matters Survey

We will measure our performance in achieving inclusion and diversity outcomes through organisational indicators and benchmarking results from the annual Victorian Public Sector Commission *People Matter* survey and internal data collection.

We continue to develop effective measures for reporting progress towards the 2020 Victorian water industry targets. Our flexibility statistics currently exceed the "at least 25 per cent of our workforce works flexibly" target, with one third of our workforce in 2017/18 working flexibly.

*People Matter* survey results reflect continued improvement in inclusion & diversity outcomes.

|   | 2017/18 | 2016/17 |
|---|---------|---------|
| My organisation fosters an environment of inclusiveness | 82%     | 79%     |
| Equal Employment Opportunity                            | 75%     | 70%     |
| My colleagues and managers support diversity            | 83%     | 75%     |

## OCCUPATIONAL HEALTH & SAFETY (OH&S)

Wannon Water has a strong commitment to the health and safety of all employees and contractors involved in our business. Wannon Water's OH&S management system is continually reviewed, updated and audited to reflect current best practice. As such, the management system was re-certified to the AS/NZS 4801 standard following extensive auditing by an external accredited auditing body in May 2018.

The strength of the OH&S management system is reflected by the strong safety culture. An integral part of this is the link between personal wellbeing and working life at Wannon Water promoted through our employee health and wellbeing program.

The program proactively promotes diverse health and wellbeing themes coinciding with national and workplace events. During the reporting period, Wannon Water provided opportunities for employees to participate in free sessions including health checks, skin checks and influenza immunisations. We also further invested in our Employee Assistance Program and appointed an additional female psychologist (an outcome of our Gender Plan).

Wannon Water has launched a new approach to build on its award-winning *WorkSafe HomeSafe* campaign, called *Zero Harm*.

The *Zero Harm* approach is a holistic aspiration that goes beyond looking after the physical wellbeing of our people to also include their mental wellbeing and the environments we work in. It brings together both OH&S and Health and Wellbeing considerations under one banner to empower our people to:

- promote safe behaviours in the workplace;
- intervene where necessary to support zero harm outcomes;
- consider environmental impacts; and
- be their authentic self in a safe, inclusive workplace.

*People Matter* survey results showed that initiatives in the workplace that focused on improving awareness and support for mental health resulted in an 11 per cent increase in our employees' awareness and ability to respond to mental health concerns in the workplace. As a significant issue, this will continue to be a major part of the *Zero Harm* program in 2018/19.

### Training

Wannon Water continued to invest in OH&S training in 2017/18, including:

- confined space entry;
- first aid and CPR;
- trenching & shoring;
- spotters;
- breathing apparatus;
- safe use of chainsaw;
- safe use of jetting machine;
- train track awareness; and
- manual handling.

### Performance measures

Wannon Water's key OH&S performance indicators align with the standards set out in the workplace injury and disease recording standard AS 1885.1—1990.



| OH&S Indicators   | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|---|---------|---------|---------|---------|
| Lost Time Injuries (number)   | 5       | 4       | 3       | 7       |
| Lost Time Injury Frequency Rate (LTIFR<br>- LTI occurrences per one million hours worked) | 14.25   | 11.60   | 9.08    | 20.6    |
| Lost Time Injury Severity Rate (days)   | 19.76   | 0.36    | 8.3     | 3       |
| <b>Incidents</b>  |         |         |         |         |
| No. of Incidents  | 41      | 42      | 32      | 39      |
| Rate per 100 FTE  | 20.30   | 20.39   | 16.16   | 20.63   |
| <b>Claims</b>   |         |         |         |         |
| Number of Lost Time Standard Claims   | 3       | 1       | 1       | 3       |
| Number of Lost Time Standard Claims per 100 FTE   | 1.49    | 0.49    | 0.53    | 0.69    |
| Average cost per claim  | \$9,783 | \$8,240 | \$2,119 | \$2,919 |

# Business Excellence

We are a responsible, reliable, efficient and visionary organisation in a strong-financial position and with the right management systems in place to deliver affordable, world-class water and sewerage services now and into the future.

## CORPORATE OBJECTIVES:

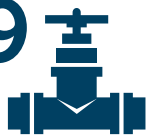
- maintain financial viability
- maximise efficiency
- ensure decision-making is robust



TOTAL ASSETS

**\$769**

million



TOTAL  
REVENUE

**\$77 m**



TOTAL  
EXPENSES  
**\$72.8 m**



**\$4.2**  
million

Net operating  
profit before tax

Responsible  
**RELIABLE**  
**EFFICIENT**  
**Visionary**

**CAPITAL**  
expenditure

**\$21.4**

million



**\$39.8m**  
borrowings



Gearing  
ratio  
**5.2%**





Wannon Water maintains financial viability by applying sound business planning, managing financial risks and ensuring sufficient income is generated to meet operating costs and debt commitments.

We achieved a net profit before tax of \$4.19 million for the reporting period - a \$1.07 million improvement on the previous year. The favourable result compared to the prior year relates to water usage charges. A decrease in rainfall in 2017/18 compared to the prior year meant water consumption was higher. The net profit before tax was \$1.83 million less than our budget. A significant amount of revenue was budgeted for a contribution by a third party for a capital project. This project did not commence during the financial year and receipt of the revenue did not eventuate. Partly offsetting that impact was the implementation of efficiency initiatives across the organisation which delivered operational expenditure savings compared to budget.

Wannon Water generated cash flows of \$26.31 million from operating activities. We were able to repay borrowings of \$5.18 million during the year with investments of \$21.42 million made in capital infrastructure.

The table below provides the financial highlights in 2017/18 compared with the previous four years.

| Financial Result  | 2017/18<br>(\$'000) | 2016/17<br>(\$'000) | 2015/16<br>(\$'000) | 2014/15<br>(\$'000) | 2013/14<br>(\$'000) |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Core business revenue   | 71,681              | 69,832              | 73,113              | 71,127              | 69,340              |
| Capital Revenue   | 448                 | 1,049               | 620                 | 1,916               | 613                 |
| Government contributions  | 919                 | 552                 | 82                  | 74                  | 107                 |
| Other revenue   | 3,914               | 3,079               | 3,191               | 3,669               | 3,373               |
| <b>Total revenue</b>  | <b>76,962</b>       | <b>74,512</b>       | <b>77,006</b>       | <b>76,786</b>       | <b>73,432</b>       |
| Operating expenditure   | 45,307              | 43,173              | 41,468              | 42,607              | 40,242              |
| Depreciation & amortisation expenditure                               | 21,761              | 21,959              | 21,705              | 22,947              | 23,873              |
| Finance costs   | 2,630               | 3,212               | 4,400               | 4,875               | 5,647               |
| Other expenditure   | 3,072               | 3,050               | 1,288               | 1,398               | 1,064               |
| <b>Total expenditure</b>  | <b>72,770</b>       | <b>71,394</b>       | <b>68,861</b>       | <b>71,827</b>       | <b>70,826</b>       |
| <b>Net result before tax</b>  | <b>4,192</b>        | <b>3,118</b>        | <b>8,145</b>        | <b>4,959</b>        | <b>2,606</b>        |
| Current assets  | 20,586              | 17,922              | 23,456              | 19,046              | 18,346              |
| Non-current assets  | 748,044             | 751,796             | 752,908             | 568,075             | 573,335             |
| <b>Total assets</b>   | <b>768,630</b>      | <b>769,718</b>      | <b>776,364</b>      | <b>587,121</b>      | <b>591,681</b>      |
| Current liabilities   | 14,999              | 20,049              | 19,813              | 18,574              | 20,362              |
| Non-current liabilities   | 135,786             | 134,743             | 143,772             | 95,893              | 105,945             |
| <b>Total liabilities</b>  | <b>150,785</b>      | <b>154,792</b>      | <b>163,585</b>      | <b>114,467</b>      | <b>126,307</b>      |
| Net cash flows from operations  | 26,306              | 23,943              | 34,801              | 29,333              | 26,409              |
| Payments for property, plant and equipment (including infrastructure) | 21,424              | 21,112              | 17,170              | 16,573              | 20,237              |

“

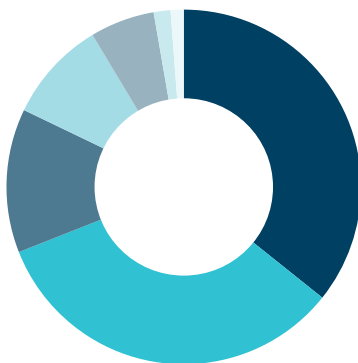
We achieved a net profit before tax of \$4.19 million for the reporting period - a \$1.07 million improvement on the previous year.

## OUR REVENUE

Total revenue for the year increased from the 2016/17 with the organisation recording \$2.45 million more this financial year.

Consistent with our price and growth projections, overall water and sewerage service charges increased by 1.6 per cent from the previous year, assisting us in delivering affordable pricing for our customers. With a drier year recorded in 2017/18 than the previous year, volumetric water sales increased significantly by \$3.72 million (17.0 per cent) from the previous year to a total of \$25.62 million. This represented an increase of 6.4 per cent on budget.

Government grants and third party funded projects also contributed \$2.90 million in revenue throughout the year however this was lower than the budgeted amount of \$5.03 million due to delays in delivering one major project.



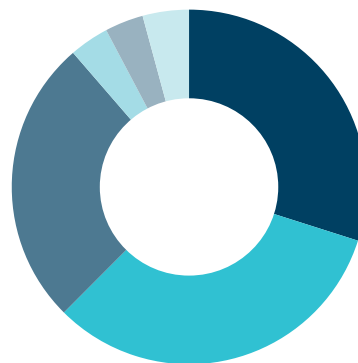
|                                     |     |
|-------------------------------------|-----|
| Sewerage service charges            | 36% |
| Volumetric water usage charges      | 33% |
| Fixed water service charges         | 13% |
| Trade waste charges                 | 9%  |
| Other income                        | 6%  |
| Gifted assets                       | 2%  |
| Government grants and contributions | 1%  |

## OUR EXPENSES

Total expenses increased by \$1.38 million (1.9 per cent) compared to the previous year.

Despite a number of vacant positions throughout the year, employee benefits produced similar results to the previous year with an increase in total expenditure of 2.4 per cent which is in line the organisations EBA. Electricity (\$0.36 million), IT licences (\$0.39 million) and chemical costs (\$0.15 million) all recorded higher expenditure than in 2016/17 due to increasing market conditions.

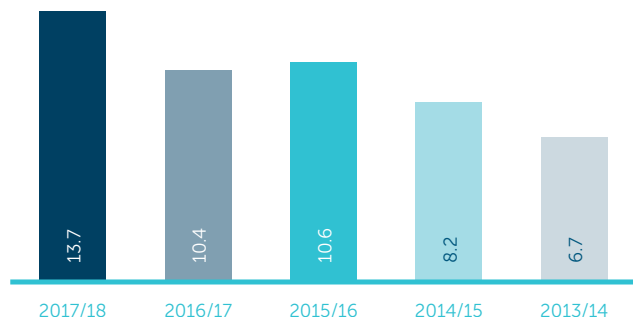
Borrowing costs (\$0.58 million) compared favorably to the prior year as total borrowings decreased during the year. Other operating expenditure, including depreciation, was in line with prior year results.



|                                 |     |
|---------------------------------|-----|
| Supplies and services           | 32% |
| Depreciation and amortisation   | 30% |
| Employee benefits               | 26% |
| Borrowing costs                 | 4%  |
| Environmental contribution levy | 4%  |
| Net loss on disposal of assets  | 4%  |

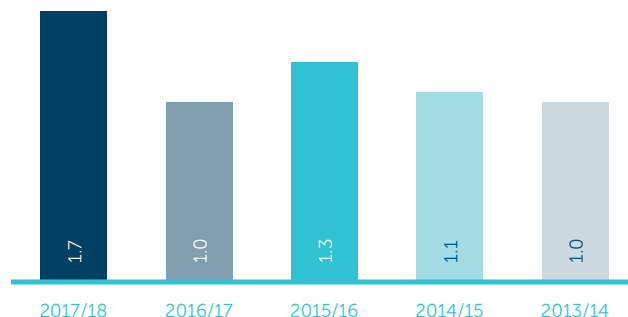
## SUMMARY OF FINANCIAL PERFORMANCE INDICATORS

### Cash Interest Cover (times)



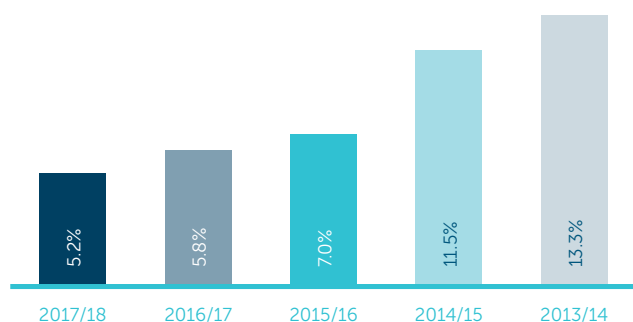
The result is favourable to last year. The excellent results are due predominantly to a significant reduction in borrowing costs during the year. The ratio shows that cash received from operating activities is 13.7 times that of net interest costs paid.

### Current Ratio (times)



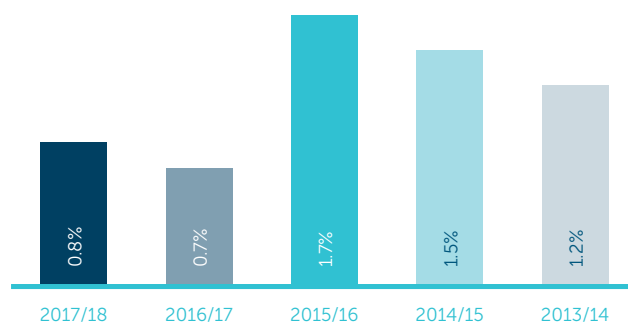
The ratio measures how comfortably payment of short-term liabilities can be covered by Wannon Water's short-term assets. A ratio result greater than 1.00 times indicates that Wannon Water's short-term assets are greater than its short-term liabilities. Lower debt maturity amounts in the coming 12 months is the key driver of the improved ratio from the previous year.

### Gearing Ratio



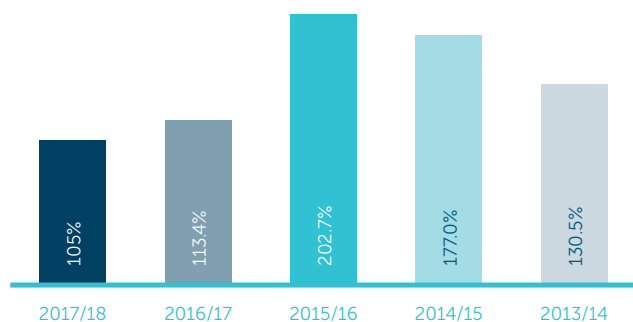
Interest bearing liabilities reduced by \$5.2 million during 2017/18 as a result of positive cash flows and lower than budgeted capital expenditure throughout the year. The decline in the ratio total is a favourable result, as a low ratio provides a positive indication of Wannon Water's long-term liquidity.

### Return on Assets



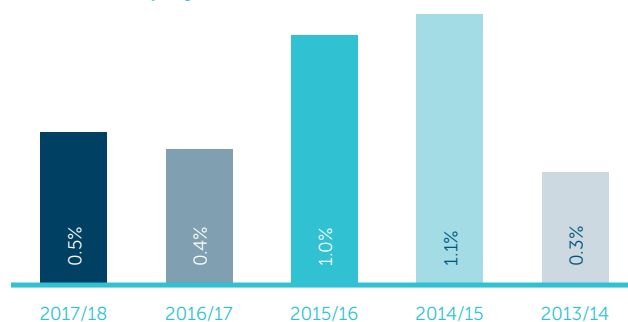
Indicates how much profit Wannon Water has generated from every dollar in assets owned. The ratio is low, as assets owned are significant in value and Wannon Water does not aim to generate large profits.

### Internal Financial Ratio



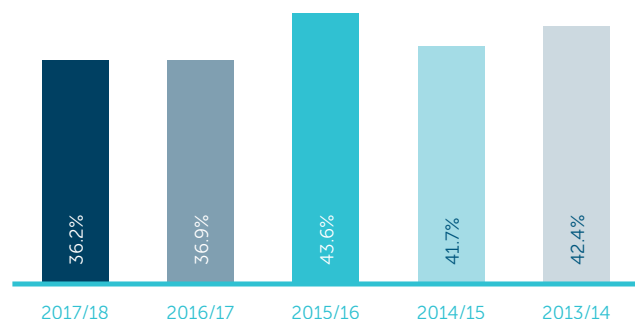
The ratio measures the portion of capital works paid for from operating cash flows. The 2017/18 result indicates that 100 per cent of capital works payments were funded by cash received from operating activities resulting in no requirement to borrow extra funds. The key driver of this was the higher than anticipated receipts from water sales during the year.

### Return on Equity



Indicates how much profit Wannon Water has generated from every dollar in ownership interest (equity). The ratio is low as equity is significant in value and Wannon Water does not aim to generate large profits.

## EBITDA Margin



## Significant changes in financial position during the year

There were no significant changes in financial position during the 2017/18 reporting period.

This indicator measures Wannon Water's operating profitability and its ability to generate an accounting surplus to fund operations and asset renewal. The result indicates that Wannon Water's profit (before interest, tax, depreciation and amortisation) is close to a third of the total revenue generated.

## CAPITAL EXPENDITURE

Wannon Water completed \$21.42 million of capital works in the reporting period to further enhance the delivery of water, sewerage and trade waste services and to service growth in south-west Victoria.

Projects with capital expenditure greater than \$0.25 million in the reporting period include:

| Project  | Total project cost (\$ million) | 2017/18 expenditure (\$ million) | Future commitments (\$ million) |
|--|---------------------------------|----------------------------------|---------------------------------|
| Regional sewer rehabilitations   | 4.05                            | 4.05                             | 0.00                            |
| Regional water main replacements   | 2.10                            | 2.10                             | 0.00                            |
| Warrnambool Sewage Treatment Plant – belt press replacements                       | 1.40                            | 1.14                             | 0.00                            |
| Servicing 12 Apostles Visitor Centre (externally funded)                           | 6.80                            | 0.72                             | 5.63                            |
| Warrnambool – Harris Street sewer duplication                                      | 2.70                            | 0.71                             | 0.00                            |
| Warrnambool Sewage Treatment Plant – options assessment and functional design      | 1.00                            | 0.59                             | 0.03                            |
| Warrnambool - Horne Road Industrial Estate roof water harvesting project expansion | 0.69                            | 0.58                             | 0.01                            |
| Portland - wind energy project   | 2.61                            | 0.57                             | 1.47                            |
| Warrnambool - Cassidy's Bridge rising main   | 0.88                            | 0.45                             | 0.43                            |
| Portland – sewer pump station pump and switchboard upgrades                        | 1.61                            | 0.43                             | 0.36                            |
| Warrnambool Sewage Treatment Plant – switchboard                                   | 0.88                            | 0.42                             | 0.00                            |
| Hamilton Sewage Treatment Plant – flow splitter and treatment upgrades             | 0.41                            | 0.41                             | 0.00                            |
| Port Campbell – sewer pump station emergency storage tank                          | 1.00                            | 0.40                             | 0.60                            |
| Newlingbrook - aquifer investigations  | 0.27                            | 0.27                             | 0.00                            |

### *Events subsequent to balance date*

At the time of printing this annual report, Wannon Water was not aware of any events subsequent to balance date that would significantly impact its operations.

### *Future challenges*

Wannon Water plans to undertake \$32.1 million of capital works in 2018/19, nearly all (\$30 million) being fully funded through cash flows from operating activities. However, new borrowings of \$6 million will be required to fund the balance of these capital works as well as the maturing borrowings of \$5.1 million during 2018/19.

### ATTESTATION FOR COMPLIANCE WITH STANDING DIRECTION 5.1.4

I, Jacinta Ermacora, on behalf of Wannon Water, certify that the Wannon Region Water Corporation has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and instructions.



Jacinta Ermacora  
Chair  
Wannon Water  
17 August 2018

# Corporate Information

## LEGISLATIVE COMPLIANCE

### *Protected Disclosures Act*

The *Protected Disclosure Act* 2012 enables people to make disclosures about improper conduct by public officers and public bodies. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

#### **What is a 'protected disclosure'?**

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

Wannon Water is a "public body" for the purposes of the Act.

#### **What is 'improper or corrupt conduct'?**

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

#### **How do I make a 'protected disclosure'?**

You can make a protected disclosure about Wannon Water or its Board members, officers or employees by contacting IBAC on the contact details provided below.

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

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

Wannon Water has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Wannon Water or its employees. You can access Wannon Water's procedures at: [www.wannonwater.com.au](http://www.wannonwater.com.au).

### **Contacts**

Independent Broad-Based Anti-Corruption Commission  
Victoria

Address: Level 1, North Tower, 459 Collins Street,  
Melbourne Victoria 3000.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001

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

Phone: 1300 735 135

Email: see the website above for the secure email

disclosure process, which also provides for anonymous disclosures.

Disclosures under the *Protected Disclosure Act* 2012

There were no reported disclosures under the Act.

### *Freedom of Information Act*

Wannon Water is committed to ensuring information is made accessible in accordance with the *Freedom of Information Act* 1982.

The Act allows the public a right of access to documents held by the corporation. 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 the corporation. This comprises documents both created by the corporation or supplied to the corporation by an external organisation or individuals, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and video tapes. Information about the type of material produced by the corporation is available on our website at [www.wannonwater.com.au](http://www.wannonwater.com.au)

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

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

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

#### **Making a request:**

Applications for access to information under the *Freedom of Information Act* 1982 must be made in writing; clearly identify the documents to which access is sought; and include an application fee of \$28.90 (further charges may apply). Fees and charges levied under the *Freedom of Information Act* 1982 are not subject to GST.



Applications should be addressed to:  
Steven Kearns  
Freedom of Information Manager  
Wannon Water  
PO Box 1158  
Warrnambool Vic 3280

### **Fol statistics/timeliness:**

During 2017/18, Wannon Water received one request for access to documents under the *Freedom of Information Act 1982* with Wannon Water refusing access to documents sought. Access to the documents was refused on the basis that the work involved in processing the request would substantially and unreasonably divert Wannon Water's resources from its other operations.

Wannon Water responded within the statutory 45-day time period.

### **Further information:**

Further information regarding the operation and scope of Fol can be obtained from the Act; regulations made under the Act; and [foi.vic.gov.au](http://foi.vic.gov.au)

### **Information Privacy Act**

Wannon Water complies with information privacy principles set out in the *Privacy and Data Protection Act 2014*. A Personal Privacy Charter provides guidance to our employees, contractors and consultants to ensure that private information is protected from unauthorised access or disclosure.

A copy of this charter can be viewed at [www.wannonwater.com.au](http://www.wannonwater.com.au).

### **Other information**

The following information is available (in full) on request from Wannon Water, subject to the *Freedom of Information Act 1982*:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
- details of publications produced by Wannon Water about itself, and how these can be obtained;
- details of changes in prices, fees, charges, rates and levies charged by Wannon Water;
- details of any major external reviews carried out on Wannon Water;
- details of major research and development activities undertaken by Wannon 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 Wannon Water to develop community awareness of Wannon 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 Wannon Water and details of time lost through industrial accidents and disputes;
- a list of major committees sponsored by Wannon Water, the purposes 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 to for each engagement.

The information is available on request from:

Steven Kearns  
Freedom of Information Manager  
Wannon Water  
PO Box 1158  
Warrnambool Vic 3280

Wannon Water also provides free access to a comprehensive range of information on its website, [www.wannonwater.com.au](http://www.wannonwater.com.au).

### **Building Act**

Wannon Water complied with the building and maintenance provisions of the *Building Act 1993* and mechanisms are in place to ensure all buildings comply with standards.

An annual maintenance program utilising the Building Commission's *Essential Safety Measure Maintenance Manual* guides the reporting and scheduling of maintenance works on all Wannon Water buildings and facilities. Annual maintenance reports are used to record inspections and repairs in areas including signage, lighting, emergency exits, fire services, lifts, fire detection and occupancy warning systems.

## **OTHER DISCLOSURES**

### **Competitive Neutrality Policy**

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

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

### Local Jobs First - Victorian Industry Participation Policy

The Victorian Industry Participation Policy Act 2003 requires public bodies to report on the implementation of the Local Jobs First - Victorian Industry Participation Policy (Local Jobs First -VIPP).

Local Jobs First – VIPP aims to foster industry development, by encouraging Victorian government departments and public bodies to genuinely consider Victorian, Australian and New Zealand supply.

#### Contracts commenced during 2017/18

Wannon Water commenced two contracts in 2017/18 totaling \$2.77 million where VIPP Plans were required. Both projects are in regional Victoria.

The outcomes expected from the implementation of the VIPP to these projects, as assessed by Industry Capability Network, include:

- an average of 91.4 per cent of the total value of the contracts; and
- the retention of 22 full-time equivalent jobs.

#### Contracts completed during 2017/18

Two contracts were completed in 2017/18 to which the VIPP applied.

The outcomes were:

- Local content (ANZ added value) of 100%; and
- Retention of 64 employees and two apprentices.

The outcomes from the two ongoing contracts will be included in future reporting periods on completion of the contracts.

During the reporting period three businesses prepared VIPP Plans and there were no interaction reference numbers undertaken with the Industry Capability Network.

#### Major contracts

No contracts greater than \$10 million were entered into.

#### Consultancy expenditure

##### Consultants costing less than \$10,000

Wannon Water engaged six consultancies in 2017/18 where the total fees payable to the consultants were less than \$10,000. Total expenditure on these consultants was \$30,654 (excluding GST).

##### Consultants costing more than \$10,000

Five major consultancies were engaged in 2017/18 with a total value of \$184,000.

| Consultant                   | Purpose of consultancy                      | Expenditure 2017/18 (exc. GST) \$'000 | Total project fee (exc. GST) \$'000 | Future expenditure (exc. GST) \$'000 |
|------------------------------|---|---------------------------------------|-------------------------------------|--------------------------------------|
| GHD Pty Ltd                  | Dam Safety Management                       | 631                                   | 100                                 | 531                                  |
| Capire Consulting Group      | Building our Community Engagement Capacity  | 45                                    | 9                                   | 0                                    |
| Assetic Australia PTY LTD    | Lifecycle Assessment Modelling              | 45                                    | 45                                  | 0                                    |
| Red Strategic Communications | Stakeholder Perception Review               | 17                                    | 17                                  | 0                                    |
| Earth Sciences Services      | Earthquake monitoring and alarm consultancy | 13                                    | 13                                  | 0                                    |

### Information and Communication Technology (ICT) expenditure

For the 2017/18 reporting period, Wannon Water had a total ICT expenditure of \$4,448,784 with the details shown below.

| Business as usual (BAU) ICT expenditure TOTAL \$'000 | Non-business as usual (Non-BAU) ICT expenditure |                                 |                          |
|--|---|---------------------------------|--------------------------|
|  | Operational expenditure OPEX \$'000             | Capital expenditure CAPX \$'000 | OPEX + CAPX TOTAL \$'000 |
| 3,933  | 0   | 516                             | 516                      |

\* "ICT expenditure" refers to Wannon Water's costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure.

\* "Non-BAU ICT expenditure" relates to extending or enhancing Wannon Water's current ICT capabilities.

\* "BAU ICT expenditure" is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

### Government advertising expenditure

Wannon Water did not produce any advertising campaigns valued at \$100,000 or more during the year.

# Performance Report

## FINANCIAL PERFORMANCE INDICATORS

| KPI Number | Key Performance Indicator   | 2016/17 Result | 2017/18 Result | 2017/18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|---|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| F1         | <b>Cash interest cover</b><br>Net operating cash flows before net interest and tax / net interest payments                    | 10.4 times     | 13.7 times     | 14.3 times     | 31.7%                  | 1a    | -4.2%              |       |
| F2         | <b>Gearing ratio</b><br>Total debt / total assets x 100   | 5.8%           | 5.2%           | 5.7%           | -10.3%                 | 2a    | -8.8%              |       |
| F3         | <b>Internal financing ratio</b><br>Net operating cash flow less dividends / net capital expenditure x 100                     | 113.4%         | 122.8%         | 105.2%         | 8.3%                   |       | 16.7%              | 1b    |
| F4         | <b>Current ratio</b><br>Current assets / current liabilities (excluding long term employee provisions and revenue in advance) | 1.0 times      | 1.7 times      | 1.4 times      | 70.0%                  | 3a    | 21.4%              | 2b    |
| F5         | <b>Return on assets</b><br>Earnings before net interest and tax / average assets x 100  | 0.7%           | 0.8%           | 1.1%           | 14.3%                  | 4a    | -27.3%             | 3b    |
| F6         | <b>Return on equity</b><br>Net profit after tax / average total equity x 100  | 0.4%           | 0.5%           | 1.0%           | 25.0%                  | 4a    | -50.0%             | 3b    |
| F7         | <b>EBITDA margin</b><br>Earnings before interest, tax, depreciation and amortization / total revenue x 100                    | 36.9%          | 36.2%          | 39.0%          | -1.9%                  |       | -7.2%              |       |

### Notes:

- 1a Lower debt levels compared to the previous year resulting in less interest payments is the main driver of the favourable variance. The higher than prior year cash flow from operations, predominately due to higher receipts from customers for service and usage charges also contributes to the favourable variance to the prior year.
- 1b Major capital expenditure delays in relation to the delivery of a third party funded capital project is the main driver of the favourable indicator result compared to the target. It is expected that this project will be delivered during the 2018/19 financial year.
- 2a Total debt level has decreased by 11.5% from the previous year which has led to the favourable variance to the prior year. The decrease is driven by lower than expected payments for capital works.
- 2b Tariff accruals and prepayments (both current assets) were higher than expected resulting in a favourable to target result.
- 3a The main driver of this favourable comparison to prior year is a \$5.1 million reduction in current interest bearing liabilities compared to the prior year. Also contributing to the favourable comparison is a \$1.9 million outstanding receivable from a government organisation for capital funding.
- 3b Capital revenue related to a project being undertaken on behalf of a third party did not occur as budgeted. This resulted in lower total revenue and is the main driver for not reaching the target. There have been a number of delays to this project and Wannon Water will continue to work with the third party with the aim to complete the project in the 2018/19 financial year.
- 4a The return on assets and return on equity ratios are favourable compared to the prior year. This is driven by favorable water volumetric sales which has driven higher earnings and net profit compared to prior year.

## WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

| KPI Number | Key Performance Indicator   | 2016/17 Result | 2017/18 Result | 2017/18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|---|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| WS1        | <b>Unplanned water supply interruptions</b><br>No. of customers receiving 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100 | 0.0%           | 0.0%           | 0.0%           | 0.0%                   |       | 0.0%               |       |
| WS2        | <b>Interruption time</b><br>Average duration of unplanned water supply interruptions  | 93.5 Mins      | 79.3 Mins      | 80.0 Mins      | -15.2%                 | 5a    | -0.9%              |       |
| WS3        | <b>Restoration of unplanned water supply</b><br>Unplanned water supply interruptions, restored within 5 hours / total unplanned water supply interruptions x 100                    | 95.5%          | 99.1%          | 98.0%          | 3.8%                   |       | 1.1%               |       |
| SS1        | <b>Containment of sewer spills</b><br>Sewer spills from reticulation and branch sewers, contained within 5 hours / total sewer spills from reticulation and branch sewers x 100     | 99.2%          | 96.7%          | 99.0%          | -2.5%                  |       | -2.3%              |       |
| SS2        | <b>Sewer spills interruptions</b><br>No. of residential sewerage customers affected by sewerage interruptions, restored within 5 hours  | 100.0%         | 95.5%          | 99.0%          | -4.5%                  |       | -3.5%              |       |

### Notes:

- 5a The favourable variance to the prior year, is predominately due to an overall reduction in individual water interruption times, which has reduced the average duration of interruptions compared to last year. While the total of number of cases was higher than the previous year, there were five cases in the 2016/17 year with significant interruption times due to extensive repairs required on site. There were no such cases in the 2017/18 year. Wannon Water has a continued to focus on proactive maintenance, to minimise unplanned interruption times as much as possible.

## CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

| KPI Number | Key Performance Indicator  | 2016/17 Result | 2017/18 Result | 2017/18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|--|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| CR1        | <b>Water Quality Complaints</b><br>No. of complaints per 1000 customers            | 3.6            | 5.0            | 3.8            | 38.9%                  | 6a    | 31.6%              | 4b    |
| CR2        | <b>Sewerage service quality complaints</b><br>No. of complaints per 1000 customers | 0.2            | 0.2            | 0.2            | 0.0%                   |       | 0.0%               |       |
| CR3        | <b>Sewage odour complaints</b><br>No. of complaints per 1000 customers             | 0.3            | 0.2            | 0.2            | -33.3%                 | 7a    | 0.0%               |       |
| CR4        | <b>Billing complaints</b><br>No. of complaints per 1000 customers                  | 1.3            | 1.5            | 1.7            | 15.4%                  | 8a    | -11.8%             | 5b    |

Notes:

- 5b The favourable variance to target is largely due to the continued high performance of the customer relations team and also continued reduction in tariffs.
- 6a/4b Complaints increased in 2017/18 by 59, resulting in an unfavourable variance compared to both the prior year and to target. In March 2018 customer complaints regarding taste increased due to a seasonal algae problem in the raw storages in Warrnambool. While the taste was impacted, drinking water complied with the health guideline values of the Australian Drinking Water Guidelines. Wannon Water continues to implement improvement initiatives to further reduce complaints including flushing programs and improvements in operations.
- 7a The number of sewage odour complaints is favorable compared to the prior year. The variance relates to a difference of only two cases, between the years. With nine cases reported in the 2017/18 year and seven cases in the prior year. Wannon Water continues to be proactive regarding odour complaints, including the installation of sensors and the manhole replacement program.
- 8a The unfavourable variance compared to the prior year is due to a slight increase in complaints. There was a total of 62 complaints reported in the 2017/18 year and 56 complaints in the prior year. The Wannon Water customer relations team continues to implement proactive measures with regard to managing customer accounts.

## ENVIRONMENTAL PERFORMANCE INDICATORS

| KPI Number | Key Performance Indicator                                   | 2016/17 Result | 2017/18 Result | 2017/18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|---|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| E1         | <b>Effluent re-use volume (end use)</b>                     | 14.7%          | 17.2%          | 20.0%          | 17.0%                  | 9a    | -14.0%             | 6b    |
| E2         | <b>Total net CO2 emissions</b><br>Net tonnes CO2 equivalent | 28,880         | 30,674         | 32,023         | 6.2%                   | 10a   | -4.2%              |       |

Notes:

- 6b The unfavourable variance to target is attributed to lower than anticipated usage across agriculture, urban and industrial sectors. In addition to this Wannon Water has produced greater volumes of recycled water available for re-use in 2017/18 than anticipated. Wannon Water will continue to be proactive with agreement holders to ensure storages are utilised.
- 9a The favourable result compared to prior year is predominately due to the increased agricultural use for irrigation purposes over the drier months of the year. The increased usage is also in part due to Wannon Water being more proactive in ensuring that agreement holders utilise the storages available.
- 10a The unfavourable variance compared to the prior year is attributed to the higher water demand in the 2017/18 year compared to the prior year, therefore increasing the energy consumption at pumping stations. Wannon Water has developed a carbon neutrality action plan in order to achieve a 40% reduction in CO2 emissions by 2025.

# CERTIFICATION

## CERTIFICATION OF PERFORMANCE REPORT FOR 2017/18

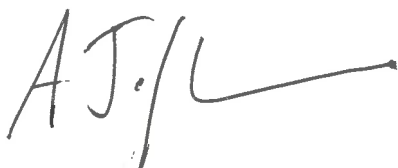
We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2017/18 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2017/18 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.

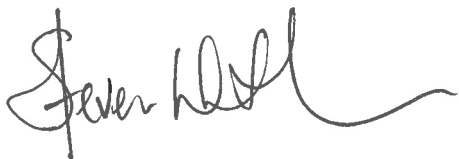
As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



J A Ermacora  
Chair



A R Jeffers  
Managing Director



S J Waterhouse  
Chief Finance & Accounting Officer  
Wannon Region Water Corporation

Dated this 23rd day of August 2018



# Independent Auditor's Report

## To the Board of the Wannon Region Water Corporation

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

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

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

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

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

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MELBOURNE  
27 August 2018



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





# Financial Statements

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- Note 4 – Key assets available to support delivery of our services
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- Note 7 – Risks, contingencies and valuation judgements
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Auditor-General's Report

## COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|   | Notes | 2018<br>\$'000  | 2017<br>\$'000  |
|---|-------|-----------------|-----------------|
| <b>Revenue</b>                                      |       |                 |                 |
| Service charges                                     | 2.1   | 37,594          | 36,980          |
| Usage charges                                       | 2.1   | 32,741          | 29,148          |
| Other income  | 2.4   | 3,914           | 3,079           |
| Developer and customer contributions                | 2.3   | 1,628           | 4,539           |
| Interest income                                     |       | 166             | 215             |
| Government grants and contributions                 | 2.2   | 919             | 551             |
| <b>Total Revenue</b>                                |       | <b>76,962</b>   | <b>74,512</b>   |
| <b>Expenses</b>                                     |       |                 |                 |
| Repairs and maintenance                             | 3.2   | (3,040)         | (3,945)         |
| Operating expenses                                  | 3.3   | (20,659)        | (18,066)        |
| Depreciation  | 4.1.1 | (21,019)        | (21,229)        |
| Employee benefits                                   | 3.1.1 | (19,051)        | (18,605)        |
| Finance costs                                       | 6.1.2 | (2,630)         | (3,212)         |
| Environmental contribution                          | 8.2   | (2,557)         | (2,557)         |
| Net gain / (loss) on disposal of non-current assets | 4.1.4 | (3,072)         | (3,050)         |
| Amortisation  | 4.2   | (742)           | (730)           |
| <b>Total Expenses</b>                               |       | <b>(72,770)</b> | <b>(71,394)</b> |
| <b>Net result before tax</b>                        |       | <b>4,192</b>    | <b>3,118</b>    |
| <b>Income tax (expense) / revenue</b>               | 8.1.1 | <b>(1,273)</b>  | <b>(971)</b>    |
| <b>Net result for the period</b>                    |       | <b>2,919</b>    | <b>2,147</b>    |
| <b>Comprehensive result</b>                         |       | <b>2,919</b>    | <b>2,147</b>    |

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

## BALANCE SHEET

AS AT 30 JUNE 2018

|   | Notes      | 2018<br>\$'000 | 2017<br>\$'000 |
|---|------------|----------------|----------------|
| <b>ASSETS</b>                                 |            |                |                |
| <b>Current assets</b>                         |            |                |                |
| Cash and cash equivalents                     | 6.2        | 1,001          | 818            |
| Receivables                                   | 5.1        | 17,634         | 15,455         |
| Inventories                                   |            | 634            | 607            |
| Prepayments                                   | 5.3        | 1,317          | 1,042          |
| <b>Total current assets</b>                   |            | <b>20,586</b>  | <b>17,922</b>  |
| <b>Non-current assets</b>                     |            |                |                |
| Receivables                                   | 5.1        | 9,026          | 10,003         |
| Infrastructure, property, plant and equipment | 4.1        | 733,313        | 735,526        |
| Intangible assets                             | 4.2        | 5,705          | 6,267          |
| <b>Total non-current assets</b>               |            | <b>748,044</b> | <b>751,796</b> |
| <b>TOTAL ASSETS</b>                           |            | <b>768,630</b> | <b>769,718</b> |
| <b>LIABILITIES</b>                            |            |                |                |
| <b>Current liabilities</b>                    |            |                |                |
| Payables                                      | 5.2        | 4,986          | 4,904          |
| Interest bearing liabilities                  | 6.1        | 5,593          | 10,712         |
| Employee benefits                             | 3.1.2      | 4,420          | 4,433          |
| <b>Total current liabilities</b>              |            | <b>14,999</b>  | <b>20,049</b>  |
| <b>Non-current liabilities</b>                |            |                |                |
| Interest bearing liabilities                  | 6.1        | 34,163         | 34,221         |
| Employee benefits                             | 3.1.2      | 484            | 655            |
| Net deferred tax liabilities                  | 8.1.2      | 101,139        | 99,867         |
| <b>Total non-current liabilities</b>          |            | <b>135,786</b> | <b>134,743</b> |
| <b>TOTAL LIABILITIES</b>                      |            | <b>150,785</b> | <b>154,792</b> |
| <b>NET ASSETS</b>                             |            | <b>617,845</b> | <b>614,926</b> |
| <b>Equity</b>                                 |            |                |                |
| Contributed capital                           | 9.1.1      | 441,165        | 441,165        |
| Reserves                                      | 9.1.2      | 149,494        | 150,260        |
| Accumulated surplus/ (deficit)                | 9.1.3      | 27,186         | 23,501         |
| <b>TOTAL EQUITY</b>                           |            | <b>617,845</b> | <b>614,926</b> |
| Commitments for expenditure                   | 6.3, 8.2.1 |                |                |
| Contingent assets and liabilities             | 7.2        |                |                |

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



## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|  | Notes      | Contributed<br>Capital<br>\$'000 | Reserves<br>\$'000 | Accumulated<br>surplus/<br>(deficit)<br>\$'000 | Total<br>\$'000 |
|--|------------|----------------------------------|--------------------|--|-----------------|
| Balance at 1 July 2016                           |            | 441,165                          | 151,030            | 20,584   | 612,779         |
| Total comprehensive income for the year          |            | -                                | -                  | 2,147  | 2,147           |
| Transfer to/(from) accumulated funds on disposal |            | -                                | (770)              | 770  | -               |
| <b>Balance at 30 June 2017</b>                   | <b>9.1</b> | <b>441,165</b>                   | <b>150,260</b>     | <b>23,501</b>                                  | <b>614,926</b>  |
| Total comprehensive income for the year          |            | -                                | -                  | 2,919  | 2,919           |
| Transfer to/(from) accumulated funds on disposal |            | -                                | (766)              | 766  | -               |
| <b>Balance at 30 June 2018</b>                   | <b>9.1</b> | <b>441,165</b>                   | <b>149,494</b>     | <b>27,186</b>                                  | <b>617,845</b>  |

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

## CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|  | Notes | 2018<br>\$'000  | 2017<br>\$'000  |
|--|-------|-----------------|-----------------|
| Cash flows from operating activities   |       |                 |                 |
| <b>Receipts</b>  |       |                 |                 |
| Service and usage charges  |       | 73,228          | 68,463          |
| GST received from the ATO  |       | 3,994           | 3,515           |
| Government contributions received  |       | 119             | 597             |
| Capital charges received   |       | 2,117           | 1,562           |
|  |       | <b>79,458</b>   | <b>74,137</b>   |
| <b>Payments</b>  |       |                 |                 |
| Payments to suppliers and employees  |       | (47,734)        | (44,214)        |
| GST paid to the ATO  |       | (223)           | (184)           |
| Interest and other costs of finance paid   |       | (2,638)         | (3,239)         |
| Environmental contributions  |       | (2,557)         | (2,557)         |
|  |       | <b>(53,152)</b> | <b>(50,194)</b> |
| <b>Net cash inflow from operating activities</b>                                 | 6.2.1 | <b>26,306</b>   | <b>23,943</b>   |
| Cash flows from investing activities   |       |                 |                 |
| Payments for infrastructure, property, plant and equipment and intangible assets |       | (21,424)        | (21,112)        |
| Proceeds from sale of infrastructure, property, plant and equipment              | 4.1.4 | 478             | 507             |
| <b>Net cash (outflow) from investing activities</b>                              |       | <b>(20,946)</b> | <b>(20,605)</b> |
| Cash flows from financing activities   |       |                 |                 |
| Repayment of borrowings  |       | (5,177)         | (9,395)         |
| <b>Net cash (outflow) from financing activities</b>                              |       | <b>(5,177)</b>  | <b>(9,395)</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                      |       | <b>183</b>      | <b>(6,057)</b>  |
| Cash and cash equivalents at start of the financial year                         |       | 818             | 6,875           |
| <b>Cash and cash equivalents at the end of the financial year</b>                | 6.2   | <b>1,001</b>    | <b>818</b>      |
| Financing arrangements   | 6     |                 |                 |

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

## 1. ABOUT THIS REPORT

### *Basis of Accounting*

The financial report includes separate financial statements for Wannon Region Water 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, certification and notes accompanying these statements for the year ended 30 June 2018. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Wannon Region Water Corporation 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 these financial statements whereby assets, liabilities, equity, income 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 23 August 2018.

The principal address is:  
25 Gateway Rd  
Warrnambool VIC 3280

### *Accounting policies*

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to align with current presentation and disclosure.

### *Functional and presentation currency*

Items included in this financial report are measured using the currency of the primary economic environment in which Wannon Region Water Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Wannon Region Water Corporation'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 in the next twelve months, being the Corporation's operating cycle. See Note 3.1.2 for a variation in relation to employee benefits.

### *Rounding*

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

### *Historical cost convention*

This financial report has been prepared under the historical cost convention, except for the revaluation of financial assets and certain 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 management in applying AASs that have significant effects on the financial statements and estimates related to:

- the fair value of land, buildings, infrastructure and plant & equipment (Note 7.3);
- the estimation of useful lives for assets (Note 4.1);
- the impairment of assets (Note 4.1);
- the estimation of accrued tariffs and charges calculation (Note 5.1);
- the calculation of provision for impaired receivables (Note 5.1);
- the calculation of deferred tax assets and deferred tax liabilities (Note 8.1);
- actuarial assumptions used to determine the Corporation's superannuation defined benefit liability and employee benefit provisions (Note 3.1)

## 2. FUNDING DELIVERY OF OUR SERVICES

### Introduction

This section provides additional information about how the Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. Wannon Water's corporate intent is to provide safe, reliable, innovative and sustainable water services and strengthen communities in the south west of Victoria. To assist the Corporation to achieve this outcome we receive income from residential, non residential and major customers for water and sewer services and usage charges. Developer contributions are also a key source of income for the Corporation.

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

### Structure

- 2.1 Service and usage charges
- 2.2 Government grants and contributions
- 2.3 Developer contributions
- 2.4 Other income

### 2.1 Service and usage charges

|                              | 2018<br>\$'000 | 2017<br>\$'000 |
|------------------------------|----------------|----------------|
| <b>Service charges</b>       |                |                |
| Sewer                        | 27,498         | 27,028         |
| Water                        | 10,096         | 9,952          |
| <b>Total service charges</b> | <b>37,594</b>  | 36,980         |
| <b>Usage charges</b>         |                |                |
| Water                        | 25,618         | 21,898         |
| Trade waste                  | 7,123          | 7,250          |
| <b>Total usage charges</b>   | <b>32,741</b>  | 29,148         |

Water and sewer service charges are recognised as revenue when levied or determined.

Water and sewerage service charges are recognised when services have been provided. Water and sewerage service charges are recognised evenly throughout the financial year to reflect the pattern of revenue being earned. Service charges are based on a fixed fee and represent charges for access to water and sewerage.

Trade waste usage charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per the trade waste agreements. The meters are read on a cyclical basis with accounts sent on a quarterly basis.

Water usage charges by measure are recognised as revenue when the water is provided. As meter reading is cyclical, an estimate is made at the end of the accounting period for water usage by customers. The estimate is made by multiplying the number of days since the last reading by daily average water consumption for that period.

The payment in advance by customers of accounts which at reporting date were unbilled is classified as unearned income.

### 2.2 Government grants & contributions

|  |            |     |
|--|------------|-----|
| Government contributions                         | 919        | 551 |
| <b>Total government grants and contributions</b> | <b>919</b> | 551 |

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution. Control is obtained when the entity receives the grant or contribution and they meet certain other criteria as outlined by AASB 1004 Contributions.

Grants and contributions received from the Victorian State Government are accounted for as Equity - Contributions by Owners in accordance with FRD 119A *Transfers through Contributed Capital*. (Refer to Note 9.1.1)

## 2.3 Developer contributions

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| Fees paid by developers and customers             | 448            | 1,049          |
| Assets received free of charge from developers    | 1,180          | 3,490          |
| <b>Total developer and customer contributions</b> | <b>1,628</b>   | <b>4,539</b>   |

Developer cash contributions are recognised as revenue when the contribution is received.

Developer contributed assets, disclosed as Assets received free of charge from developers above, arise where developers pay for the cost of construction of new assets and subsequently gift these assets to the Corporation, which maintains them in perpetuity. In accordance with the requirements of AASB Interpretation 18 - Transfer of Assets from Customers, AASB 1004 Contributions and AASB 118 - Revenue, recognition of income occurs when the risks and rewards of ownership have been transferred to the Corporation. This non-cash revenue is recorded as developer contributed assets. Contributions of assets received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them irrespective of whether restrictions or conditions are imposed over the use of the contributions.

## 2.4 Other income

|                                |              |              |
|--------------------------------|--------------|--------------|
| <b>Other income</b>            |              |              |
| Cost recoveries                | 1,985        | 1,361        |
| Miscellaneous                  | 723          | 571          |
| Rental                         | 348          | 297          |
| Information statements         | 257          | 221          |
| Connection and inspection fees | 193          | 248          |
| Recycled water sales           | 408          | 381          |
| <b>Total other income</b>      | <b>3,914</b> | <b>3,079</b> |

Other income includes land lease rentals, general recoveries and interest recoveries on loans, recycled water sales, information statement income and connection and inspection fees. Cost recoveries include amounts charged to third parties for operating and capital project expenditure, interest recoveries for loans to third parties relating to previous capital expenditure and an amount from the Department in relation to recovering costs for the 2017/18 South West Fires. Other income is recognised when the right to receive payment is established.

### 3. THE COST OF DELIVERING SERVICES

#### Introduction

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

#### Structure

- 3.1 Our people
  - 3.1.1 Employee benefits – comprehensive operating statement
  - 3.1.2 Employee benefits - balance sheet
  - 3.1.3 Superannuation
- 3.2 Repairs and maintenance
- 3.3 Other operating expenses

### 3.1 Our people

#### 3.1.1 Employee benefits - comprehensive operating statement

|  | 2018<br>\$'000  | 2017<br>\$'000  |
|--|-----------------|-----------------|
| <b>Employee benefits</b>                 |                 |                 |
| - salaries and wages                     | (15,666)        | (15,410)        |
| - annual leave                           | (1,352)         | (1,273)         |
| - long service leave                     | (415)           | (389)           |
| - employer superannuation contributions  | (1,489)         | (1,389)         |
| - defined benefit superannuation expense | (129)           | (144)           |
| <b>Total employee benefit costs</b>      | <b>(19,051)</b> | <b>(18,605)</b> |

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

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by the Corporation to the relevant superannuation plans in respect to the services of the Corporation's employees (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 the Corporation is required to comply with.



**3.1.2 Employee benefits - balance sheet**

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

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Current provisions:</b>   |                |                |
| <i>Annual Leave</i>  |                |                |
| Annual leave - unconditional and expected to settle within 12 months                                   | 1,121          | 1,075          |
| <i>Long Service Leave</i>  |                |                |
| Long service leave - unconditional and expected to settle within 12 months - measured at nominal value | 435            | 407            |
| Long service leave - unconditional and expected to settle after 12 months - measured at present value  | 2,099          | 1,844          |
| <i>On-Costs</i>  |                |                |
| Unconditional and expected to settle within 12 months - measured at nominal value                      | 57             | 71             |
| Unconditional and expected to settle after 12 months - measured at present value                       | 276            | 320            |
| <i>Other Leave</i>   |                |                |
| Other leave - unconditional and expected to settle within 12 months                                    | 70             | 73             |
| <i>Accrued Employee Costs</i>  |                |                |
| Employment benefits  | 362            | 643            |
| <b>Total current provision for employee benefits</b>   | <b>4,420</b>   | <b>4,433</b>   |
| <b>Non-current provisions:</b>   |                |                |
| Long service leave - conditional - measured at present value   | 428            | 558            |
| Long service leave on costs - conditional - measured at present value                                  | 56             | 97             |
| <b>Total non-current provisions for employee benefits</b>  | <b>484</b>     | <b>655</b>     |
| <b>Aggregate carrying amount of employee benefits</b>  |                |                |
| Current  | 4,420          | 3,790          |
| Non-current  | 484            | 655            |
| <b>Total provision for employee benefits</b>   | <b>4,904</b>   | <b>4,445</b>   |
| <b>Reconciliation of movement in on-cost provision</b>   |                |                |
| Opening balance  | 488            |                |
| Additional provision recognised  | 30             |                |
| Amounts utilised during period   | (50)           |                |
| Reductions resulting from re-measurement   | (79)           |                |
| Effect of changes in the discount rate   | -              |                |
| <b>Closing balance</b>   | <b>389</b>     |                |
| Current  | 333            |                |
| Non-current  | 56             |                |

### Wages, salaries and annual leave

Liabilities for wages and salaries (including non-monetary benefits like annual leave) are all recognised in the provision for employee benefits as 'current liabilities', because the Corporation does not have an unconditional right to defer settlements of these liabilities.

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

- undiscounted value - if the Corporation expects to wholly settle within 12 months; or
- present value - if the Corporation does not expect to wholly settle within 12 months

### On-costs

On costs, such as payroll tax and workers' compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are not employee benefits and are disclosed separately from provisions for employee benefits.

### Long service leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

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

The components of this current LSL liability are measured at:

- undiscounted value - if the Corporation expects to wholly settle within 12 months; and
- present value - if the Corporation does not expect to wholly settle within 12 months.

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

## 3.1.3 Superannuation

### Superannuation contributions

The Corporation's obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Contributions by the Corporation (excluding any unfunded liability payments) to superannuation funds for the financial year ended 30 June 2018 are detailed below:

| Fund                       | Type of Scheme   | Rate  | 2018<br>\$'000 | 2017<br>\$'000 |
|----------------------------|------------------|-------|----------------|----------------|
| State Superannuation Fund  | Defined Benefits | 9.50% | 40             | 42             |
| Vision Super               | Defined Benefits | 9.50% | 89             | 102            |
| Vision Super               | Accumulated Fund | 9.50% | 1,166          | 1,098          |
| Other                      | Accumulated Fund | 9.50% | 340            | 259            |
| <b>Total contributions</b> |                  |       | <b>1,635</b>   | <b>1,501</b>   |

There were no contributions outstanding and loans issued from or to the above schemes as at 30 June 2018.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2019 is \$92,000.

### Accumulation

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

### Defined benefit plan

The Corporation does not use defined benefit accounting because 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 the Corporation 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.

### Funding arrangements

On the basis of the results of the 2017 interim actuarial investigation conducted by the Fund Actuary, the Corporation 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, the Corporation reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

## *The 2017 full actuarial investigation surplus amounts*

As at 30 June 2017, a full actuarial investigation was held. The vested benefit index (VBI) was 103.1%. Because the VBI was above 100%, the 2017 full actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

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

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

The Fund's full actuarial investigation as at 30 June 2017 identified the following:

A VBI surplus of \$69.8 million;  
 A total service liability surplus of \$198 million; and  
 A discounted accrued benefits surplus of \$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 2017.

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

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

## *The 2018 interim actuarial investigation*

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

Vision Super has advised that the actual VBI at 30 June 2018 was 106.0%.

## *Funding calls*

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years on the shortfall occurring. The fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. While an actuarial investigation is underway, the shortfall limit is 100%.

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

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

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

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

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

### 3.2 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 requirements, the cost is capitalised and depreciated.

|                                      | 2018<br>\$'000 | 2017<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Consultancies and contractors        | (1,757)        | (2,513)        |
| Other goods and services             | (1,283)        | (1,432)        |
| <b>Total repairs and maintenance</b> | <b>(3,040)</b> | <b>(3,945)</b> |

### 3.3 Operating expenses

|                                 |                 |                 |
|---------------------------------|-----------------|-----------------|
| Consultancies and contractors   | (6,621)         | (5,043)         |
| Other goods and services        | (3,990)         | (3,758)         |
| Electricity                     | (3,554)         | (3,193)         |
| Efficiency rebate               | (2,485)         | (2,462)         |
| Licences                        | (2,342)         | (1,945)         |
| Chemicals                       | (931)           | (784)           |
| Goods and Equipment             | (736)           | (881)           |
| <b>Total operating expenses</b> | <b>(20,659)</b> | <b>(18,066)</b> |

Operating expenses generally represent the day-to-day running costs incurred in normal operations and are deemed relevant for the understanding of this financial report.

Operating expenses are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

## 4. KEY ASSETS AVAILABLE TO SUPPORT DELIVERY OF OUR SERVICES

### Introduction

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

### Structure

- 4.1 Infrastructure, property, plant and equipment:
  - 4.1.1 Reconciliation of movements in carrying values of Infrastructure, property, plant and equipment
  - 4.1.2 Fair value determination non physical assets
  - 4.1.3 Depreciation and impairment
  - 4.1.4 Net gain/(loss) on disposal of non-current assets
- 4.2 Intangible asset

**4.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT**
**4.1.1 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment**

|  | Land and land<br>improvements<br>\$'000 | Buildings<br>\$'000 | Water<br>infrastructure<br>\$'000 | Sewer<br>infrastructure<br>\$'000 | Plant and<br>equipment<br>\$'000 | In the course<br>of construction<br>\$'000 | Total<br>\$'000 |
|--|---|---------------------|-----------------------------------|-----------------------------------|----------------------------------|--|-----------------|
| <b>2017/18</b>                         |   |                     |                                   |                                   |                                  |  |                 |
| Opening WDV at 1 July 2017             | 30,314                                  | 26,710              | 364,245                           | 294,891                           | 6,641                            | 12,725                                     | 735,526         |
| Additions                              | -                                       | -                   | -                                 | -                                 | -                                | 21,317                                     | 21,317          |
| Developer contributed assets           | -                                       | 4                   | 493                               | 683                               | -                                | -  | 1,180           |
| Disposals                              | -                                       | -                   | (1,012)                           | (1,974)                           | (499)                            | (95)                                       | (3,580)         |
| Found assets                           | -                                       | -                   | 41                                | 93                                | -                                | -  | 134             |
| Transfers between categories           |   |                     |                                   |                                   |                                  |  |                 |
| - Additions <sup>1</sup>               | 76                                      | 470                 | 6,179                             | 11,236                            | 1,626                            | (19,832)                                   | (245)           |
| Depreciation expense                   | (17)                                    | (968)               | (10,374)                          | (8,015)                           | (1,645)                          | -  | (21,019)        |
| <b>Closing WDV at 30 June 2018</b>     | <b>30,373</b>                           | <b>26,216</b>       | <b>359,572</b>                    | <b>296,914</b>                    | <b>6,123</b>                     | <b>14,115</b>                              | <b>733,313</b>  |
| <b>Cost</b>                            | <b>30,406</b>                           | <b>28,144</b>       | <b>380,206</b>                    | <b>313,099</b>                    | <b>18,484</b>                    | <b>14,115</b>                              | <b>784,454</b>  |
| <b>Accumulated depreciation</b>        | <b>(33)</b>                             | <b>(1,928)</b>      | <b>(20,634)</b>                   | <b>(16,185)</b>                   | <b>(12,361)</b>                  | <b>-</b>                                   | <b>(51,141)</b> |
| <b>Closing WDV at 30 June 2018</b>     | <b>30,373</b>                           | <b>26,216</b>       | <b>359,572</b>                    | <b>296,914</b>                    | <b>6,123</b>                     | <b>14,115</b>                              | <b>733,313</b>  |
| <b>2016/17</b>                         |   |                     |                                   |                                   |                                  |  |                 |
| Opening WDV at 1 July 2016             | 30,233                                  | 26,636              | 379,027                           | 277,690                           | 8,817                            | 14,380                                     | 736,783         |
| Additions                              | -                                       | -                   | -                                 | -                                 | -                                | 21,565                                     | 21,565          |
| Developer contributed assets           | -                                       | -                   | 1,928                             | 1,562                             | -                                | -  | 3,490           |
| Revaluations                           | -                                       | -                   | -                                 | -                                 | -                                | -  | -               |
| Disposals                              | -                                       | -                   | (1,707)                           | (1,382)                           | (469)                            | (750)                                      | (4,308)         |
| Transfers between categories           |   |                     |                                   |                                   |                                  |  |                 |
| - Class reclassifications <sup>1</sup> | 98                                      | 321                 | (12,097)                          | 13,573                            | (1,894)                          | -  | 1               |
| Transfers between categories           |   |                     |                                   |                                   |                                  |  |                 |
| - Additions <sup>1</sup>               | -                                       | 712                 | 10,523                            | 8,523                             | 1,936                            | (22,470)                                   | (776)           |
| Depreciation expense                   | (17)                                    | (959)               | (13,430)                          | (5,074)                           | (1,749)                          | -  | (21,229)        |
| <b>Closing WDV at 30 June 2017</b>     | <b>30,314</b>                           | <b>26,710</b>       | <b>364,245</b>                    | <b>294,891</b>                    | <b>6,641</b>                     | <b>12,725</b>                              | <b>735,526</b>  |
| <b>Cost</b>                            | <b>30,331</b>                           | <b>27,670</b>       | <b>374,566</b>                    | <b>303,081</b>                    | <b>17,954</b>                    | <b>12,725</b>                              | <b>766,327</b>  |
| <b>Accumulated depreciation</b>        | <b>(17)</b>                             | <b>(960)</b>        | <b>(10,321)</b>                   | <b>(8,190)</b>                    | <b>(11,313)</b>                  | <b>-</b>                                   | <b>(30,801)</b> |
| <b>Closing WDV at 30 June 2017</b>     | <b>30,314</b>                           | <b>26,710</b>       | <b>364,245</b>                    | <b>294,891</b>                    | <b>6,641</b>                     | <b>12,725</b>                              | <b>735,526</b>  |

<sup>1</sup> Amount transferred to intangibles. Refer to Note 4.2

### *Initial recognition*

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage, plant, equipment and motor vehicles used by the Corporation in its operations. Items with an estimated useful life of more than two years or are considered to be an attractive item are recognised as an asset. All other assets acquired are expensed.

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

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

### *Subsequent measurement*

Infrastructure, 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 4.1.2 for fair value disclosures.

### *Revaluation of infrastructure, property, plant and equipment*

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluation is 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 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 surplus/(deficit), 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, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not transferred to accumulated surplus/(deficit) on derecognition of the relevant asset.

## **4.2.2 Fair value determination non-physical assets**

### *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 the Corporation.

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, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property and plant and equipment 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, the Corporation 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.

## Fair value measurement hierarchy for non financial assets as at 30 June 2018

Fair value measurement at end of reporting period using:

|   | Carrying amount<br>at 30-Jun-18<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |
|---|---|-------------------|-------------------|-------------------|
| <b>Land and land improvements at fair value</b>             |   |                   |                   |                   |
| Specialised land  | 30,374                                    | -                 | -                 | 30,374            |
| <b>Total of land and land improvements at fair value</b>    | <b>30,374</b>                             | <b>-</b>          | <b>-</b>          | <b>30,374</b>     |
| <b>Buildings at fair value</b>                              |   |                   |                   |                   |
| Specialised buildings                                       | 26,216                                    | -                 | -                 | 26,216            |
| <b>Total of buildings at fair value</b>                     | <b>26,216</b>                             | <b>-</b>          | <b>-</b>          | <b>26,216</b>     |
| <b>Water infrastructure at fair value</b>                   |   |                   |                   |                   |
| Water reticulation & distribution                           | 250,787                                   | -                 | -                 | 250,787           |
| Water treatment plants                                      | 57,327                                    | -                 | -                 | 57,327            |
| Water reservoirs & service basins                           | 51,458                                    | -                 | -                 | 51,458            |
| <b>Total of water infrastructure at fair value</b>          | <b>359,572</b>                            | <b>-</b>          | <b>-</b>          | <b>359,572</b>    |
| <b>Sewer infrastructure at fair value</b>                   |   |                   |                   |                   |
| Sewer reticulation  | 240,443                                   | -                 | -                 | 240,443           |
| Sewer treatment plants                                      | 56,471                                    | -                 | -                 | 56,471            |
| <b>Total of sewer infrastructure at fair value</b>          | <b>296,914</b>                            | <b>-</b>          | <b>-</b>          | <b>296,914</b>    |
| <b>Plant, equipment and vehicles at fair value</b>          |   |                   |                   |                   |
| Vehicles  | 3,203                                     | -                 | 3,203             | -                 |
| Plant and equipment   | 2,920                                     | -                 | -                 | 2,920             |
| <b>Total of plant, equipment and vehicles at fair value</b> | <b>6,123</b>                              | <b>-</b>          | <b>3,203</b>      | <b>2,920</b>      |

Classified in accordance with the fair value hierarchy. See Note 4.1.2

## Fair value measurement hierarchy for non financial assets as at 30 June 2017

Fair value measurement at end of reporting period using:

|   | Carrying amount<br>at 30-Jun-17<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |
|---|---|-------------------|-------------------|-------------------|
| <b>Land and land improvements at fair value</b>             |   |                   |                   |                   |
| Specialised land  | 30,314                                    | -                 | -                 | 30,314            |
| <b>Total of land and land improvements at fair value</b>    | <b>30,314</b>                             | <b>-</b>          | <b>-</b>          | <b>30,314</b>     |
| <b>Buildings at fair value</b>                              |   |                   |                   |                   |
| Specialised buildings                                       | 26,710                                    | -                 | -                 | 26,710            |
| <b>Total of buildings at fair value</b>                     | <b>26,710</b>                             | <b>-</b>          | <b>-</b>          | <b>26,710</b>     |
| <b>Water infrastructure at fair value</b>                   |   |                   |                   |                   |
| Water reticulation & distribution                           | 253,693                                   | -                 | -                 | 253,693           |
| Water treatment plants                                      | 58,509                                    | -                 | -                 | 58,509            |
| Water reservoirs & service basins                           | 52,043                                    | -                 | -                 | 52,043            |
| <b>Total of water infrastructure at fair value</b>          | <b>364,245</b>                            | <b>-</b>          | <b>-</b>          | <b>364,245</b>    |
| <b>Sewer infrastructure at fair value</b>                   |   |                   |                   |                   |
| Sewer reticulation  | 237,010                                   | -                 | -                 | 237,010           |
| Sewer treatment plants                                      | 57,881                                    | -                 | -                 | 57,881            |
| <b>Total of sewer infrastructure at fair value</b>          | <b>294,891</b>                            | <b>-</b>          | <b>-</b>          | <b>294,891</b>    |
| <b>Plant, equipment and vehicles at fair value</b>          |   |                   |                   |                   |
| Vehicles  | 3,325                                     | -                 | 3,325             | -                 |
| Plant and equipment   | 3,316                                     | -                 | -                 | 3,316             |
| <b>Total of plant, equipment and vehicles at fair value</b> | <b>6,641</b>                              | <b>-</b>          | <b>3,325</b>      | <b>3,316</b>      |

Classified in accordance with the fair value hierarchy. See Note 4.1.2



There have been no transfers between levels during the period.

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

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

### *Specialised land and specialised buildings*

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.

For specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the Corporation's specialised land and specialised buildings was performed by Egan Valuers Pty. Ltd. On behalf of the Valuer General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation was 30 June 2016 [AASB 116.77(a), (b), AASB 116 Aus77.1].

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

### *Vehicles*

Vehicles are valued at level 2, using the depreciated replacement cost method. The Corporation 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 active market, is managed by experienced fleet managers at the Corporation who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

### *Plant and equipment*

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, "fair value is determined using the depreciated replacement cost method. As plant and equipment are specialised in nature and modified to meet our requirements, fair value is measured at level three. There were no changes in valuation techniques throughout the period to 30 June 2018. For all assets measured at fair value, the current use is considered the highest and best use.

There were no changes in valuation techniques throughout the period to 30 June 2018.

### *Water and sewer infrastructure*

Water and sewer infrastructure assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the 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. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

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

An independent valuation of the Corporation's water and sewer infrastructure was carried out by Jardine Lloyd Thompson Pty. Ltd. on behalf of the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

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

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

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

## Reconciliation of level 3 fair value movements

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

|                               | Specialised<br>land and<br>improvements<br>\$000 | Specialised<br>buildings<br>\$000 | Water<br>infrastructure<br>\$000 | Sewer<br>infrastructure<br>\$000 | Plant and<br>equipment<br>\$000 | Vehicles<br>\$000 |
|-------------------------------|--|-----------------------------------|----------------------------------|----------------------------------|---------------------------------|-------------------|
| <b>2018</b>                   |  |                                   |                                  |                                  |                                 |                   |
| <b>Opening balance</b>        | <b>30,314</b>                                    | <b>26,710</b>                     | <b>364,245</b>                   | <b>294,891</b>                   | <b>3,316</b>                    | <b>3,325</b>      |
| Additions/ purchases          | 76   | 474                               | 6,713                            | 12,012                           | 709                             | 917               |
| Transfers in (out) of level 3 | -  | -                                 | -                                | -                                | -                               | -                 |
| Disposals                     | -  | -                                 | (1,012)                          | (1,974)                          | (11)                            | (488)             |
| Depreciation                  | (17)   | (968)                             | (10,374)                         | (8,015)                          | (1,094)                         | (551)             |
| Impairment loss               | -  | -                                 | -                                | -                                | -                               | -                 |
| <b>Closing balance</b>        | <b>30,373</b>                                    | <b>26,216</b>                     | <b>359,572</b>                   | <b>296,914</b>                   | <b>2,920</b>                    | <b>3,203</b>      |
| <b>2017</b>                   |  |                                   |                                  |                                  |                                 |                   |
| <b>Opening balance</b>        | <b>30,233</b>                                    | <b>26,636</b>                     | <b>379,027</b>                   | <b>277,690</b>                   | <b>5,731</b>                    | <b>3,086</b>      |
| Additions/ purchases          | -  | 712                               | 12,451                           | 10,085                           | 653                             | 1,283             |
| Transfers in (out) of level 3 | -  | -                                 | -                                | -                                | -                               | -                 |
| Transfers - Reclassification  | 98   | 321                               | (12,097)                         | 13,573                           | (1,894)                         | -                 |
| Disposals                     | -  | -                                 | (1,707)                          | (1,382)                          | -                               | (469)             |
| Depreciation                  | (17)   | (959)                             | (13,430)                         | (5,074)                          | (1,174)                         | (575)             |
| Impairment loss               | -  | -                                 | -                                | -                                | -                               | -                 |
| <b>Closing balance</b>        | <b>30,314</b>                                    | <b>26,710</b>                     | <b>364,245</b>                   | <b>294,891</b>                   | <b>3,316</b>                    | <b>3,325</b>      |

## Description of significant unobservable inputs to Level 3 valuations

| 2018 & 2017  | Valuation technique          | Significant unobservable inputs                                   |
|--|------------------------------|---|
| Specialised land and improvements                        | Market approach              | Community Service Obligation (CSO) adjustment<br>Land value range |
| Specialised buildings                                    | Depreciated replacement cost | Cost per building<br>Useful life of specialised buildings         |
| Water Infrastructure - Water reticulation & distribution | Depreciated replacement cost | Cost per metre<br>Useful life of the infrastructure               |
| Water Infrastructure - Water treatment plants            | Depreciated replacement cost | Cost per treatment plant<br>Useful life of the infrastructure     |
| Water Infrastructure - Water reservoirs & service basins | Depreciated replacement cost | Cost per facility<br>Useful life of the infrastructure            |
| Sewer Infrastructure - Sewer reticulation                | Depreciated replacement cost | Cost per metre<br>Useful life of the infrastructure               |
| Sewer Infrastructure - Sewer treatment plants            | Depreciated replacement cost | Cost per treatment plant<br>Useful life of the infrastructure     |
| Plant and equipment                                      | Depreciated replacement cost | Cost per unit<br>Useful life of plant and equipment               |
| Vehicles   | Depreciated replacement cost | Cost per unit<br>Useful life of vehicles                          |

### 4.1.3 Depreciation and impairment

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of

their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use.

Typical estimated useful lives for the different asset classes are included in the table below and are consistent with the prior year, unless otherwise stated.

| Asset class    | Period        | Prior Year   | Asset class                       | Period        | Prior Year   |
|----------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Bores          | 3 - 80 years  |              | Buildings                         | 2 - 80 years  |              |
| Electrical     | 1 - 78 years  |              | Furniture and fittings            | 4 - 20 years  | 5 - 20 years |
| Lagoons        | 2 - 100 years |              | Manholes                          | 1 - 99 years  |              |
| Mechanical     | 2 - 73 years  | 2 - 71 years | Meters                            | 5 - 39 years  |              |
| Pipes          | 1 - 97 years  |              | Plant, equipment & motor vehicles | 2 - 20 years  |              |
| Pumps          | 1 - 80 years  | 2 - 80 years | Reservoirs                        | 1 - 300 years |              |
| Service basins | 1 - 300 years |              | Tanks                             | 1 - 100 years |              |
| Towers         | 1 - 100 years |              |                                   |               |              |

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

#### Indefinite life assets

Land and earthworks 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.

#### Impairment

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 can be debited to an asset revaluation surplus amount applicable to that class of asset.

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. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

### 4.1.4 Net gain/ (loss) on disposal of non-current assets

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Cost of assets disposed</b>                            |                |                |
| Infrastructure  | (2,986)        | (3,088)        |
| Motor vehicles  | (488)          | (451)          |
| Office equipment  | (11)           | (18)           |
| Intangibles   | (65)           | -              |
| <b>Total written down value of assets disposed</b>        | <b>(3,550)</b> | <b>(3,557)</b> |
| <b>Proceeds of assets disposed</b>                        |                |                |
| Motor vehicle trade ins                                   | 477            | 507            |
| Other asset sales   | 1              | -              |
| <b>Total proceeds of asset disposed</b>                   | <b>478</b>     | <b>507</b>     |
| <b>Net gain/ (loss) on disposal of non current assets</b> | <b>(3,072)</b> | <b>(3,050)</b> |

## 4.2 Intangible assets

2018  
\$'000

2017  
\$'000

### (a) Classes of intangibles

Computer software at cost  
Less: Accumulated amortisation

7,280  
(6,325)

7,532  
(6,015)

955

1,517

Bulk water entitlement - at cost

4,750

4,750

### Total intangibles

5,705

6,267

### (b) Movements during the reporting period

Software  
\$'000

Bulk Water  
Entitlement  
\$'000

Total  
\$'000

#### 2017/18

Opening WDV at 1 July 2017

1,517

4,750

6,267

Disposals

(65)

-

(65)

Transfers between categories - Additions<sup>1</sup>

245

-

245

Amortisation expense

(742)

-

(742)

#### Closing WDV at 30 June 2018

955

4,750

5,705

#### 2016/17

Opening WDV at 1 July 2016

1,472

4,750

6,222

Transfers between categories - Additions<sup>1</sup>

776

-

776

Transfers between categories - Class re-classifications<sup>1</sup>

(1)

-

(1)

Amortisation expense

(730)

-

(730)

#### Closing WDV as at 30 June 2017

1,517

4,750

6,267

<sup>1</sup> Amount transferred from Work in Progress. Refer to Note 4.1.1

### Recognition

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:

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

A summary of the accounting policies applied to the Corporation's intangible assets is as follows:

|  | Software Costs   | Bulk Water Entitlement                               |
|--|--|--|
| Useful lives                                 | Finite   | Indefinite   |
| Amortisation method used                     | 4 years - Straight line  | Not amortised or revalued                            |
| Internally generated / Acquired              | Internally generated   | Acquired   |
| Impairment test / Recoverable amount testing | Amortisation method reviewed at each financial year end.<br>Reviewed annually for indicators of impairment | Annually and where an indicator of impairment exists |

#### Permanent water entitlements

Permanent water entitlements purchased are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent entitlements are tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2009 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

#### Amortisation

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 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.

## 5. OTHER ASSETS AND LIABILITIES

### Introduction

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

### Structure

- 5.1 Receivables
  - 5.1.1 Movement in provision for doubtful debt
  - 5.1.2 Ageing analysis of contractual receivables
- 5.2 Payables
  - 5.2.1 Ageing analysis of contractual payables
- 5.3 Prepayments
- 5.4 Fair value determination of financial assets and liabilities

### 5.1 Receivables

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Contractual</b>                       |                |                |
| Accrued tariffs and charges              | 9,226          | 9,779          |
| Tariffs and charges                      | 2,843          | 2,368          |
| Other receivables                        | 4,988          | 2,720          |
| Schemes/ Receivables                     | 53             | 62             |
| Less: Provision for impaired receivables | (84)           | (83)           |
|  | 17,026         | 14,846         |
| <b>Statutory</b>                         |                |                |
| GST input tax credit receivable          | 608            | 609            |
| <b>Total current receivables</b>         | <b>17,634</b>  | <b>15,455</b>  |
| <b>Non-current</b>                       |                |                |
| <i>Contractual</i>                       |                |                |
| Other receivables                        | 8,612          | 9,489          |
| Schemes / Receivables                    | 414            | 514            |
| <b>Total non-current receivables</b>     | <b>9,026</b>   | <b>10,003</b>  |
| <b>Total receivables</b>                 | <b>26,660</b>  | <b>25,458</b>  |

## Receivables consist of:

Contractual receivables, classified as financial instruments and categorised as 'loans and receivables'. They 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. Trade receivables are due for settlement no more than 28 days from the date of recognition for tariff debtors, and no more than 30 days for other debtors.

Statutory receivables, do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

### 5.1.1 Movement in the provision for doubtful debt

As at 30 June 2018, current receivables of the Corporation with a nominal value of \$313,888 (2017: \$315,935) were impaired. The amount of the provision is \$84,295 (2017: \$82,570). The individually impaired receivables mainly relate to customers who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

Movements in the provision for impaired receivables are as follows:

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| As at 1 July   | 83             | 75             |
| Provision for impairment recognised during the year      | 38             | 45             |
| Receivables written off during the year as uncollectible | (37)           | (37)           |
|  | 84             | 83             |

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for impaired receivables is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of financial assets professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired.

The increase in the provision for the year is recognised in the net result.

### 5.1.2 Ageing analysis of contractual receivables

|   | \$'000<br>Carrying<br>Amount | \$'000<br>Not past<br>due and not<br>impaired | \$'000<br>Less than<br>1 month | Past Due but not impaired |                                |                          |
|---|------------------------------|---|--------------------------------|---------------------------|--------------------------------|--------------------------|
|   |                              |   |                                | \$'000<br>1 - 3<br>months | \$'000<br>3 months<br>- 1 year | \$'000<br>1 - 5<br>years |
| <b>2018</b>                             |                              |   |                                |                           |                                |                          |
| Sale of goods and services <sup>1</sup> | 3,787                        | 2,047   | -                              | 683                       | 525                            | 532                      |
| Other receivables                       | 3,434                        | 2,659   | -                              | 771                       | 4                              | -                        |
| <b>Total</b>                            | <b>7,221</b>                 | <b>4,706</b>                                  | <b>-</b>                       | <b>1,454</b>              | <b>529</b>                     | <b>532</b>               |
| <b>2017</b>                             |                              |   |                                |                           |                                |                          |
| Sale of goods and services <sup>1</sup> | 2,989                        | 1,315   | -                              | 779                       | 456                            | 439                      |
| Other receivables                       | 1,042                        | 918   | -                              | 122                       | 2                              | -                        |
| <b>Total</b>                            | <b>4,031</b>                 | <b>2,233</b>                                  | <b>-</b>                       | <b>901</b>                | <b>458</b>                     | <b>439</b>               |

Note 1 - The amount disclosed excludes accrued revenue and statutory amounts.

No interest is charged for the first 14 days from the due date of the invoice. Thereafter, interest is charged at 6.1% on the outstanding balance. The average credit period for sales of goods/services is 28 days and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

Past due but not impaired trade receivables relate to a number of independent customers for whom there is

no recent history of default. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

## 5.2 Payables

|                               | 2018<br>\$'000 | 2017<br>\$'000 |
|-------------------------------|----------------|----------------|
| <b>Current</b>                |                |                |
| <i>Contractual</i>            |                |                |
| Trade creditors               | 3,778          | 4,472          |
| Accrued loan interest         | 11             | 6              |
| Contract deposits             | 403            | 426            |
| Income received in advance    | 794            | -              |
| <b>Total current payables</b> | <b>4,986</b>   | <b>4,904</b>   |

### Payables consist of:

- contractual payables such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid, and arise when the Corporation becomes obliged to make future payments in respect of the purchase of those goods and services.

### 5.2.1 Ageing analysis of contractual payables

|                       | \$'000<br>Carrying<br>Amount | \$'000<br>Nominal<br>Amount | Maturity Dates                 |                           |                                |                          |
|-----------------------|------------------------------|-----------------------------|--------------------------------|---------------------------|--------------------------------|--------------------------|
|                       |                              |                             | \$'000<br>Less than 1<br>month | \$'000<br>1 - 3<br>months | \$'000<br>3 months<br>- 1 year | \$'000<br>1 - 5<br>years |
| <b>2018</b>           |                              |                             |                                |                           |                                |                          |
| Supplies and Services | 2,597                        | 2,597                       | 2,597                          | -                         | -                              | -                        |
| Other payables        | 2,389                        | 2,389                       | 126                            | 337                       | 1,926                          | -                        |
| <b>Total</b>          | <b>4,986</b>                 | <b>4,986</b>                | <b>2,723</b>                   | <b>337</b>                | <b>1,926</b>                   | <b>-</b>                 |
| <b>2017</b>           |                              |                             |                                |                           |                                |                          |
| Supplies and Services | 3,189                        | 3,189                       | 3,189                          | -                         | -                              | -                        |
| Other payables        | 1,715                        | 1,715                       | 83                             | 349                       | 518                            | 765                      |
| <b>Total</b>          | <b>4,904</b>                 | <b>4,904</b>                | <b>3,272</b>                   | <b>349</b>                | <b>518</b>                     | <b>765</b>               |

## 5.3 Prepayments

|                          | 2018<br>\$'000 | 2017<br>\$'000 |
|--------------------------|----------------|----------------|
| <b>Current</b>           |                |                |
| Prepaid expenses         | 1,317          | 1,042          |
| <b>Total prepayments</b> | <b>1,317</b>   | <b>1,042</b>   |

Prepayments 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.



## 5.4 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.

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

### Fair value measurement hierarchy for financial assets and liabilities as at 30 June 2018

|                                    | Carrying amount<br>at 30-Jun-18<br>\$'000 | Fair value measurement at end of reporting period using: |                   |                   |
|------------------------------------|---|--|-------------------|-------------------|
|                                    |   | Level 1<br>\$'000  | Level 2<br>\$'000 | Level 3<br>\$'000 |
| <b>Financial assets</b>            |   |  |                   |                   |
| Cash and cash equivalents          | 1,001                                     | 1,001  | -                 | -                 |
| Receivables                        | 26,052                                    | 16,959   | 8,248             | -                 |
| <b>Total financial assets</b>      | <b>27,053</b>                             | <b>17,960</b>  | <b>8,248</b>      | <b>-</b>          |
| <b>Financial Liabilities</b>       |   |  |                   |                   |
| Interest bearing liabilities       | 39,756                                    | -  | 41,832            | -                 |
| Payables and accruals              | 4,986                                     | 4,986  | -                 | -                 |
| <b>Total financial liabilities</b> | <b>44,742</b>                             | <b>4,986</b>   | <b>41,832</b>     | <b>-</b>          |

Classified in accordance with the fair value hierarchy. See Note 4.1.2

### Fair value measurement hierarchy for financial assets and liabilities as at 30 June 2017

|                                    | Carrying amount<br>at 30-Jun-17<br>\$'000 | Fair value measurement at end of reporting period using: |                   |                   |
|------------------------------------|---|--|-------------------|-------------------|
|                                    |   | Level 1<br>\$'000  | Level 2<br>\$'000 | Level 3<br>\$'000 |
| <b>Financial assets</b>            |   |  |                   |                   |
| Cash and cash equivalents          | 818                                       | 818  | -                 | -                 |
| Receivables                        | 24,850                                    | 14,846   | 9,139             | -                 |
| <b>Total financial assets</b>      | <b>25,668</b>                             | <b>15,664</b>  | <b>9,139</b>      | <b>-</b>          |
| <b>Financial Liabilities</b>       |   |  |                   |                   |
| Interest bearing liabilities       | 44,933                                    | -  | 48,071            | -                 |
| Payables and accruals              | 4,904                                     | 4,904  | -                 | -                 |
| <b>Total financial liabilities</b> | <b>49,837</b>                             | <b>4,904</b>   | <b>48,071</b>     | <b>-</b>          |

Classified in accordance with the fair value hierarchy. See Note 4.1.2

## 6. HOW WE FINANCED OUR OPERATIONS

### Introduction

This section provides information on the sources of finance utilised by the Corporation 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 7.1 provides additional, specific financial instrument disclosures.

### Structure

- 6.1 Interest bearing liabilities
  - 6.1.1 Maturity analysis
  - 6.1.2 Interest expense
- 6.2 Cash flow information
  - 6.2.1 Reconciliation of net result to cash flow from operating activities
- 6.3 Commitments for expenditure
  - 6.3.1 Operating commitments
  - 6.3.2 Capital commitments

### 6.1 Interest bearing liabilities

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Current</b>  |                |                |
| Loans from TCV  | 5,593          | 10,712         |
| <b>Total current interest bearing liabilities</b>     | <b>5,593</b>   | <b>10,712</b>  |
| <b>Non-current</b>                                    |                |                |
| Loans from TCV  | 34,163         | 34,221         |
| <b>Total non-current interest bearing liabilities</b> | <b>34,163</b>  | <b>34,221</b>  |
| <b>Total interest bearing liabilities</b>             | <b>39,756</b>  | <b>44,933</b>  |

Interest bearing liabilities are initially recognised at the 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 the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The Corporation has classified interest bearing liabilities which mature within 12 months as current liabilities 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. Interest bearing liabilities known as 11am debt are also classified as current interest bearing liabilities.

#### 6.1.1 Maturity analysis

##### Risk exposures

The exposure of the Corporation's borrowings to interest rate changes and the contractual repricing dates at the balance dates are as follows:

|                          |               |               |
|--------------------------|---------------|---------------|
| <b>less than 1 month</b> | <b>539</b>    | <b>661</b>    |
| 1 - 3 months             | 10            | 9             |
| 3 - 12 months            | 5,044         | 10,042        |
| 1 - 5 years              | 34,163        | 34,221        |
| Over 5 years             | -             | -             |
|                          | <b>39,756</b> | <b>44,933</b> |
| Current borrowings       | 5,593         | 10,712        |
| Non-current borrowings   | 34,163        | 34,221        |
|                          | <b>39,756</b> | <b>44,933</b> |

## 6.1.2 Interest expense

|                                   | 2018<br>\$'000 | 2017<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Borrowing costs</b>            |                |                |
| Interest on loans - TCV           | 2,167          | 2,686          |
| Financial Accomodation Levy - DTF | 463            | 526            |
| <b>Total borrowing costs</b>      | <b>2,630</b>   | <b>3,212</b>   |

Interest expense includes costs incurred in connection with the borrowing of funds including interest on bank overdrafts, short term and long term borrowings, amortisation of discounts or premiums relating to borrowings and finance lease charges.

Interest expense is recognised in the period in which it is incurred.

## 6.2 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.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

|   |              |            |
|---|--------------|------------|
| Cash at bank                              | 1,001        | 816        |
| Cash on hand                              | -            | 2          |
| <b>Balance as per cash flow statement</b> | <b>1,001</b> | <b>818</b> |

### 6.2.1 Reconciliation of net result for the period to cash flow from operating activities

|  |               |               |
|--|---------------|---------------|
| Net result for the period after income tax                   | 2,919         | 2,147         |
| <b>Add / (less) non-cash flows in net result</b>             |               |               |
| Depreciation and amortisation                                | 21,761        | 21,959        |
| Net loss on disposal of non-current assets                   | 3,072         | 3,050         |
| Infrastructure assets acquired at no cost                    | (1,180)       | (3,490)       |
| <b>Changes in assets and liabilities</b>                     |               |               |
| Decrease (increase) in receivables                           | (1,202)       | (584)         |
| Decrease (increase) in inventories                           | (28)          | 34            |
| Decrease (increase) in prepayments                           | (275)         | (73)          |
| Increase (decrease) in payables                              | 151           | (291)         |
| Increase (decrease) in employee benefits                     | (184)         | 220           |
| Increase (decrease) in net deferred tax liabilities          | 1,272         | 971           |
| <b>Net cash (outflow) / inflow from operating activities</b> | <b>26,306</b> | <b>23,943</b> |

## 6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### 6.3.1 Operating commitments

At 30 June 2018, the Corporation had operating commitments for the provision of contract and consultancy services to meet the Corporation's operations not recognised as liabilities payable to be paid as follows:

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| Within one year                                       | 2,507          | 1,895          |
| One to five years                                     | 3,084          | 3,604          |
| <b>Total operating commitments (inclusive of GST)</b> | <b>5,591</b>   | 5,499          |
| <b>Less GST recoverable</b>                           | <b>508</b>     | 500            |
| <b>Total operating commitments (exclusive of GST)</b> | <b>5,083</b>   | 4,999          |

### 6.3.2 Capital commitments

Capital commitments arise from contracts. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

At 30 June 2018, the Corporation had capital commitments for the acquisition and/or construction of infrastructure, plant and equipment not recognised as liabilities payable, to be paid as follows:

|   |              |              |
|---|--------------|--------------|
| Within one year                                     | 6,228        | 4,093        |
| <b>Total capital commitments (inclusive of GST)</b> | <b>6,228</b> | <b>4,093</b> |
| <b>Less GST recoverable</b>                         | <b>566</b>   | 372          |
| <b>Total capital commitments (exclusive of GST)</b> | <b>5,662</b> | <b>3,721</b> |

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

### Introduction

The Corporation is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. 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, which for the Corporation related mainly to fair value determination of non-current physical assets.

### Structure

- 7.1 Financial instruments specific disclosures
  - 7.1.1 Financial instruments: Categorisation
  - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities

## 7.1 Financial instruments specific disclosures

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

### Categories of financial instruments

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

- cash & deposits; and
- receivables (excluding statutory receivables);

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

The Corporation recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings.

### Impairment of financial assets

At the end of each reporting period, the Corporation 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 allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. (AASB 139.58 70 AASB 7.B5(f)) in assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 impairment of Assets. Impairment losses are recognised in the Comprehensive Operating Statement.

| 7.1.1 Financial instruments: Categorisation    | Contractual financial assets -loans and receivables and cash | Contractual financial liabilities at amortised cost | (\$'000) Total |
|--|--|---|----------------|
| <b>2018</b>                                    |  |   |                |
| <b>Contractual financial assets</b>            |  |   |                |
| Cash and deposits                              | 1,001  |   | 1,001          |
| <b>Receivables</b>                             |  |   |                |
| Sale of goods and services                     | 11,909   |   | 11,909         |
| Loans to third parties                         | 9,407  |   | 9,407          |
| Accrued investment income                      | 9  |   | 9              |
| Other receivables                              | 4,659  |   | 4,659          |
| <b>Total contractual financial assets</b>      | 26,985   | -   | 26,985         |
| <b>Contractual financial liabilities</b>       |  |   |                |
| <b>Payables</b>                                |  |   |                |
| Supplies and services                          |  | (4,074)   | (4,074)        |
| Amounts payable to government and agencies     |  | (107)   | (107)          |
| <b>Borrowings</b>                              |  |   |                |
| TCV Loans                                      |  | (39,756)  | (39,756)       |
| <b>Total contractual financial liabilities</b> | -  | (43,937)  | (43,937)       |

|  | Contractual financial<br>assets -loans and<br>receivables and cash | Contractual financial<br>liabilities<br>at amortised cost | (\$000)<br>Total |
|--|--|---|------------------|
| <b>2017</b>                                    |  |   |                  |
| <b>Contractual financial assets</b>            |  |   |                  |
| Cash and deposits                              | 818  |   | 818              |
| <b>Receivables</b>                             |  |   |                  |
| Sale of goods and services                     | 12,054   |   | 12,054           |
| Loans to third parties                         | 10,172   |   | 10,172           |
| Accrued investment income                      | 10   |   | 10               |
| <b>Other receivables</b>                       | 2,614  |   | 2,614            |
| <b>Total contractual financial assets</b>      | 25,668   | -   | 25,668           |
| <b>Contractual financial liabilities</b>       |  |   |                  |
| <b>Payables</b>                                |  |   |                  |
| Supplies and services                          |  | (4,779)   | (4,779)          |
| Amounts payable to government and agencies     |  | (119)   | (119)            |
| <b>Borrowings</b>                              |  |   |                  |
| TCV Loans                                      |  | (44,933)  | (44,933)         |
| <b>Total contractual financial liabilities</b> | -  | (49,831)  | (49,831)         |

### 7.1.2 Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks and ageing analysis for credit risk.

Risk management is carried out by the Audit and Risk Management Committee under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

#### Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is insignificant 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:

#### (i) Interest rate risk

The Corporation minimises its exposure to interest rate changes on its long term borrowings by holding 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. In accordance with Wannon Water's Treasury Management Policy, floating debt is limited to less than 20% of the total borrowing portfolio. This debt is restricted to short term borrowings, which limits the exposure to interest rate risk further.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

#### (ii) Foreign exchange risk

The Corporation has no exposure to changes in the foreign exchange rate.

#### (iii) Other price risk

The Corporation has no significant exposure to other price risk.

#### Market risk sensitivity analysis

#### Credit risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Corporation's receivables.

The Corporation'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. The Corporation has in place a policy and procedure for the collection of overdue receivables.

## Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation'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.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and continually monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

## Interest rate 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. The Corporation 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. The Corporation has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

## Interest rate risk sensitivity

A change of 1% in interest rates constantly applied during the reporting period would increase (decrease) equity and net result by the amounts shown below. This analysis assumes that all other variables remain constant. It has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. The Corporation believes that a movement of 1% in interest rates is reasonable over the next 12 months.

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

|  | Interest rate exposure           |                               |                                |                           | Interest rate risk sensitivity |             |              |           |
|--|----------------------------------|-------------------------------|--------------------------------|---------------------------|--------------------------------|-------------|--------------|-----------|
|  | Floating interest rate<br>\$'000 | Fixed interest rate<br>\$'000 | Non interest bearing<br>\$'000 | Carrying amount<br>\$'000 | -1%<br>Result                  | Equity      | 1%<br>Result | Equity    |
| <b>2018</b>                              |                                  |                               |                                |                           |                                |             |              |           |
| Financial assets:                        |                                  |                               |                                |                           |                                |             |              |           |
| - Cash and Cash Equivalents              | 1,001                            | -                             | -                              | 1,001                     | (25)                           | (25)        | 25           | 25        |
| - Receivables <sup>1</sup>               | -                                | 16,353                        | 9,699                          | 26,052                    | -                              | -           | -            | -         |
| <b>Total</b>                             | <b>1,001</b>                     | <b>16,353</b>                 | <b>9,699</b>                   | <b>27,053</b>             |                                |             |              |           |
| Weighted Average Effective Interest Rate | 1.5%                             | 6.7%                          |                                |                           |                                |             |              |           |
| <b>Financial liabilities:</b>            |                                  |                               |                                |                           |                                |             |              |           |
| - Payables <sup>1</sup>                  | -                                | -                             | 4,986                          | 4,986                     | 3                              | 3           | (3)          | (3)       |
| - Interest bearing liabilities           | 530                              | 39,226                        | -                              | 39,756                    | -                              | -           | -            | -         |
| <b>Total</b>                             | <b>530</b>                       | <b>39,226</b>                 | <b>4,986</b>                   | <b>44,742</b>             | <b>(22)</b>                    | <b>(22)</b> | <b>22</b>    | <b>22</b> |
| Weighted Average Effective Interest Rate | 1.7%                             | 4.8%                          |                                |                           |                                |             |              |           |



|  | Interest rate exposure           |                               |                                |                           | Interest rate risk sensitivity |             |              |           |
|--|----------------------------------|-------------------------------|--------------------------------|---------------------------|--------------------------------|-------------|--------------|-----------|
|  | Floating interest rate<br>\$'000 | Fixed interest rate<br>\$'000 | Non interest bearing<br>\$'000 | Carrying amount<br>\$'000 | -1%<br>Result                  | Equity      | 1%<br>Result | Equity    |
| <b>2017</b>                              |                                  |                               |                                |                           |                                |             |              |           |
| Financial assets:                        |                                  |                               |                                |                           |                                |             |              |           |
| - Cash and Cash Equivalents              | 816                              | -                             | 2                              | 818                       | (58)                           | (58)        | 58           | 58        |
| - Receivables <sup>1</sup>               | -                                | 14,566                        | 10,284                         | 24,850                    | -                              | -           | -            | -         |
| <b>Total</b>                             | <b>816</b>                       | <b>14,566</b>                 | <b>10,286</b>                  | <b>25,668</b>             |                                |             |              |           |
| Weighted Average Effective Interest Rate | 1.50%                            | 7.3%                          |                                |                           |                                |             |              |           |
| Financial liabilities:                   |                                  |                               |                                |                           |                                |             |              |           |
| - Payables <sup>1</sup>                  | -                                | -                             | 4,898                          | 4,898                     | -                              | -           | -            | -         |
| - Interest bearing liabilities           | 657                              | 44,276                        | -                              | 44,933                    | 1                              | 1           | (1)          | (1)       |
| <b>Total</b>                             | <b>657</b>                       | <b>44,276</b>                 | <b>4,898</b>                   | <b>49,831</b>             | <b>(57)</b>                    | <b>(57)</b> | <b>57</b>    | <b>57</b> |
| Weighted Average Effective Interest Rate | 1.7%                             | 5.1%                          |                                |                           |                                |             |              |           |

Note 1 - The amount disclosed in receivables and payables excludes statutory amounts.

## 7.2 Contingent assets and contingent liabilities

At balance date, the Corporation is unaware of any contingent liabilities or assets not recorded or disclosed within the financials statements.

## 8. STATUTORY OBLIGATIONS

### Introduction

This section included disclosures in relation to the Corporation's statutory obligations.

### Structure

- 8.1 Tax
  - 8.1.1 Income tax
  - 8.1.2 Deferred tax assets and liabilities
- 8.2 Environmental contribution
  - 8.2.1 Environmental commitments

### 8.1 Tax

#### 8.1.1 Income tax

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax

assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| Net result before income tax expense  | 4,192          | 3,118          |
| Income tax calculated @ 30% (2017: 30%)   | 1,258          | 936            |
| Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: |                |                |
| Prior year adjustment (Losses)  | -              | 7              |
| Depreciating assets   | -              | 22             |
| Non-deductible expenses   | 15             | 6              |
| <b>Income tax as reported in the comprehensive operating statement</b>                    | <b>1,273</b>   | <b>971</b>     |

## 8.1.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or 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 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.

The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the balance sheet.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### Deferred tax assets

The balance comprises temporary differences attributable to:

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| Amounts recognised in the comprehensive operating statement |                |                |
| Prior and current tax losses                                | 28,578         | 33,084         |
| Provisions and accrued expenditure not deductible           | 1,541          | 1,589          |
|   | 30,119         | 34,673         |
| Movement  |                |                |
| Opening balance 1 July                                      | 34,673         | 37,151         |
| Annual movement   | (4,554)        | (2,478)        |
| <b>Closing balance 30 June</b>                              | <b>30,119</b>  | <b>34,673</b>  |

### Deferred tax liabilities

The balance comprises temporary differences attributable to:

|   |                  |                  |
|---|------------------|------------------|
| Amounts recognised in the comprehensive operating statement |                  |                  |
| Depreciation and revaluation                                | (131,258)        | (134,540)        |
| Other   | -                | -                |
|   | (131,258)        | (134,540)        |
| Movement  |                  |                  |
| Opening balance 1 July                                      | (134,540)        | (136,047)        |
| Annual movement   | 3,282            | 1,507            |
| <b>Closing balance 30 June</b>                              | <b>(131,258)</b> | <b>(134,540)</b> |
| <b>Net deferred tax liabilities</b>                         |                  |                  |
| Deferred tax assets   | 30,119           | 34,673           |
| Deferred tax liabilities                                    | (131,258)        | (134,540)        |
| <b>Net deferred tax liabilities</b>                         | <b>(101,139)</b> | <b>(99,867)</b>  |

## 8.2 Environmental contribution

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| Environmental contribution levy              | 2,557          | 2,557          |
| <b>Total environmental contribution levy</b> | <b>2,557</b>   | <b>2,557</b>   |

The Water Industry (Environmental Contributions) Act 2004 (the Act) amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water authorities. The Act establishes an obligation for authorities to pay into a consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation. The contribution period has been extended until 30 June 2020.

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

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

### 8.2.1 Environmental contribution commitments

At 30 June 2018, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

|   |              |              |
|---|--------------|--------------|
| Within one year   | 3,306        | 2,557        |
| One to five years   | 3,306        | 6,612        |
| <b>Total environmental contribution commitments (GST n/a)</b> | <b>6,612</b> | <b>9,169</b> |

## 9. OTHER DISCLOSURES

### Introduction

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

### Structure

- 9.1 Equity
  - 9.1.1 Contributed capital
  - 9.1.2 Asset revaluation surplus
  - 9.1.3 Accumulated surplus/ (deficit)
- 9.2 Events occurring after the balance date
- 9.3 Responsible persons
- 9.4 Remuneration of Executives
- 9.5 Related Parties
- 9.6 Remuneration of auditors
- 9.7 Ex-gratia expense
- 9.8 Australian Accounting Standards issued that are not yet effective

### 9.1 Equity

#### 9.1.1 Contributed capital

|                                   |                |                |
|-----------------------------------|----------------|----------------|
| Opening balance at 1 July         | 441,165        | 441,165        |
| Capital contributions             | -              | -              |
| <b>Closing balance at 30 June</b> | <b>441,165</b> | <b>441,165</b> |

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

## 9.1.2 Reserves

|                       | 2018<br>\$'000 | 2017<br>\$'000 |
|-----------------------|----------------|----------------|
| Land                  | 1,244          | 1,244          |
| Buildings             | 2,271          | 2,271          |
| Infrastructure        | 145,979        | 146,745        |
| <b>Total reserves</b> | <b>149,494</b> | <b>150,260</b> |

### Movements in reserves during the reporting period

|  | Land<br>\$'000 | Buildings<br>\$'000 | Infrastructure<br>\$'000 | Total<br>\$'000 |
|--|----------------|---------------------|--------------------------|-----------------|
| <b>Opening balance at 1 July</b>                             | 1,244          | 2,271               | 146,745                  | 150,260         |
| Revaluation increment / (decrement)<br>on non-current assets | -              | -                   | (766)                    | (766)           |
| <b>Closing balance at 30 June</b>                            | <b>1,244</b>   | <b>2,271</b>        | <b>145,979</b>           | <b>149,494</b>  |

## 9.1.3 Accumulated surplus/ (deficit)

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Opening balance at 1 July</b>               | <b>23,501</b>  | 20,584         |
| Net profit/ (loss) for the year                | <b>2,919</b>   | 2,147          |
| Transfer from / (to) asset revaluation reserve | <b>766</b>     | 770            |
| <b>Closing balance at 30 June</b>              | <b>27,186</b>  | 23,501         |

## 9.2 Events occurring after balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

## 9.3 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period. The remuneration detailed below excludes the salary and benefit 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.

The persons who held the positions of responsible persons in the Corporation are as follows:

| Title                                   | Name                     | Period of Appointment           |
|---|--------------------------|---------------------------------|
| Minister for Water                      | The Hon. Lisa Neville MP | 1 July 2017 - 30 June 2018      |
| Chair                                   | Ms Jacinta Ermacora      | 1 July 2017 - 30 June 2018      |
| Deputy Chair                            | Ms Georgina Gubbins      | 1 July 2017 - 30 June 2018      |
| Director                                | Mr Michael Crutchfield   | 1 July 2017 - 30 June 2018      |
| Director                                | Mr Mick Murphy, OAM      | 1 July 2017 - 30 June 2018      |
| Director                                | Mr Rob Wallis            | 1 July 2017 - 30 June 2018      |
| Director                                | Ms Sarah-Jane Walsh      | 1 October 2017 - 30 June 2018   |
| Director                                | Mr Kenneth King          | 1 October 2017 - 30 June 2018   |
| Director                                | Ms Helen Scarborough     | 1 October 2017 - 30 June 2018   |
| Director                                | Ms Sharon Lewis          | 1 July 2017 - 30 September 2017 |
| Director                                | Mr Russell Worland       | 1 July 2017 - 30 September 2017 |
| Managing Director / Accountable Officer | Mr Andrew Jeffers        | 1 July 2017 - 30 June 2018      |

## Remuneration

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

| Income band           | 2018<br>No. | 2017<br>No. |
|-----------------------|-------------|-------------|
| \$0 - \$9,999         | 2           | 0           |
| \$10,000 - \$19,999   | 3           | 0           |
| \$20,000 - \$29,999   | 4           | 6           |
| \$40,000 - \$49,999   | 0           | 1           |
| \$50,000 - \$59,999   | 1           | 0           |
| \$260,000 - \$270,000 | 1           | 1           |

Total remuneration received or receivable by responsible persons in connection with the management of the Corporation during the reporting period was in the range: \$490,000 - \$500,000 (\$450,00 - \$460,000 in 2016-17)

### 9.4 Remuneration of executives

The number of executive officers, other than the Minister and Accountable officer, and their total remuneration during the reporting period are shown in the table below.

Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

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

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

| Remuneration (a)                                 | 2018<br>\$'000   | 2017<br>\$'000   |
|--|------------------|------------------|
| Short-term employee benefits                     | 1,029            | 936              |
| Post-employment benefits                         | 99               | 89               |
| Other long-term benefits                         | 24               | 22               |
| Termination benefits                             | 33               | -                |
|  | 1,185            | 1,047            |
| <b>Total number of executives (b)</b>            | <b>No.<br/>6</b> | <b>No.<br/>6</b> |
| <b>Total annualised employee equivalents (c)</b> | <b>5.65</b>      | <b>5.58</b>      |

Notes:

- Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB119 Employee Benefits.
- The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.6).
- Annualised employee equivalent is based on the time fraction worked over the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full time working days per week (this is generally five full working days per week).

## 9.5 Related parties

The Group is a wholly owned and controlled entity of the State of Victoria.

Related parties of Wannon 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
- and controlled business interests

All related transactions and loans have been considered and are deemed to have been entered into on an arm's length basis.

### Significant transactions with government-related entities

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

2018  
\$'000

#### Department Environment, Land, Water and Planning (DELWP)

##### Paid/ payable

Environmental Contribution Levy

2,557

##### Received/ receivable

Bushfire relief funding

701

#### Department Treasury and Finance (DTF)

##### Paid/ payable

Financial Accommodation Levy

463

#### Department Health and Human Services (DHHS)

##### Received/ receivable

Customer Rebates and administration fees

3,380

#### Treasury Corporation of Victoria (TCV)

##### Paid/ payable

Net borrowings during the year

5,177

Borrowing Costs

2,167

#### State Revenue Office (SRO)

##### Paid/ payable

Payroll Tax

693

##### Received/ receivable

Not for Profit rebate

273

#### Environment Protection Authority (EPA)

##### Paid/ payable

Licences

162

#### GWM Water

##### Paid/ payable

Water Service and Supply charges

340

#### Parks Victoria

##### Received/ receivable

12 Apostles Project Funding

1,687

### Key management personnel

| Title                                   | Name                     | Period of Appointment           |
|---|--------------------------|---------------------------------|
| Minister for Water                      | The Hon. Lisa Neville MP | 1 July 2017 - 30 June 2018      |
| Chair                                   | Ms Jacinta Ermacora      | 1 July 2017 - 30 June 2018      |
| Deputy Chair                            | Ms Georgina Gubbins      | 1 July 2017 - 30 June 2018      |
| Director                                | Mr Michael Crutchfield   | 1 July 2017 - 30 June 2018      |
| Director                                | Mr Mick Murphy, OAM      | 1 July 2017 - 30 June 2018      |
| Director                                | Mr Rob Wallis            | 1 July 2017 - 30 June 2018      |
| Director                                | Ms Sarah-Jane Walsh      | 1 October 2017 - 30 June 2018   |
| Director                                | Mr Kenneth King          | 1 October 2017 - 30 June 2018   |
| Director                                | Ms Helen Scarborough     | 1 October 2017 - 30 June 2018   |
| Director                                | Ms Sharon Lewis          | 1 July 2017 - 30 September 2017 |
| Director                                | Mr Russell Worland       | 1 July 2017 - 30 September 2017 |
| Managing Director / Accountable Officer | Mr Andrew Jeffers        | 1 July 2017 - 30 June 2018      |
| Executive Officer                       | Mr Ian Bail              | 1 July 2017 - 30 June 2018      |
| Executive Officer                       | Mr Jeremy Dixon          | 1 July 2017 - 30 June 2018      |
| Executive Officer                       | Mr Simon Hermans         | 1 July 2017 - 30 June 2018      |
| Executive Officer                       | Ms Kellie King           | 1 July 2017 - 30 June 2018      |
| Executive Officer                       | Ms Joanne McBain         | 1 July 2017 - 30 June 2018      |
| Executive Officer                       | Mr Steven Waterhouse     | 1 July 2017 - 30 June 2018      |

### Compensation of KMPs

|                              | 2018<br>\$'000 | 2017<br>\$'000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 1,415          | 1,344          |
| Post-employment benefits     | 140            | 124            |
| Other long-term benefits     | 31             | 28             |
| Termination benefits         | 33             | -              |
|                              | <b>1,619</b>   | <b>1,496</b>   |

### Transactions with key management personnel and other related parties

Given the breadth and depth of Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public. Outside of normal citizen type transactions with the corporation, there were no related party transactions that involved key management personnel related parties.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

### 9.6 Remuneration of auditors

|   |            |            |
|---|------------|------------|
| <b>Victorian Auditor-General's Office</b> |            |            |
| Audit or review of financial statements   | 54         | 52         |
| <b>Other non-audit services</b>           |            |            |
| Other non-audit services (i)              | 117        | 171        |
|   | <b>171</b> | <b>223</b> |

#### Notes

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

### 9.7 Ex gratia expense (i)

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Forgiveness or waiver of debt (ii)    | 33        | 33        |
| <b>Total ex gratia expenses (iii)</b> | <b>33</b> | <b>33</b> |

#### Notes

(i) Includes ex gratia expenses for both individual items and in aggregate that are greater than or equal to \$5,000.

(ii) Forgiveness or waiver of debt relate to high water allowance debt write off due to water leaks.

(iii) The total for ex gratia expenses is also presented in 'other operating expenses' in Note 3.3.



## 9.8 Australian Accounting Standards issued that are not yet effective

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

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2018 reporting period. DTF assesses the impact of all these new standards and advises the Corporation of their applicability and early adoption where applicable.

| Topic  | Key requirements   | Effective Date | Effective date for the entity | Estimated impact   |
|--|--|----------------|-------------------------------|--|
| <b>AASB 9 Financial Instruments</b>  | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 January 2018 | 1 January 2018                | While the preliminary assessment did not identify any material impact arising from AASB 9, it will continue to be monitored and assessed as there will be changes to the way financial instruments are disclosed.  |
| <b>AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]</b>                    | Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, and to amend reduced disclosure requirements.   | 1 January 2018 | 1 January 2018                | This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.   |
| <b>AASB 15 Revenue from Contracts with Customers</b>   | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.   | 1 January 2018 | 1 January 2018                | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. Wannon Water is yet to assess its full impact. However the amendment is expected to have a limited impact. |
| <b>AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15</b>                       | This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.  | 1 January 2018 | 1 January 2018                | This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.  |
| <b>AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</b> | This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.  | 1 January 2019 | 1 January 2019                | This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.   |

|  |   |                |                |   |
|--|---|----------------|----------------|---|
| <b>AASB 2016-3<br/>Amendments<br/>to Australian<br/>Accounting<br/>Standards –<br/>Clarifications to<br/>AASB 15</b>   | <p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> <li>• A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;</li> <li>• For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and</li> <li>• For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).</li> </ul> | 1 January 2018 | 1 January 2018 | The assessment has indicated that there will be no significant impact for Wannon Water.   |
| <b>AASB 2016-8<br/>Amendments<br/>to Australian<br/>Accounting<br/>Standards – Australian<br/>Implementation<br/>Guidance for Not-<br/>for-Profit Entities</b> | <p>AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15.</p> <p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.</p>  | 1 January 2019 | 1 January 2019 | <p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:</p> <p>AASB 9</p> <ul style="list-style-type: none"> <li>• Statutory receivables are recognised and measured similarly to financial assets AASB 15</li> <li>• The "customer" does not need to be the recipient of goods and/or services;</li> <li>• The "contract" could include an arrangement entered into under the direction of another party;</li> <li>• Contracts are enforceable if they are enforceable by legal or "equivalent means";</li> <li>• Contracts do not have to have commercial substance, only economic substance; and</li> <li>• Performance obligations need to be "sufficiently specific" to be able to apply AASB 15 to these transactions.</li> </ul> |

|  |  |                |                |   |
|--|--|----------------|----------------|---|
| <b>AASB 16 Leases</b>                              | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.  | 1 January 2019 | 1 January 2019 | The assessment has indicated that there will be no impact on Wannon Water as there are no leases in place.  |
| <b>AASB 1058 Income of Not-for-Profit Entities</b> | This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives. | 1 January 2019 | 1 January 2019 | The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change. |

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2017-18 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions

AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

AASB 2017-1 Amendments to Australian Accounting Standards - Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4

AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments

AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation

AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle

AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement

*Notes:*

1. For the current year, given the number of consequential amendments to AASB 9 Financial Instruments AASB 15 Revenue from Contracts with Customers, and AASB 16 Leases the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

# CERTIFICATION

## CHAIR'S, ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for the Wannon Region Water Corporation have been prepared in accordance with Standing Direction 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 year ended 30 June 2018 and financial position of the Corporation at 30 June 2018.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 23 August 2018.



J A Ermacora  
Chair  
Wannon Region Water Corporation



A R Jeffers  
Managing Director  
Wannon Region Water Corporation



S J Waterhouse  
Chief Finance & Accounting Officer  
Wannon Region Water Corporation

Dated this 23rd day of August 2018

# Independent Auditor's Report

## To the Board of the Wannon Region Water Corporation

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

---

**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  
27 August 2018



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

# Appendix 1

## DISCLOSURE INDEX (FRD 10A)

The 2017/18 annual report of Wannon Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the corporation's compliance with statutory disclosure requirements.

| Legislation   | Requirement  | Page reference |
|---|--|----------------|
| <b>REPORT OF OPERATIONS</b>   |  |                |
| <b>Charter and purpose</b>  |  |                |
| FRD 22H   | Manner of establishment and the relevant Minister                                      | 12             |
| FRD 22H   | Purpose, functions, powers and duties  | 3, 12          |
| FRD 22H   | Key initiatives and projects   | 15, 49         |
| FRD 22H   | Nature and range of services provided  | 11             |
| <b>Management and structure</b>   |  |                |
| FRD 22H   | Organisational structure   | 23             |
| <b>Financial and other information</b>  |  |                |
| FRD 10A   | Disclosure index   | 104            |
| FRD 12B   | Disclosure of major contracts  | 53             |
| FRD 15E   | Executive officer disclosures  | 42             |
| FRD 22H   | Employment and conduct principles  | 41             |
| FRD 22H   | Occupational health and safety policy  | 44             |
| FRD 22H   | Summary of the financial results for the year  | 46             |
| FRD 22H   | Significant changes in financial position during the year                              | 49             |
| FRD 22H   | Major changes or factors affecting performance   | 46             |
| FRD 22H   | Subsequent events  | 50             |
| FRD 22H   | Application and operation of <i>Freedom of Information Act 1982</i>                    | 51             |
| FRD 22H   | Compliance with building and maintenance provisions of <i>Building Act 1993</i>        | 52             |
| FRD 22H   | Statement on Competitive Neutrality Policy   | 52             |
| FRD 22H   | Application and operation of the <i>Protected Disclosures Act 2012</i>                 | 51             |
| FRD 22H   | Details of consultancies over \$10,000   | 53             |
| FRD 22H   | Details of consultancies under \$10,000  | 53             |
| FRD 22H   | Disclosure of government advertising expenditure                                       | 53             |
| FRD 22H   | Disclosure of ICT expenditure  | 53             |
| FRD 22H   | Statement of availability of other information   | 52             |
| FRD 24D   | Reporting of office-based environmental impacts  | 35             |
| FRD 25C   | Victorian Industry Participation Policy disclosures                                    | 53             |
| FRD 29C   | Workforce data disclosures   | 42             |
| SD 5.2.1  | General information requirements   | 45             |
| SD 5.2.2  | Sign-off requirements  | 5              |
| <b>Compliance attestation and declaration</b>                                     |  |                |
| SD 5.1.4  | Attestation for compliance with Ministerial Standing Directions                        | 50             |
| SD 5.2.3  | Declaration in report of operations  | 5              |
| <b>FINANCIAL STATEMENTS</b>   |  |                |
| <b>Declaration</b>  |  |                |
| SD 5.2.2  | Declaration in financial statements  | 101            |
| <b>Other requirements under Standing Directions 5.2</b>                           |  |                |
| SD 5.2.1(a)   | Compliance with Australian accounting standards and other authoritative pronouncements | 66             |
| SD 5.2.1(a)   | Compliance with Ministerial Directions   | 66             |
| SD 5.2.1(b)   | Compliance with Model Financial Report   | 62             |
| <b>Other disclosures as required by FRDs in notes to the financial statements</b> |  |                |
| FRD 11A   | Disclosure of ex-gratia expenses   | 97             |
| FRD 21C   | Responsible persons and executive officer disclosures                                  | 94             |
| FRD 103G  | Non-financial physical assets  | 65             |
| FRD 110A  | Cash flow statements   | 65             |
| FRD 112D  | Defined benefits superannuation obligations  | 71             |



# Appendix 1

| Legislation   | Requirement | Page reference         |
|---|-------------|------------------------|
| <b>LEGISLATION</b>                                      |             |                        |
| <i>Water Act 1989</i>                                   |             | 12, 19, 28, 38         |
| <i>Freedom of Information Act 1982</i>                  |             | 51                     |
| <i>Building Act 1983</i>                                |             | 52                     |
| <i>Protected Disclosures Act 2012</i>                   |             | 51                     |
| <i>Victorian Industry Participation Policy Act 2003</i> |             | 53                     |
| <i>Financial Management Act 1994</i>                    |             | 5, 50, 57, 66, 94, 101 |

# Appendix 2

## DISCLOSURE OF INFORMATION ON LETTER OF EXPECTATIONS (MRD 07)

| PRIORITY AREA   | MEASURE  | PAGE   |
|---|--|--------|
| Climate Change  | CO2 emissions  | 35     |
|   | Planning for climate adaptation  | 15, 35 |
| Customer & community outcomes                               | Community engagement strategy<br><i>Note: Our Community Engagement Framework is currently an operational document for internal use only but will be developed for publication on our website by 30 June 2019</i>                               | 15, 34 |
| Water for Aboriginal, cultural, spiritual & economic values | Aboriginal procurement strategy<br><i>Note: Our Procurement Policy is currently an operational document for internal use only but will be developed for publication on our website by 30 June 2019</i>   | 16     |
|   | Aboriginal sponsorship   | 16, 43 |
|   | Cross-cultural training  | 16, 43 |
|   | Engagement with Traditional Owners   | 16, 34 |
|   | Traditional Owner Pilot programs   | 16     |
| Resilient & liveable cities & towns                         | Local government engagement  | 34     |
|   | Integrated water management  | 15, 30 |
|   | Water efficiency engagement  | 31     |
|   | Average residential bills  | 25     |
| Recognising recreational values                             | Recreational values in water management  | 16, 36 |
| Leadership & culture  | Diversity & Inclusion<br><i>Note: Our Inclusion and Diversity Management Plan and our Gender Diversity Plan are currently operational documents for internal use only but will be developed for publication on our website by 30 June 2019</i> | 16, 43 |
|   | Occupational Health & Safety   | 16, 44 |
| Financial sustainability                                    | Interest cover   | 48     |
|   | Gearing ratio  | 17, 48 |
|   | Internal financing ratio   | 48     |
|   | Current ratio  | 48     |
|   | Return on assets   | 48     |
|   | Return on equity   | 48     |
|   | EBITDA margin  | 49     |

# Glossary of Terms

|   |   |
|---|---|
| Aquaculture                                     | The culture of aquatic organisms (such as fish, crustacean and aquatic plants) under controlled conditions  |
| Biodiversity                                    | The number and variety of organisms found within a specified geographic region  |
| Biosolids                                       | Organic solids derived from the treatment of sewage, stabilised to the point of being ready for intended safe reuse (e.g. as a soil conditioner)  |
| Bulk entitlement                                | The right and conditions to water held by water corporations and other organisations as defined in the <i>Water Act 1989</i>  |
| Catchment                                       | An area of land on which water may be caught and collected into a stream, reservoir or aquifer  |
| Clear water storage                             | An enclosed in-ground or on-ground storage downstream of a water treatment plant such as a service basin, a tank or a water tower.  |
| Effluent  | An outflow stream from a sewage treatment system  |
| Environment Protection Authority (EPA)          | A Victorian Government statutory authority whose purpose is to protect, care for and improve the environment  |
| Essential Services Commission                   | Victoria's independent economic regulator of prescribed essential utility services supplied by the electricity, gas, water, ports, grain handling and rail freight industries               |
| Greenhouse gas                                  | Any atmospheric gases that contribute to the greenhouse effect  |
| Groundwater                                     | Water beneath the earth's surface in an aquifer or water table  |
| HACCP   | Hazard Analysis and Critical Control Points – a risk management framework used to protect the quality of water  |
| Kilolitre (kL)                                  | One thousand (1,000) litres   |
| Major customer                                  | A customer who uses greater than 40 megalitres of water per year  |
| Megalitre (ML)                                  | One million (1,000,000) litres  |
| OH&S  | Occupational Health and Safety – the protection of the health, safety and wellbeing of employees, contractors and visitors  |
| Permanent Water Saving Measures                 | Measures aimed at encouraging households not affected by higher level water restrictions to encourage ongoing water conservation and best-practice water use                                |
| Potable water                                   | Water for human consumption   |
| Raw water                                       | Water harvested from the surface or below ground prior to any treatment process   |
| Recycled water                                  | Water produced from a sewage treatment plant or industry process, treated to a standard appropriate for reuse   |
| Reticulation                                    | A network of pipes for distributing water to areas of consumption, such as residential districts and individual households  |
| Roof Water Harvesting                           | The process of capturing rain water from roofs in new residential subdivisions and transporting it to an existing raw water storage to be treated before entering the drinking water supply |
| Sewage  | Any human excreta or domestic waterborne waste, whether untreated or partially treated, but does not include trade waste  |
| Sewerage system                                 | The network of pipes, sewers, pump stations, treatment plants and reuse facility or discharge system used to convey of sewage or trade waste  |
| Sludge  | Organic solids that are still in the process of being stabilised.   |
| Stakeholder                                     | An individual or group with an interest in an organisation's operations, such as employees, customers, government bodies or the local community   |
| Stormwater                                      | Rainfall run-off  |
| Sustainability                                  | The balance of governance, economic, environmental and social factors in the delivery of business operations  |
| Trade waste                                     | Waterborne waste other than sewage (e.g. industrial or commercial liquid wastes) suitable for discharge into the sewerage system  |
| Unplanned interruption                          | An unforeseen interruption to a water supply system   |
| Water reclamation plant /sewage treatment plant | A treatment facility for treating sewage or trade waste suitable for safe reuse or discharge to the environment – more commonly known as a sewage treatment plant.                          |
| Water restriction                               | A restriction to regulate the use of water from the water supply system in periods of water shortage  |
| Water supply                                    | The entire water system from headworks, bores, storages, to treatment plant, transfer mains, reticulation mains up to the water meter   |
| Urban Water Strategy                            | A 50-year plan to provide sustainable water supplies for the community into the future  |
| Water treatment plant                           | A treatment facility that removes undesirable characteristics from the water, making it "fit for purpose" (such as safe drinking water)   |

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