

WANNON WATER

# Annual Report

18/19

# Acknowledgement



*Sculpture: "Wet Country / Dry Country" 2006 by Vicki Couzens and Carmel Wallace located at the Kurtonitj property, Budj Bim World Heritage Cultural Landscape, Gunditjmara Country. Image: Ian Bail*

Wannon Water proudly acknowledges the Traditional Owners of Victoria and recognises their continuing connection to land, water and community.

We pay respect to Elders past, present and emerging.

We also recognise and acknowledge the contribution, interests and rights that Traditional Owners and Aboriginal communities and organisations have in land and water management.

We value the opportunity to continue to build relationships and establish new partnerships for the health of people and Country.

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On our cover: The \$4.4 million wind turbine that will power our energy-intensive water and sewage treatment facilities at Portland. Image: Murray Dancey

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## Section 1: Overview

# 2018/19 Snapshot

**34**  
towns  
served

**33**  
million litres of  
drinking water  
provided to  
customers  
each day

**29**  
million litres of  
sewage & trade  
waste treated  
each day

**23,500**  
square km  
region

**1,976**  
kilometres  
of water  
mains

**945**  
kilometres  
of sewer  
mains

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







**100,400**  
regional  
population

**\$797**  
million worth  
of assets

**175**  
litres average  
residential  
consumption  
per person  
per day

**\$5.8**  
billion in  
gross regional  
product

**197**  
FTE  
employees

**37,038**  
sewerage  
customers

**43,302**  
water  
customers



## Responsible body declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present Wannon Water's Annual Report for the year ending 30 June 2019.



Jacinta Ermacora  
Chair  
Wannon Water  
16 August 2019

## Manner of establishment

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.

## Responsible Minister

The responsible Minister from 1 July 2018 to 30 June 2019 was the Hon. Lisa Neville MP, Minister for Water.

# A message from the Chair and Managing Director

Wannon Water is central to the economy and community of the Great South Coast region. While we take great pride in our historic role of delivering essential water and sewerage services to our customers, we have realigned our business to have more far-reaching impacts.

This has been the focus of our 2023 strategic direction *beyond water for strong communities*. This reflects our purpose of providing safe, reliable, innovative and sustainable water services and strengthening our communities. We care about the environment, operating as stewards of our finite resources. We partner to help our region flourish and improve health and wellbeing outcomes. We are willing to embrace challenges and create exciting opportunities as we plan for future generations.

This direction is detailed in our annual Corporate Plan. It aligns with the *Water Act 1989*, the Statement of Obligations, *Water for Victoria* (the Victorian Government's long-term blueprint for investment in water-related activities and the water sector), and the Minister for Water's Letter of Expectations.

As part of the 2018-2023 Pricing Submission, we put our customers at the heart of our planning and decision-making. We embarked on an extensive public engagement program to hear their views. Collective feedback shows they want us to provide reliable services and great value for money while being responsive and resilient. We have promised to do this. This engagement program will now continue on an annual basis. We will check in with our customers to see if we are on track and ensure sustainable business growth well into the future.

We continued to reduce our prices again this year, with average household bills declining by 12 per cent over the past six years. Our annual Customer Value Survey, conducted in April/May, showed that 47 per cent of our customers were very satisfied – a significant increase on the 39 per cent recorded the previous year.



Wannon Water Chair Jacinta Ermacora and Managing Director Andrew Jeffers.

Our 2018 Stakeholder Perception Review also found there were very high levels of satisfaction and perceptions of performance for Wannon Water, resulting in an average rating increase across every indicator compared to the previous survey conducted in 2015.

We achieved a net profit before tax of \$3.14 million, with revenue totalling \$76.67 million and expenses \$73.54 million. More than \$26 million of capital works was completed to enhance the delivery of our services and cater for growth.

Building more resilient communities and stronger, more inclusive businesses has also been a focus for us this year. Around one quarter of households in our service region are on low incomes. Women, young people, people with disabilities and people from diverse cultural backgrounds are over-represented in financial hardship figures. We completed our first Financial Inclusion Action Plan, improving support for our customers, employees, suppliers and the wider community who are experiencing financial hardship. We were also instrumental in launching Australia's first chapter of the Thriving Communities Partnership, an initiative that will build on the strengths and work that already exists in the region to better support people experiencing tough times.

The south-west is a special part of Victoria. It features the diverse landscapes of the Great Ocean Road, the Grampians, the volcanic plains and the Budj Bim World Heritage-Listed Landscape, sacred to the Gunditjmara people. Our commitment to protect and enhance the environment therefore continues to be a priority.

Fostering relationships with local Aboriginal communities and Traditional Owners to better understand their connections to land and water is important to us. We've supported and partnered in initiatives that aim to improve their economic wellbeing while contributing to the restoration of Aboriginal cultural values.

The Great South Coast Integrated Water Management (IWM) Forum brings together all organisations who have an important role to play in the management of our most vital resource. Wannon Water is a key partner in IWM, helping to identify, prioritise and oversee projects that support a long-term, sustainable future for our region.

Positioning for the growth of our region's significant food processing industry is a central focus for our business. As a result, planning and design work continued for our biggest-ever project, a \$40 million upgrade of the Warrnambool Sewage Treatment Plant.

The project includes substantial upgrades to the influent, effluent and septage screening systems at the plant. We are investing in best practice technology that provides a safe, reliable and permanent solution to maximise screening performance and environmental protection. The first stage of the project, which is designed to cater for industrial and residential growth, will begin in late 2019.

The role of water and waste services is central to our region's economy. We've developed important and valued relationships with our key stakeholders and partners to position our region as a great place to live, work and invest. Wannon Water is a key advocate in the Great South Coast Economic Futures Project. This aims to identify opportunities for investment to entice new large-scale industry and infrastructure to the area, providing important pathways for economic growth and improved social outcomes.

This year marked 120 years since the Grampians Water Supply Scheme was engineered to transport water through a long network of pipes to service residents of Hamilton. The scheme has since been expanded and improved but, just 10 years ago, it was challenged by drought and major technical issues. Wannon Water responded by investing in infrastructure, technology and professional training for operators. This investment was rewarded last year when water from the Hamilton Water Treatment Plant was named Australia's best tasting tap water. It went on to international level in 2019 to be judged as the second best municipal water in the world.

Although this was a major highlight in 2018/19, there are many other achievements detailed throughout the pages of this annual report. Our commitment to the strategic direction and the delivery of essential services would not be possible without the strong backing of the Board and the dedication and commitment of our employees.

Looking forward, we are confident we can meet our promises and build on our success as we continue to work together *beyond water for strong communities*.



**Jacinta Ermacora**  
Chair



**Andrew Jeffers**  
Managing Director



# Key developments

*Wannon Water's longest-serving employee, John Harris, proudly displays Hamilton's award-winning water. Image: Water Industry Operators Association of Australia.*

## The Best Tasting Tap Water in Australia

**A major highlight for Wannon Water this year was the announcement that Hamilton has the best tasting tap water in Australia.**

The win recognises the passion of our dedicated employees who work to ensure our customers receive safe, clear and fresh drinking water every day.

Raw water for the Hamilton Water Treatment Plant is sourced from streams in the southern ranges of the Grampians National Park, about 50 kilometres to the north-east. Once treated, the award-winning water is supplied to 6,000 customers in Hamilton as well as the townships of Dunkeld and Tarrington.

Samples of the water were selected as the best at a local level by Wannon Water's Board members and employees in June last year. They scored samples from across our service region against a range of criteria, including colour, clarity, odour and mouthfeel, with Hamilton coming out on top.

The water was then entered into the annual Water Industry Operators Association's state competition held at Bendigo in August. A panel of independent judges voted it the best in Victoria against samples from 15 other water corporations.

In October, Hamilton represented Victoria at the fourth annual Ixom Best Tap Water in Australia competition held in Queensland. Members of the public at Toowoomba's Grand Central Shopping Centre were invited to judge five samples from Hamilton, Yeppoon in Queensland, Port Macquarie in New South Wales, Greater Hobart in Tasmania and Woolpunda in South Australia. Once again, Hamilton came out as the top drop.

Hamilton's water was named second best municipal tap water in the world at the 29th annual International Water Tasting Competition held in the United States in February.

The event, held in the historic West Virginian spa town of Berkeley Springs, attracted entries in a number of categories, including municipal water, purified water and sparkling water. Known as the Olympics of Water, it is the longest-running and largest water tasting competition in the world.

A panel of 10 expert judges and more than 300 members of the public were involved in the tasting session. The winning water was from Clearbrook in British Columbia, Canada, which also won the prize last year and is the biggest medal winner in the event's history.



Wannon Water's longest-serving employee, Operations Manager John Harris, was on hand to accept the international silver medal, along with Western Treatment Operations Coordinator Tim Holmes. Judges commented on the "impressively high calibre of water entries".

As a follow-up campaign, Wannon Water partnered with the Port Fairy Folk Festival Committee to drastically reduce the use of single-use plastic water bottles by supplying Australia's Best Tasting Tap Water to the world-renowned event. Water from Hamilton was delivered to the festival site, with volunteers and patrons encouraged to fill up for free using their own reusable water bottles at one of six hydration stations located around the arena. A survey of 1,803 folkie patrons (20 per cent of the total

attendees) showed that more than 84 per cent rated the Great Tasting Water as either "good" (18 per cent) or "excellent" (66 per cent). The initiative was highly successful, with 51 per cent less waste going to landfill compared to the 2018 event.

Recognition of our Hamilton water on the state, national and international stages is a huge accolade for Wannon Water's dedicated team of employees. It's a tribute to their hard work and passion in ensuring that our customers receive clear, fresh drinking water every day.

We acknowledge that the awards provide a boost for the entire area, and give people a great reason to visit, live, work and invest in Hamilton, Dunkeld and Tarrington.

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*Solar panels on the clear water storage tank at the Warrnambool Water Treatment Plant. Image: Murray Dancey.*





The \$4.4 million capital cost of the turbine will be paid back within 10 years through reduced energy bills.

## Our actions to combat climate change

Wannon Water is committed to becoming a more environmentally sustainable business by reducing our impact on climate change.

We have pledged to reduce greenhouse gas emissions by 40 per cent by the year 2025 and achieve net-zero carbon emissions by 2050. Our Carbon Neutrality Action Plan outlines key initiatives to meet these targets which are set out in the State Government's *Water for Victoria* plan.

Energy is a significant operational cost for our business so these initiatives will not only help the environment, but provide future savings for our customers.

A major achievement this year was the construction of an 800-kilowatt wind turbine at the Portland Sewage Treatment Plant.

Wannon Water will become the first water corporation in Australia to own and operate a wind turbine of this scale once it is commissioned in the next few months. It will also be the first wind turbine 100 per cent owned and operated by a Victorian Government entity in more than 30 years.

The turbine will produce more than two gigawatt hours of renewable energy each year to power the city's energy-intensive water and sewage treatment facilities and reduce carbon emissions by an average of 2,500 tonnes a year.

The \$4.4 million capital cost of the turbine will be paid back within 10 years through reduced energy bills.

The project also supported regional economic growth and prosperity with local companies Keppel Prince sub-contracted to manufacture the tower using local steel, and G.R. Carr completing the civil works.

Reinforced concrete piles were driven 20 metres into the bedrock to support the 50-metre high steel tower, Enercon gearbox-less generator and 24-metre long blades.

We also joined 12 other Victorian water corporations to sign a new energy partnership, known as Zero Emissions Water (ZEW), a first of its kind in Australia.

Wannon Water has committed to support the generation of four gigawatt hours of electricity each year from the Kiamal Solar Farm in north-west Victoria, which is the equivalent of 20 per cent of our annual energy needs. The project is another innovative example of how Wannon Water is reducing our overall energy costs and carbon emissions.

Other initiatives include the installation of a 250-kilowatt solar photovoltaic (PV) system at the Warrnambool Water Treatment Plant, and 100-kilowatt systems at the Hamilton Water Treatment Plant and our Gateway Road corporate office.

We also have a 50-year agreement with CO2 Australia to manage a landmark carbon offset project which was the first of its kind in the Victorian water industry. Blue Mallee plantations were established across 360 hectares of land in 2009, sequestering an average of 2,500 tonnes of CO2 each year.





# 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.*

## NATURE AND RANGE OF SERVICES PROVIDED

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 World Heritage-Listed Budj Bim Cultural 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 209-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.



## 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 (this system is supplemented by the Warrnambool Roof Water Harvesting Scheme)	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

## Customers

Our customer base is composed of 85 per cent residential customers, 11 per cent business customers and four per cent rural customers connected to the water supply.

Customer segment	Number of customers connected	Total water consumption (megalitres)	Percentage of total consumption	5-year average consumption (megalitres)	Average consumption per customer 2018/19 (kilolitres)
Residential	36,886	5,430	45%	5,268	147
Business	4,637	5,047	42%	4,808	1,089
Rural	1,779	1,508	13%	1,550	848
<b>Total</b>	<b>43,302</b>	<b>11,986</b>	<b>100%</b>	<b>11,626</b>	<b>277*</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.*

## Growth

We provide water services to a total of 43,302 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 2018/19, with 232 new customers connected to a reticulated water service.

We provide sewerage services to a total of 37,038 residential, commercial and industrial customers across 16 sewerage systems. The total growth in the number of sewerage customers was 0.6 per cent in 2018/19, with 221 new customers connected to a reticulated sewerage service.

# Section 2: Our purpose and strategic direction



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



OUR FOCUS IS ON:



2023 OUTCOMES:





# 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 strategic direction

### ***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 strategic direction underpins our focus on supporting stronger communities.

## Our purpose

***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 areas of focus and priorities:

### ***Value for our customers***

- Deliver on our customer promises developed through engagement with customers and community.
- Mature our ongoing engagement program.
- Implement our water taste improvement program.
- Lead the establishment of Integrated Water Management across our region.

### ***Stronger communities***

- Enhance the health of the region's natural capital and preserve cultural values.
- Deliver on initiatives and partnerships to strengthen communities.
- Enhance local capacity to take action on climate change.
- Be purposeful and strategic in our leadership and advocacy work.

### ***Performance culture***

- Be an employer of choice in Victoria.
- Advance gender diversity and Aboriginal inclusion.
- Build resilience and capabilities to respond to future workforce dynamics.

### ***Business excellence***


- Maintain financial viability and optimise asset performance.
- Protect, optimise and leverage our information to generate new knowledge.
- Advance our strategic framework and planning cycle.
- Embrace digital evolutions.
- Collaborate and share our experiences, knowledge and expertise.

# Performance against objectives

## Value for customers

KEY PROJECT/INITIATIVE	COMMENT	STATUS
DELIVER ON OUR CUSTOMER PROMISES DEVELOPED THROUGH ENGAGEMENT WITH CUSTOMERS AND THE COMMUNITY		
Plan for new channels of communication to enable timely information on restoration of services to be provided to customers	Planning has progressed to enhance notifications to customers. During the year we began to map the process required to notify customers by SMS of planned interruptions to their service. Planning will continue, including appropriate engagement prior to implementation.	✓
Deliver new modes of contemporary customer services	This year we rolled out SMS bill reminders to Warrnambool customers and developed a customer experience systems roadmap. Due to work completed this year, in early 2019/20 multiple new services will be available to customers including the <i>myWannonWater</i> online portal, an online booking system for plumbers and online credit card payments.	●
Implement the <i>Water for Community</i> Program	More than 200 community organisations accessed almost \$200,000 in water rebates through Wannon Water's <i>Water for Community</i> Program.	✓
Review the Rural Water Surcharge	We received 102 responses from rural customers as part of a review of the Rural Water Surcharge System. A complex system, the review will take longer than planned. In recognition of this, the Rural Water Surcharge was reduced from \$2.55/kL to \$2.00/kL effective from 1 July 2019.	✓
Invest in infrastructure improvements	During 2018/19, more than \$25 million was invested to ensure our infrastructure provides the services our customers expect.	✓
MATURE OUR ONGOING ENGAGEMENT PROGRAM		
Run the first round of the annual Wannon Water Engagement Cycle	Year one of our first Wannon Water Engagement Cycle was completed successfully. A total of 1,661 instances of engagement occurred during the period, with feedback considered in development of our 2019-24 Corporate Plan.	✓






KEY PROJECT/INITIATIVE	COMMENT	STATUS
<b>IMPLEMENT OUR WATER TASTE IMPROVEMENT PROGRAM</b>		
Develop business cases to improve the taste of water at Portland, Port Fairy and Heywood	A feasibility study was developed, flagging the need for engagement to obtain additional necessary information to support the preparation of a business case for investment at a later date.	

## LEAD THE ESTABLISHMENT OF INTEGRATED WATER MANAGEMENT ACROSS OUR REGION

Implement an Integrated Water Management (IWM) Forum	The Great South Coast IWM Forum, established in June 2019, convened on four occasions during 2018/19. We are a key driver, providing significant resourcing to support the forum.	
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## Strengthen communities

KEY PROJECT/INITIATIVE	COMMENT	STATUS
<b>ENHANCE THE HEALTH OF THE REGION'S NATURAL CAPITAL AND PRESERVE CULTURAL VALUES</b>		
Develop a Natural Asset Management Plan	We completed a Natural Assets Management Plan to guide our ongoing management of flora and fauna across the 2,500 hectares of land under our management.	
Support and sponsor the Clean Oceans Collective	We continued to resource and provide financial support to the Clean Oceans Collective initiative during 2018/19. We were an active member of, and provided secretariat support to, the steering committee of government and community stakeholders. Community workshops were delivered by the nationally recognised marine debris experts, the Tangaroa Blue Foundation. More than 900 community members were engaged and a local Beach Patrol Group was formed that continues to carry out community awareness, beach cleans and data logging in the national database.	
Planning for future stock and domestic water security	We continued to advocate for a stock and dairy water security study in our region; contributed seed funding to the Food & Fibre Council; participated in oversight of the South West Economic Futures Project scope; and, in collaboration with the Food & Fibre Council, formed a regional working group to focus on water-related agricultural productivity.	

KEY PROJECT/INITIATIVE	COMMENT	STATUS
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## DELIVER ON INITIATIVES AND PARTNERSHIPS TO STRENGTHEN COMMUNITIES

Deliver Wannon Water's inaugural Financial Inclusion Action Plan	We were invited to be one of 30 'trailblazer' organisations across Australia to work with Good Shepherd Microfinance on the development of a Financial Inclusion Action Plan (FIAP). Our FIAP was finalised in November 2018 with the aim of helping those who are disadvantaged and vulnerable to transition to a more stable, safe and financially secure status.	✓
Participated in the nationwide Thriving Communities Partnership (TCP)	In addition to participation in the nationwide TCP, we were instrumental in bringing together a group of south-west Victorian organisations committed to a goal that everybody has fair access to the modern essential services they need to thrive in contemporary Australia. The TCP SW Victoria Chapter was launched in April 2019.	✓
Participate in regional partnerships that align with our regional priorities for focus	We were an active partner with various regional organisations during the year, creating shared value. The Great South Coast Group, Catchment Management Authorities, local government authorities, local Traditional Owner Groups, TCP and IWM Forum were some of the organisations we collaborated and/or partnered with.	✓
Embed Wannon Water's <i>Ripple Effect</i> program	Programs supported by our <i>Ripple Effect</i> program concluded in 2018/19. Given financial constraints, it was decided to concentrate on improving the efficiency of the program's application and assessment processes during 2018/19, rather than award funds to recipients. From that end, a system has been implemented that will significantly enhance the fund applicant and recipient experience. In addition, it will result in a far streamlined administrative process internally.	✓
Deliver Great Tasting Water at Portland District Health	In 2018, we partnered with Portland District Health in a pilot project that will have broad benefits for community health and wellbeing. The Great Tasting Water project improved the taste of tap water at the Portland hospital and encouraged people to use it as a healthy alternative to sugary drinks.	✓
Complete construction of 12 Apostles pipeline	Construction of infrastructure to support the 12 Apostles precinct did not commence. In addition to extensive engagement and planning, the scope of works and funding agreements are now in place with construction expected to begin in 2019.	✓

KEY PROJECT/INITIATIVE	COMMENT	STATUS
ENHANCE LOCAL CAPACITY TO TAKE ACTION ON CLIMATE CHANGE		
Implement the Portland Renewable Energy Project	We completed the construction of a wind generator that will power Portland's water and sewage treatment facilities in June 2019. Commissioning will occur in early 2019/20.	✓
Implement our Carbon Action Plan	In addition to the construction of the Portland Renewable Energy Project, installation of 250kW of Solar PV at Warrnambool WTP occurred during 2019, reducing operating costs by up to 40 per cent per year.	✓
Partner for a Port Fairy Clean Energy Precinct	In partnership with Bamstone, Southern Ocean Mariculture, Sun Pharma and Moyne Health Services, the Port Fairy Smart Energy Precinct concept was launched in 2018. The group is currently investigating funding sources for the project which it hopes to develop in the next few years.	✓
BE PURPOSEFUL AND STRATEGIC IN OUR LEADERSHIP AND ADVOCACY WORK		
Develop Community Strategy 2018-23	Building upon the foundational work completed during the inaugural community strategy, we developed and endorsed our second strategy Partnering for Stronger Communities 2018-23.	✓

## Performance culture

KEY PROJECT/INITIATIVE	COMMENT	STATUS
BE AN EMPLOYER OF CHOICE IN VICTORIA		
Safety, health and wellbeing: embed the <i>Zero Harm</i> philosophy	<i>Zero Harm</i> is a new initiative, encompassing the physical and mental wellbeing of our people, and the health of the environment we work in. While we did not achieve the level of uptake we had planned, we did see some positive results. This was a direct result of a significant refocus on our safety culture and reallocation of resources. An increase in hazard identification and reporting, a reduction in injuries, no lost-time injuries in the last six months and re-certification of our Safety Management System were highlights. Our annual survey showed 96 per cent of employees agreed that a safe work environment is provided by Wannon Water.	●

KEY PROJECT/INITIATIVE	COMMENT	STATUS
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Employment: pilot and support different employment pathway opportunities

We worked with local Aboriginal groups and employment agencies to support two Aboriginal employees with traineeships and work during the year. In addition, we continued support of the next generation of employees via our engineering scholarship, traineeship program, Future Leaders of Industry program, and careers expos. Four employees undertook secondments during the year.



Strategic alignment: focus on engagement and commitment to our strategic direction

Survey results indicate that our employees' engagement and commitment to our *beyond water for strong communities* strategic direction remains strong compared to industry benchmarks. Strengthening employees' line of sight to our strategic direction has been a focus during the year.



## ADVANCE GENDER DIVERSITY AND ABORIGINAL INCLUSION

Aboriginal inclusion: implement a cultural awareness program

We formalised and implemented a cultural awareness program that has included partnering with Glenelg Hopkins CMA on employee inductions, cultural awareness tours of Tower Hill, involvement in Aboriginal community groups such as Wata Waetnanda and increased support of, and participation in, community National Reconciliation Week activities.



Gender diversity: better utilise our data to drive outcomes

We have enhanced the collection and use of data which informs our decision making, especially in the recruitment area regarding gender diversity. Almost 50 per cent of appointments during the year were female.



## BUILD RESILIENCE AND CAPABILITIES TO RESPOND TO FUTURE WORKFORCE DYNAMICS

Leadership: implement year two of Leading Managers' Program

Equipping our managers with the tools to lead effectively was the focus of the Leading Managers Program. Our employees indicated that they saw a positive change within managers who participated in the program.





## Business excellence

KEY PROJECT/INITIATIVE	COMMENT	STATUS
MAINTAIN FINANCIAL VIABILITY AND OPTIMISE ASSET PERFORMANCE		
Implement our Asset Management Strategy	We made satisfactory progress towards all 10 outcomes within the Asset Management Strategy. The strategy is a five-year plan that aims to further improve and consolidate our asset management practices.	✓
PROTECT, OPTIMISE AND LEVERAGE OUR INFORMATION TO GENERATE NEW KNOWLEDGE		
Establish a cyber-resilience governance framework	A Cyber Resilience Strategy, including a Board and management governance framework, was established in 2018.	✓
Implement an information governance framework	We enhanced our information governance function during the year through the establishment of an Enterprise Information Management Strategy.	✓
Develop a business intelligence platform	Our business intelligence platform was established during 2018 and is being increasingly used to produce timely and relevant information to support decision-making.	✓
ADVANCE OUR STRATEGIC FRAMEWORK AND PLANNING CYCLE		
Continuous improvement of our strategic planning	Our planning cycle was enhanced further during 2018/19. The deliberate approach to engage earlier and with more stakeholders resulted in an improved and more aligned business plan.	✓
EMBRACE DIGITAL EVOLUTIONS		
Develop a Digital Strategy	Development of the Digital Strategy was re-prioritised during 2019 due to conflicting priorities. A Digital Policy and Digital Strategy are both under development and will be completed by Q1 2019/20.	●
COLLABORATE AND SHARE OUR EXPERIENCES, KNOWLEDGE & EXPERTISE		
Share our experiences, knowledge and expertise	We have collaborated with and supported a large range of organisations in areas including governance, reporting, research, public and environmental health, training, emergency management and leadership development.	✓
Learn from others	As part of our continuous improvement mindset, we provided 48 hours per employee of learning and development.	✓

# Section 3: Our customers

**To ensure we remain a relevant service provider we must continue to provide value to our customers.**

**Our customers include households, businesses, industrial and rural enterprises.**

## Understanding customer needs

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.

One of our promises to customers is that we will be responsive and willing to adapt as their needs change. Keeping this in mind, in addition to our project specific engagements, 2018/19 saw the delivery of our inaugural Wannon Water Engagement Cycle (WVEC). The WVEC ensures customers, stakeholders and community members can provide valuable input and advice to help inform Wannon Water's decision-making, quality improvement and annual corporate plan.

This year our WVEC informed the development of our 2019/20 Corporate Plan and provided an avenue to check in on our performance on our customer promises. The WVEC used multiple tools, including:

- An independent stakeholder perceptions review with our regional and statewide organisational stakeholders;
- Customer value surveying, via phone, online and at community events; and
- Direct engagement with customers and communities in focus groups at locations throughout our service region.

Wannon Water's Regional Advisory Forum (RAF) was recruited and inducted for the duration of the 2018-2023 pricing period. Serving as the peak body for our community engagement, this group will:

- Contribute to the development of annual WVEC's;
- Consider the findings from our engagements;

- Provide greater visibility of issues relevant to customer and community groups; and
- Provide comment on draft annual Wannon Water corporate plans.

The RAF includes people from throughout our service region, residential and business customers, members of local government and representatives of vulnerable members of the community. It also has representation from various sectors including regional prosperity, education, training and volunteering, health and wellbeing, and our natural environment.

In 2018/19, the WVEC achieved 1,661 instances of engagement (see infographic for further details).

# 1,661



instances  
of  
engagement



**Peak body  
inducted**

## Survey

respondents:

- 523 by phone
- 986 online
- 73 at events

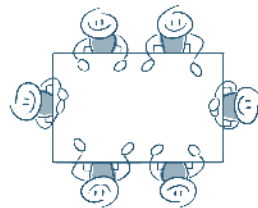


# 8

Go-to  
community  
group  
meetings

- Multiple sectors
- 5 local government areas represented

# 6



Wannon Water-  
hosted come-to  
sessions

**Multiple consumer  
types engaged**

- Residential
- Small business
- Major customers
- Non-bill payers
- Vulnerable customer groups
- Rural

# 39

Key  
stakeholder  
perception  
interactions



- 6 councils
- Developers
- 2 Catchment Management Authorities
- Major customers
- Media
- Regulators
- Community/health advocacy agencies
- Education institutions
- Water industry
- Farmer representatives
- State Government



# 129

instances of  
face-to-face  
engagement

Our annual Customer Value Survey, conducted in April/May, showed that 47 per cent of our customers were very satisfied with Wannon Water overall – a significant increase on the 39 per cent recorded the previous year.

Customer insights derived from the 2018/19 WVEC were:

- Customers appreciate Wannon Water's willingness to have open and transparent conversations, and provide an opportunity to listen;
- Wannon Water is highly respected for the role it plays in the community, and the role it takes as a regional leader;
- It is important that Wannon Water maintains a balance between core business and a community leadership role;
- Cost is an ongoing concern, with limited understanding of the billing structure;

- Water quality improvements are desired, particularly (not exclusively) in groundwater towns;
- Groundwater towns cited ongoing impacts to business, households and wider community (i.e. health, costs) due to water quality;
- Customers value the opportunity to be heard, and learn more about Wannon Water.

Consequently there are multiple initiatives in the 2019/20 Corporate Plan in response to these insights, such as implementation of the *myWannonWater* online portal, development of a customer experience strategy, review of the rural water surcharge, supporting integrated water management in the region, and progression of the great tasting water project.

## Customer bills

Wannon Water has a great track record in delivering efficiencies for the benefit of our customers without any reduction in customer service levels. Our prices reflect Wannon Water's strategic direction of going *beyond water for strong communities* and our commitment to delivering long-term value for customers.

In 2018/19, owner-occupiers in the Wannon Water region paid an average bill of \$1,113. This figure was based on our region's average residential consumption of 147 kilolitres per annum. The annual bill for a residential customer with a consumption of 200 kilolitres was \$1,227.

## Social sustainability

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

Community Service Obligations	2018/19 (\$)	2017/18 (\$)	2016/17 (\$)	2015/16 (\$)	2014/15 (\$)
Concession card rebates	3,354,142	3,335,651	3,207,310	3,115,967	2,958,770
Not-for-profit organisation rebates	314,577	272,774	254,145	259,618	259,898
Utility relief grant scheme	94,976	60,760	78,093	88,384	73,141
Water usage life machine rebates	1,859	2,280	1,024	1,185	1,520
Water for Community rebate*	194,354	N/A	N/A	N/A	N/A
<b>Total</b>	<b>3,959,908</b>	<b>3,671,465</b>	<b>3,540,572</b>	<b>3,465,154</b>	<b>3,293,329</b>

\* NOTE – Offered for the first time in 2018/19

## Assisting customers experiencing difficulty in paying bills

Wannon Water offers flexible instalment payment plans to customers who prefer to pay by regular instalments. As at 20 June 2019, instalment plans were in place for 2,905 customers.

Other tailored assistance to customers in financial hardship included:

- Encouraging customers receiving Centrelink payments to use the Centrepay facility;
- Assisting customers to complete government-funded rebate and grant scheme applications;
- Providing information on how to reduce household water consumption;
- Referring customers to a free, independent financial counselling service;
- 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; and
- Providing home water audits by a licensed plumber and some assistance for repairs to leaks in conjunction with the DELWP Community Rebate Program.

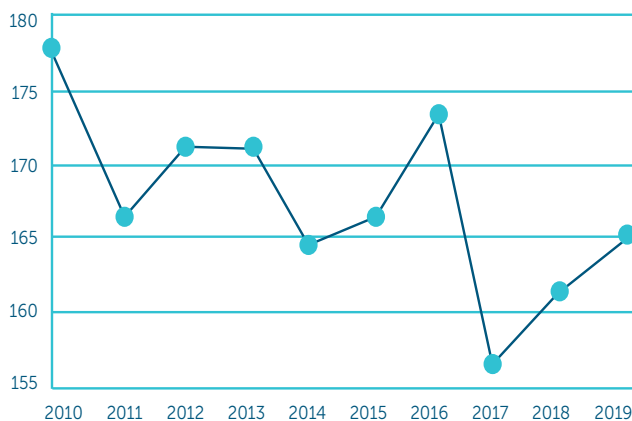
Customer assistance	Number of customers 2018/19	Total value 2018/19 (\$)	Number of customers 2017/18	Total value 2017/18 (\$)	Number of customers 2016/17	Total value 2016/17 (\$)	Number of customers 2015/16	Total value 2015/16 (\$)
High water usage allowances	346	203,471	327	126,139	266	131,840	276	110,377
Hardship rebates	184	54,234	146	33,501	208	42,523	256	61,728
<b>Total</b>	<b>530</b>	<b>257,705</b>	<b>473</b>	<b>159,640</b>	<b>474</b>	<b>174,363</b>	<b>532</b>	<b>172,105</b>

# Water consumption

Total water consumption decreased by 0.4 per cent to 11,986 megalitres in 2018/19 compared to 12,032 megalitres for 2017/18.

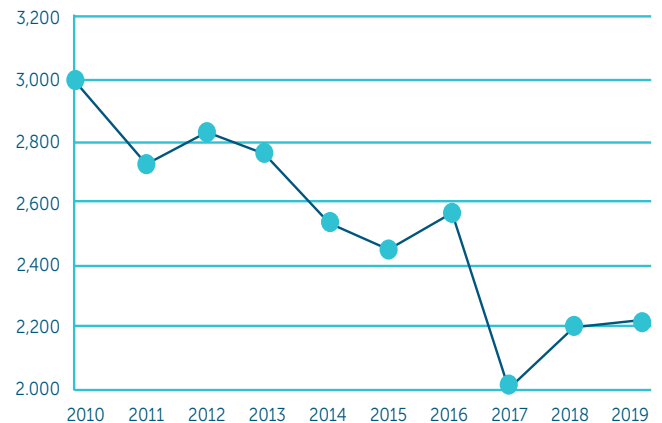
Residential water use per person per day was 175 litres. When climate-corrected, residential water use per person per day was 165 litres, up two per cent compared to 161 litres in 2017/18.

Residential Water Use (litres/person/day)



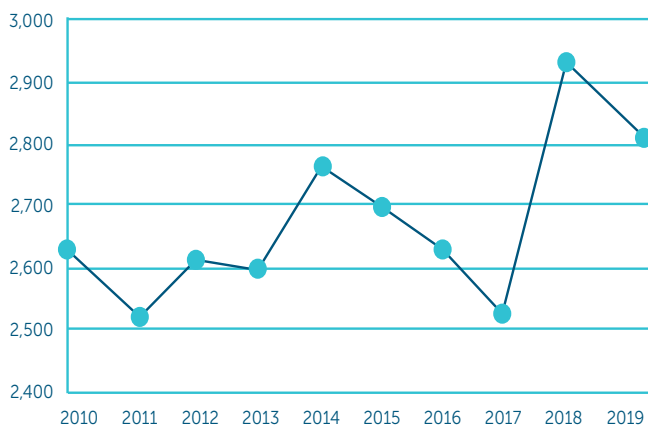
Rural water use per connection (when climate corrected) increased 0.4 per cent compared to the previous year.

Rural Water Use (litres/connection/day)



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

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





# WATER CONSUMPTION BY TOWN/CITY (MEGALITRES) 2018/19

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	321	52.6	39	57.7	9	35.4	369	145.8	133.5	194
Balmoral	106	14.1	29	12.6	17	9.1	152	35.8	31.3	158
Balmoral Pipeline*	-	-	-	-	3	12.6	3	12.6	9.0	-
Camperdown	1,635	250.4	216	156.2	-	-	1,851	406.6	377.2	182
Camperdown Rural	-	-	-	-	403	474.5	403	474.5	485.6	-
Caramut	56	9.4	12	10.8	7	2.9	75	23.1	17.6	200
Caramut Pipeline*	-	-	-	0.0	12	2.6	12	2.6	3.1	-
Casterton	821	108.8	145	62.8	24	8.3	990	179.9	167.6	157
Cavendish	75	8.5	19	2.2	4	1.5	98	12.3	11.8	135
Cobden Rural	-	-	-	-	18	21.3	18	21.3	25.3	-
Cobden Urban	719	110.4	105	558.7	86	85.1	910	754.2	706.1	182
Coleraie	517	55.0	83	31.6	15	6.2	615	92.9	84.0	126
Coleraie Pipeline*	-	-	-	-	4	2.3	4	2.3	1.4	-
Darlington*	19	2.4	3	0.6	-	-	22	3.0	3.3	147
Dartmoor	126	13.8	18	5.3	-	-	144	19.1	16.6	129
Dunkeld	313	58.8	48	25.3	29	13.6	390	97.7	89.6	223
Glenthompson	99	9.9	24	2.4	8	0.8	131	13.2	12.0	119
Hamilton	4,764	745.2	638	241.8	42	22.0	5,444	1,009.1	971.8	186
Hamilton Pipeline*	-	-	-	-	37	14.5	37	14.5	17.6	-
Heywood	656	96.5	106	30.6	1	0.3	763	127.4	122.7	174
Konongwootong Pipeline*	-	-	-	-	65	31.0	65	31.0	37.1	-
Koroit	759	115.9	56	204.2	3	3.6	818	323.7	284.9	181
Lismore & Derrinallum	353	44.7	75	18.3	79	58.6	507	121.6	106.2	150
Macarthur	135	14.8	35	3.6	2	0.4	172	18.9	17.7	130
Merino	128	16.7	19	5.1	36	12.6	183	34.4	34.2	155
Mortlake	580	89.1	92	56.2	5	4.8	677	150.1	142.9	182
Noorat & Glenormiston	161	27.5	19	21.1	78	56.8	258	105.4	103.7	203
North Otway Pipeline*	-	-	1	1,102.5	452	438.6	453	1,541.1	1,424.2	-
Penshurst	268	36.1	51	26.5	1	0.3	320	62.9	54.3	160
Peterborough	337	23.6	15	12.5	10	9.9	362	46.0	42.1	83
Port Campbell	261	29.7	40	52.1	-	-	301	81.8	76.6	135
Port Fairy	2,161	281.4	231	277.2	2	0.1	2,394	558.7	564.5	154
Portland	5,138	717.6	690	660.3	6	1.4	5,834	1,379.3	1,378.6	166
Purnim	-	-	-	-	99	30.2	99	30.2	22.8	-
Sandford	59	7.9	4	0.5	28	8.7	91	17.1	20.0	158
Simpson	78	10.0	19	43.9	10	12.6	107	66.5	57.6	152
Tarrington	143	24.5	5	2.9	16	5.1	164	32.5	31.8	203
Terang	948	141.9	142	48.9	1	5.5	1,091	196.3	195.8	178
Timboon	420	61.8	82	39.3	105	63.3	607	164.3	168.5	174
Tullich Pipeline*	-	-	-	-	7	1.6	7	1.6	1.8	-
Warrnambool	14,730	2,251.3	1,576	1,273.6	25	26.4	16,331	3,551.3	3,552.3	181
Willaura Pipeline*	-	-	-	-	30	23.8	30	23.8	21.1	-
<b>Totals</b>	<b>36,886</b>	<b>5,430</b>	<b>4,637</b>	<b>5,047</b>	<b>1,779</b>	<b>1,508</b>	<b>43,302</b>	<b>11,986</b>	<b>11,626</b>	<b>175</b>

\* Non-drinking water districts

## TOTAL DRINKING AND NON-DRINKING WATER CONSUMPTION (MEGALITRES) 2018/19

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	36,867	5,428	4,633	3,944	1,169	981	42,669	10,354	10,107
Non-drinking water	19	2	4	1,103	610	527	633	1,632	1,519
<b>Totals</b>	<b>36,886</b>	<b>5,430</b>	<b>4,637</b>	<b>5,047</b>	<b>1,779</b>	<b>1,508</b>	<b>43,302</b>	<b>11,986</b>	<b>11,626</b>

## WATER CONSUMPTION BY SYSTEM (MEGALITRES)

System	2018/19 volume (ML)	Change (%)	2017/18 volume (ML)	Change (%)	2016/17 volume (ML)	Change (%)	2015/16 volume (ML)	Change (%)	2014/15 volume (ML)	Change (%)
East Dilwyn	292	3%	284	11%	256	-20%	320	13%	283	3%
Grampians	1,251	3%	1,211	9%	1,116	-10%	1,238	7%	1,163	2%
Other	141	16%	122	6%	115	-24%	152	13%	134	-5%
Otway	7,889	-2%	8,056	14%	7,038	-9%	7,739	5%	7,369	1%
Tullich	328	10%	299	9%	275	-20%	345	16%	298	3%
West Dilwyn	2,084	1%	2,060	6%	1,937	-11%	2,182	2%	2,149	-4%
<b>Totals</b>	<b>11,986</b>	<b>0%</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>

## NON-REVENUE WATER

	2018/19 (ML)	2017/18 (ML)
Leakage	1,458	1,356
Fire fighting	8	8
Other (including flushing)	28	25
<b>Total</b>	<b>1,494</b>	<b>1,389</b>

## CORPORATE WATER CONSUMPTION 2018/19

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*	119	3,530	236	2.0	67
15 Townsend St, Portland	5	278.4	27	5.4	97
66 Gray St, Hamilton	6	614.7	39	6.5	63
<b>Total</b>	<b>130</b>	<b>4,423.1</b>	<b>302</b>	<b>2.3</b>	<b>68</b>

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

## 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 2018/19	No. customers 2017/18	No. customers 2016/17	No. customers 2015/16	No. customers 2014/15
100ML to 200ML	3	1	2	2	0
200ML to 300ML	0	2	2	1	3
300ML to 400ML	2	1	1	1	1
400ML to 500ML	0	1	0	2	1
500ML to 750 ML	1	1	1	0	0
750ML to 1,000ML	0	0	1	1	1
Greater than 1,000ML	1	1	0	0	0
<b>Total no. of customers</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>6</b>

## MAJOR CUSTOMER PARTICIPATION IN WATER CONSERVATION PROGRAMS

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

Name of customer	Location of customer	Information as to customer's participation in water conservation program
Warrnambool Cheese and Butter Factory Company Holdings Ltd Fonterra Australia Pty Ltd Fonterra Australia Pty Ltd Alcoa Portland Aluminium Pty Ltd Midfield Meat International Pty Ltd Bega Cheese Limited Sun Pharmaceutical Industries (Australia) Pty Ltd	Allansford Cobden Warrnambool Portland Warrnambool Koroit Port Fairy	Wannon Water does not keep records of customer's participation or otherwise in water conservation programs.

# Sewerage services

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

City/town	No. of customers 2018/19
Allansford	284
Camperdown	1,702
Casterton	818
Cobden Urban	753
Coleraine	556
Dunkeld	275
Hamilton	4,860
Heywood	702
Koroit	778
Mortlake	591
Noorat and Glenormiston	2
Peterborough	300
Port Campbell	263
Port Fairy	2,188
Portland	5,555
Simpson	80
Terang	995
Timboon	431
Warrnambool	15,905
<b>Total</b>	<b>37,038</b>

## SEWAGE TREATMENT PLANT DISCHARGE VOLUMES

City/town	2018/19 ML	2017/18 ML	Change
Camperdown domestic	407	332	23%
Camperdown industrial	34	45	-24%
Casterton	106	135	-21%
Cobden	177	168	5%
Coleraine	40	25	59%
Dunkeld*	167	11	1,422%
Hamilton	763	810	-6%
Heywood	345	399	-13%
Mortlake	43	56	-24%
Peterborough	9	22	-57%
Port Campbell	59	71	-17%
Portland	1,516	1,361	11%
Port Fairy domestic	628	764	-18%
Port Fairy industrial	145	151	-4%
Simpson	11	21	-47%
Terang	197	211	-7%
Timboon	65	61	6%
Warrnambool	5,695	5,474	4%
<b>Total</b>	<b>10,407</b>	<b>10,117#</b>	<b>3%</b>

\*Note: The Dunkeld plant had reduced storage capacity in 2017/18 due to dam bank stabilisation works. In 2018/19 the plant was back to full capacity, able to treat and discharge more volume than the previous year. #This figure was incorrectly reported in 2017/18 as 14,091 megalitres.

# Section 4: Our communities

**We all benefit from being part of a buoyant, healthy and connected community. 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 Wannon Water.**

## Partnering for stronger communities

This year Wannon Water developed and endorsed its second Community Strategy, *Partnering for Stronger Communities* 2018-23. This strategy is a key part of delivering our strategic direction, *beyond water for strong communities*.

Building on the achievements of Wannon Water's preliminary Community Strategy, it outlines the ways we will continue to develop and maintain community partnerships in our region, south-west Victoria. The key concepts underpinning the strategy are 'creating shared value' for both Wannon Water and our customers; and the importance of delivering best practice community engagement and organisation-level partnerships. Through this strategy Wannon Water aims to continue to understand and act upon priorities for our communities in the areas of regional prosperity; education, training and volunteering; health and wellbeing; and our natural environment.

### Community education and capacity building

An important role for Wannon Water is providing community education and this year we endorsed our first Community Education Plan, *Educating our Community* 2018-23. This was coupled with practical delivery of education programs on the importance of water, sewage treatment and the environment. These programs reached 3,401 people in 17 towns across the region. The education team was also active running multiple initiatives such as *Water it, Cook it, Grow it*, the Kitchen Garden Program, Kids Teaching Kids in Hamilton, the National Water Week poster competition, provision of newsletters for teachers and facilitation of seven tours of water and sewage treatment plants.

Also falling within the banner of community education are initiatives that build the capacity of organisations and individuals within the region to work together. Wannon Water led a group of organisations to bring the highly valuable Partnership Brokering Association training to south-west Victoria. Two four-day courses were run, with 47 partnership brokers trained in the region across

25 organisations. These brokers now hold not only a shared language and professional practice in relation to cross-organisational partnership, but have also self-formed a community of practice.

### Thriving Communities Partnership

Wannon Water is a proud founding partner of the Thriving Communities Partnership. This partnership is one of more than 170 like-minded organisations across Australia. Partners work together with the goal that everybody has fair access to the essential services they need to thrive in contemporary Australia.

In April we led the development of the first regional chapter of the Thriving Communities Partnership in Australia. It has a purpose of "*sharing knowledge, connecting lives, creating change. Thriving Communities Partnership South West Victoria (TCP SWV) collaborates with purpose and compassion for an aligned, strategic and coordinated approach, so that everyone in our community is valued and has the opportunity to thrive.*" This chapter was co-created by around 70 individuals from 40 different businesses, government and not-for-profit organisations who have an interest in south-west Victoria.

### Financial Inclusion Action Plan

This year we implemented our foundational Financial Inclusion Access Plan (FIAP) and successfully went through an associated external quality assurance process. An initiative of G20 Nations and linked to the delivery of the United Nations' sustainable development goals, 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 the wider community to prevent or minimise financial hardship.



## Local and social procurement

We are committed to supporting businesses within our region and recognise the importance of economic participation for everyone in our community. This year, Wannon Water has been an active participant in regional statewide networks associated with social procurement and began the development of our first Social Procurement Strategy. The new strategy will detail priorities for the coming year including opportunities for Aboriginal enterprises.

We are also proud to be among the first business sponsors of Great South Coast Localised, an online platform launched in 2018 that provides a space for local businesses to network, share and support each other.

## Ripple Effect grant program

Our *Ripple Effect* grant program was launched to support organisations working on projects important to Wannon Water and of benefit to communities in our region.

Final payments to round one projects were made during the year, with the following projects successfully acquitted. No new Ripple Effect community grants were awarded during 2018/19.

### RIPPLE EFFECT GRANTS AWARDED

Organisation	Description	Outcomes	Total grant	2018/19 allocation
Warrnambool Coastcare Landcare Network	Going Upstream Again; community education project to build river health and water conservation	11 schools, 20 activities in areas dependent on Gellibrand River – greater water/river health literacy	\$5,000	\$1,000
Live4Life Glenelg Partnership	Training two new teen mental health instructors, ensuring sustainability of 'Live4Life' pilot in region	647 secondary students, 98 adults Mental Health First Aid trained; Recipient of Youth Affairs Council Vic Rural Award & VicHealth award	\$4,500	\$900
United Way	Bring the book 'Touch the Earth' to life through education and engagement programs to promote literacy and water conservation	Increased literacy re. water conservation for 130 kids & 25 adults, empowerment of children	\$1,675	\$335
SW Local Learning & Employment Network	Read to Dog mentor training & program delivery; primary school-based literacy intervention program	*Final reporting not yet received. Project granted extension due to unforeseen circumstances.	\$3,750	\$750
Dhauware-Wurrung Elderly and Community Health Services	Sew Deadly; purchase of sewing machines to teach basic sewing skills to women involved with the 'Well Women and Their Children Health' Program	New skills and greater confidence, engagement, wellbeing for 15 Aboriginal women	\$3,462	\$692
Warrnambool & District Food Share	Staple food guarantee, 6 month guarantee of staple food AND School fresh, 6 month guarantee school fresh program boxes	Met staple food guarantee - weekly purchase of up to \$96 for 6 months. Reached 6,315 needy people via 2,543 food hampers (over 1,100 families were beneficiaries).	\$2,500	\$500
Camperdown Pastoral & Agricultural Society	Drip, Tap, Stop; improving the plumbing infrastructure at the Camperdown Showgrounds to address water waste	Greater water efficiency at multi-user community site, reduced costs, greater community wellbeing	\$3,500	\$700

### Water for Aboriginal, cultural, spiritual and economic values

Wannon Water continues to advance our partnerships with Aboriginal people in our region. We have supported projects that are helping re-establish connection to country, and to produce economic outcomes through greater engagement in the management of water resources.

The Budj Bim landscape in south-west Victoria has a special significance for Aboriginal people, and is the location of what is considered the oldest freshwater aquaculture system in the world. Created about 6,600 years ago by the Gunditjmara people, the site features remnants of stone channels and pools built to harvest eels from Lake Condah. There are also remains of many stone huts that are believed to be the only remaining permanent dwellings built by an Aboriginal community in Australia.

Wannon Water is proud to be a partner in the Kooyang Killara project funded under the State Government's Supporting Aboriginal access to water for economic development program. The project is developing an eel (kooyang) production facility at Lake Condah, providing a link to traditional practices of kooyang culture and trading. Partnering with the Gunditj Mirring Traditional Owners Aboriginal Corporation, Deakin University and the Victorian Fisheries Authority, Wannon Water has contributed to the governance, reporting and research components as part of the steering committee and project board. We have also provided practical design assistance and a range of surplus equipment from our former aquaculture research facilities to help establish possibly the first fully off-grid, solar-powered recirculation aquaculture system in Australia.

In addition, Wannon Water has worked collaboratively with traditional owners to develop a project that would provide the capability to accurately map Aboriginal values through the Budj Bim landscape. This would include the provision of practical training and access to specialist field equipment, building capacity within local people for the collection and storage of reliable spatial data on cultural values.

Both projects are strongly aligned with *Water for Victoria*, in particular with the objectives that support recognising and managing Aboriginal values.

Wannon Water continues to work actively with Aboriginal Victoria and the Framlingham Aboriginal Trust and their stakeholders to support initiatives that aim to re-establish robust water and sewer infrastructure owned by the community. We have been

engaged by the Department of Premier and Cabinet to replace a major water main through the trust's land servicing about 20 houses. We are also a participant in the Framlingham Community Safety Reference Group which is coordinating a Victorian Government response to address community safety and wellbeing issues at the trust to achieve better outcomes for trust residents.

At Wannon Water we understand that it is still early days with these relationships and that our employees need support in better understanding the context for Aboriginal people in our service region. Our Aboriginal working group has had a significant focus on facilitating cultural awareness for our employees, and successfully integrated National Reconciliation Week activities with our annual all-employee event. Work to develop a Reconciliation Action Plan will begin in the 2019/20 financial year.

### Enhancing recreational outcomes

#### **WATER FOR COMMUNITY**

Wannon Water launched our *Water for Community* program in 2018/19, providing nearly \$200,000 worth of rebates to support sporting and recreational groups across the region. The initiative recognises the importance of the mental, physical, social and economic benefits of providing water for recreational purposes.

Not-for-profit groups are eligible to receive a 40 per cent discount on their annual water bills up to 5,000 kilolitres and a 25 per cent discount for usage between 5,000 and 10,000 kilolitres. Facilities including swimming pools, parks, gardens and reserves, sporting and recreation grounds, indoor sporting centres, showgrounds, and public golf courses are among those eligible for the subsidy. Cemeteries are also covered.

Consistent with our commitment to the provision of sustainable water services, eligible organisations may be required to demonstrate that they are using water efficiently.

#### **KONONGWOOTONG RESERVOIR MASTER PLAN**

Konongwootong Reservoir, north of Coleraine, is recognised for its Aboriginal heritage and is a popular site for fishing, walking, bird watching and passive recreation. The reservoir was built in 1925 to supply water to the townships of Coleraine and Casterton. It remains operational today, providing water to rural customers and acting as a back-up supply to the Tullich Groundwater System.

A master plan for the 1,920-megalitre reservoir and adjoining land was approved in 2012, addressing future uses, upgrades and management guidelines. The plan included work to significantly improve fishing facilities for recreational anglers, making the environment safer, reducing environmental damage and providing greater access, including for people with limited mobility.

Wannon Water established a Quiet Place at the reservoir in 2014 to recognise the traditional history of the area. The project was a collaboration between Gunditj Mirring Traditional Owners Aboriginal Corporation elders and staff, Gunditjmara Nation elders, DELWP and Wannon Water. Designed to encourage informed and respectful contemplation by visitors, the landscaped area features a walking path, interpretative signage and three stone benches at the top of a natural amphitheatre with a view over a small wetlands area.

Over the past two years, fishing facilities at the site have been upgraded through a \$232,000 grant from the Victorian Government's Recreational Fishing Grants Program, supported by \$200,000 from Wannon Water. Fisheries Victoria stocks the reservoir annually with several thousand brown trout and rainbow trout.

In support of improving recreational opportunities on waterways, Wannon Water hosted a free community day at the reservoir as part of National Water Week in October. The event was very well attended and provided opportunity to showcase our investment in the master plan for the site. A fishing competition, kids' fishing clinic, live fish release, barbecue lunch and information stand established significant social capital consistent with state and regional strategies.

The unique nature of Wannon Water's supply systems means that Konongwootong Reservoir is the only waterway accessible to the public for recreational purposes. Further information about its cultural, environmental and historical values, facilities and activities is available on our website.

Integrated Water Management practitioner workshops have brought together staff from all five councils to explore opportunities for better use of water in our cities and towns. This work has resulted in four projects being nominated for investigation in 2019/20, receiving matching funding from the State Government.

Wannon Water has worked closely with the Warrnambool City Council on progressing an integrated water management plan for Albert Park precinct. The precinct is public open space which has multiple uses, including passive recreation, playground, football, cricket, hockey, lawn bowls, equestrian and community gardening. A secondary school and our Warrnambool Water Treatment Plant are also in the precinct. The plan is currently being finalised.

Our Managing Director, Andrew Jeffers, is a director of the Great South Coast Group, an alliance of the five local governments in our region. The group aims to enhance outcomes in regional leadership, advocacy, partnerships and delivery.

## Links with local government

Wannon Water values its close working relationships with local government.

Wannon Water has worked closely with the Moyne Shire and Southern Grampians Shire councils to coordinate water supply works with the significant upgrade of Bank Street in Port Fairy and Cox Street in Hamilton. This resulted in a number of crossroad services and meter pits and some older mains being replaced, reducing the likelihood of disturbing the new pavements over the coming years.

# Section 5: Our environment

**Wannon Water recognises that we need to be respectful and committed stewards of the environment. It is clear to us that, by looking after country – the land and the water, we ensure it can look after us into the future.**

**Our service area is rich in natural assets and places with cultural significance and we understand that we need to protect and enhance these in line with community expectations.**

## Water efficiency initiatives

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.

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.

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 RULES AND WATER RESTRICTIONS

Permanent Water Saving Rules 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 2018/19 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.

## Integrated solutions

Wannon Water continued to play a lead role with the Department of Environment, Land, Water and Planning (DELWP) in supporting the Great South Coast Integrated Water Management (IWM) 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.

This year the forum supported the Albert Park (Warrnambool) IWM plan, in line with the Integrated Water Management Framework for Victoria, the first plan of this kind for the region. Four additional collaborative projects were developed with funding secured from DELWP and project partners. These projects relate to IWM planning for the city of Hamilton; wastewater solutions for unsewered towns across the region; opportunities for a more sustainable water supply for high-value, green, open space across the region; and improved regional collaboration on stormwater management.

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 Project 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 expanded with an extension of the trunk main and installation of an additional 150,000-litre buffer tank allowing the North Edge subdivision to be connected. 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 be treated at the Warrnambool Water Treatment Plant for urban drinking water.

Water is also being harvested from shed roofs in the Horne Road Industrial Estate in East Warrnambool. Rainfall from storm events is collected in onsite tanks and pumped to the Dales Road raw water storage at a controlled rate. Two sheds are now connected and others are under construction. When fully developed, this stage is expected to harvest 25 megalitres a year.

In 2018/19, this innovative system harvested a total of 36 megalitres of roof water from the roofs of connected houses, a slight reduction on the 39 megalitres harvested in 2017/18 due to lower rainfall throughout the year.

#### WATER RECYCLING

A drier 2018/19 summer saw Wannon Water's recycled water storages reduced to minimal levels. Active management of these storage volumes also reduced volumes by the end of this period.

Recycled water was primarily used for agricultural and industrial purposes, including process water supply to the Mortlake Power Station.

The volume of recycled water reused during the reporting period was 1,915 megalitres. This represents 19 per cent of the overall available supply of treated effluent. The bulk of the available supply goes to ocean outfall at Warrnambool, Port Fairy and Portland.

Recycled water was reused for agriculture on Wannon Water farms over the irrigation season. We also reused 20 megalitres at the Warrnambool Sewage Treatment Plant screening plant and belt press, offsetting drinking 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.

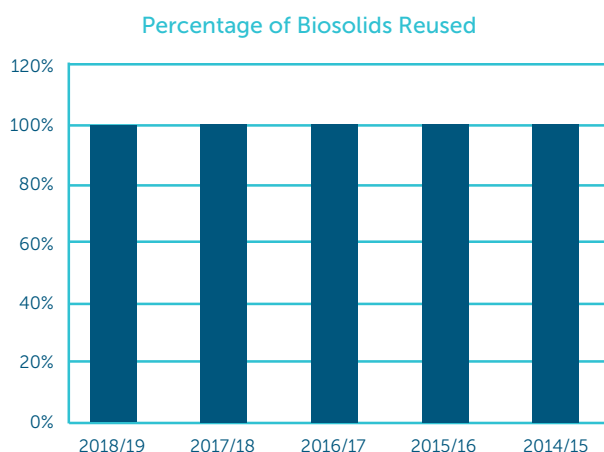
Our Brine Receiveal Facility in Warrnambool provides a local solution for treating salty trade waste from large industries.

#### 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 3,969 dry tonnes to farm land.





# 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 six cultural heritage management plans in accordance with the *Aboriginal Heritage Act 2006* during the reporting period. A plan was developed for the following projects:

- Warrnambool Sewage Treatment Plant upgrade
- Portland Wind Energy generator foundation
- Hopkins River, Warrnambool - pipe crossing
- Hamilton Biosolids Facility – new drying area
- Harris Street trunk sewer duplication, Warrnambool – stage two

- Servicing the 12 Apostles Visitor Centre
- Grampians Pipeline - cathodic protection installation (approval pending)
- Warrnambool Cheese and Butter - rising main upgrade (approval pending)

We appointed cultural heritage consultants to prepare the cultural heritage management plans 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.

# Mitigating and 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 has been developed to guide this commitment.

Wannon Water is an active member of the Water Sector Water Availability and Climate Change working group and are also working with regional stakeholders to respond to climate-related risks across organisational boundaries.

Our *Urban Water Strategy* describes our water supplies and drought preparedness and includes forecasts of demand and supply for the next 50 years that incorporate climate change. Our supplies are secure over the forecast period. Actions from the strategy that have been incorporated into our Pricing Submission include augmentation of the Glenthompson System. Augmentation of the Otway System (nominally in 2030) is also planned for.

Ten climate-related risks are qualitatively assessed in our Corporate Risk Register. The only climate-related risks with a 'high' residual rating are Bushfire and Blue Green Algae (BGA) outbreak. The Bushfire Plan and BGA Management Plan have been prepared to address these risks.

Our production of clean renewable energy increased by over 90 per cent to 455 megawatt hours in 2019/20 with the commissioning of the 250-kilowatt solar PV project at the Warrnambool Water Treatment Plant, our largest solar PV installation to date.

The Portland wind turbine was delivered and installed at the Portland Sewage Treatment Plant and will begin operation soon. Once operating, the turbine will produce more than 2,000MWh per year of clean renewable energy.

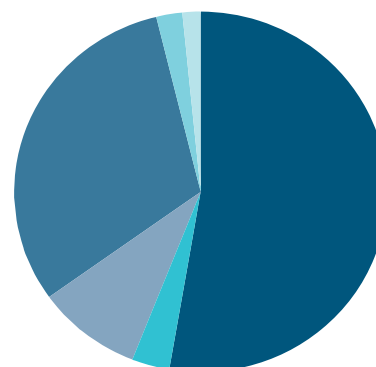
The Port Fairy Smart Energy Precinct project continues to investigate exciting opportunities for our customers. A feasibility study was commissioned and will report back with a thorough analysis to guide our next steps.

Wannon Water also continues to investigate and pursue further opportunities to reduce our emissions while also delivering a wide range of benefits to our customers.

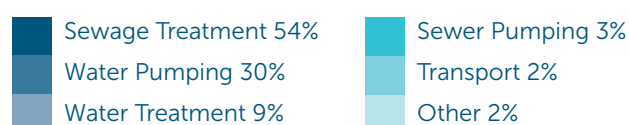
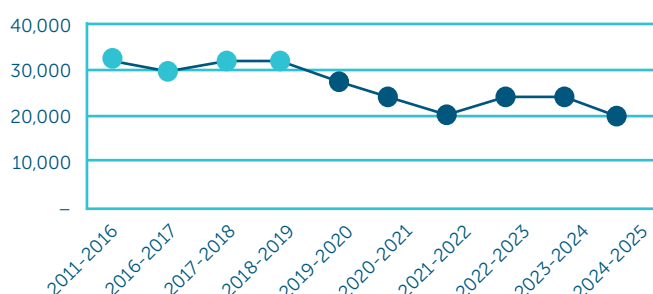
## GREENHOUSE GAS EMISSIONS

Wannon Water produced 30,490 tonnes of greenhouse gas emissions during the 2018/19 year. This level is consistent with achieving our 2025 goal.

The volume of sewage and wastewater treated decreased by 0.9 per cent but the load from major customers was higher, meaning additional electricity was required to power the treatment facilities. This resulted in a consequential rise in those emissions. The volume of water delivered decreased by 0.38 per cent. Emissions from the vehicle fleet also reduced.



Net greenhouse gas emissions (tonnes of CO2 equivalent)



Emission by activity (t CO2-e)	2018/19	2017/18	2016/17	2015/16	2014/15
Water treatment	12,055	12,502	10,158	13,530	12,143
Sewage treatment	17,233	16,992	17,459	18,132	18,147
Transport	707	715	706	773	807
Other (including office energy use)	495	465	557	535	628
Reductions / offsets	0	0	0	0	0
<b>Total</b>	<b>30,490</b>	<b>30,674</b>	<b>28,880</b>	<b>32,970</b>	<b>31,725</b>

Performance indicator	Greenhouse gas emissions in tonnes of CO2-e		Variance % (tonnes)	Commentary
	2018/19 projected	2018/19 result		
Water treatment and supply	N/A*	12,055		
Sewage collection, treatment and recycling	N/A*	17,233		
Transport	N/A*	707		
Other	N/A*	495		
<b>Total emissions</b>	<b>28,624</b>	<b>30,490</b>	<b>6.5% (1,866)</b>	<p>The Portland wind turbine was constructed but was not yet operational. It is expected that the full benefit will be achieved in 2019/20.</p> <ul style="list-style-type: none"> <li>Sequester Program – a considered decision was made to not surrender carbon offsets in this year</li> </ul>

\*NOTE: The 2018/19 projection is only available for the total emission figure, not individual areas.

## ELECTRICITY USE

Total electricity use	2017/18 result (MWh)	2018/19 result (MWh)
Water supply	11,658	11,341
Sewage treatment	10,100	9,958
Other	431	462
<b>Total</b>	<b>22,189</b>	<b>21,761</b>

Performance Indicator	MWh		Commentary
	2018/19 Renewable electricity used	2017/18 Renewable electricity used	
Solar	455	236	The construction of the 250kW Warrnambool WTP solar PV more than doubled solar PV generation capacity
Hydroelectric	0	0	
Wind	0	0	
Biogas	0	0	
Greenpower	0	0	
Other	0	0	
<b>Total</b>	<b>455</b>	<b>236</b>	
Percentage renewable electricity	2%	1%	

# Other statutory obligations

## Regional Catchment Strategies 2013-2019

During engagement for the 2018-2023 Pricing Submission, Wannon Water's customers said that they value the organisation working to protect the natural environment. Supporting this expectation, Wannon Water established a dedicated fund to support the implementation of both the Glenelg Hopkins and Corangamite Catchment Management Authority Regional Catchment Strategies. This fund forms part of the broader *Ripple Effect* community program endorsed by our customers.

During the year, Wannon Water partnered with the Glenelg Hopkins Catchment Management Authority (GHCMA) on the first project to be delivered through this fund. This two-year project will support the GHCMA to work with community groups and landholders to undertake priority riparian restoration works on the Grange Burn. Revegetation will be undertaken on the streamside zone within the urban reach to improve the recreational opportunities and environmental values of the waterway.

We are also a signatory to the Corangamite CMA (CCMA) Catchment Partnership Agreement which is helping to deliver priority outcomes identified under their Regional Catchment Strategy. In partnership with

the CCMA, Barwon Water, Southern Rural Water and Colac Otway Shire, Wannon Water began a project investigating unlocking riparian management options and partnerships on Crown Land for priority waterways in the Corangamite catchment. This project leverages learnings from the Carbon Catchment Offset trial completed in the previous year. Wannon Water is also a member of the project partners group overseeing the broader Corangamite Catchment Partnership Agreement program.

## Biodiversity 2037 Strategy

*Protecting Victoria's Environment – Biodiversity 2037* is the state'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 provides a clear strategic direction for agencies and communities across the state.

Consistent with the strategy, Wannon Water has completed a Natural Assets Management Plan to guide our ongoing management of flora and fauna across the 2,500 hectares of land under our management, as well as exploring opportunities to contribute to broader regional outcomes. The establishment of this plan comes 10 years after our initial Biodiversity Strategy, and aligns our actions with the intent of Biodiversity 2037. A dedicated Natural Assets Project Officer has been appointed to oversee implementation of the plan. Ongoing works include specialist weed control across a range of sites, significant flora and fauna monitoring and protection works in association with academic institutions and expert consultants, monitoring and maintenance of native grassland trial sites, and continual improvement of our certified ISO14001 environmental management system.

## Victorian Waterway Management Strategy and Regional Waterway Strategies

The *Victorian Waterway Management Strategy*, released in 2013, 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. The Corangamite and Glenelg Hopkins waterway strategies, published in 2014, provide regional implementation of the Victorian strategy and aim to improve the health of the region's waterways.

Wannon Water supports these strategies and ensures that relevant aspects of our operations are undertaken in accordance with their requirements. We also undertake specific projects that support and enhance their objectives and outcomes.

We comply with environmental obligations under our Bulk Entitlements (refer Appendix 3) issued under the *Victorian Waterway Management Strategy* framework, including providing passing flows at the 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.

We continued work with the Corangamite Catchment Management Authority and relevant community and agency stakeholders investigating options to enhance summer flows in the Gellibrand River. The detailed options analysis report has been completed, and is ready for public release. Improved data sharing and river water pumping protocols have been established with the CCMA to assist their decision making regarding artificial openings of the mouth of the Gellibrand River so as to ensure optimum benefit for the estuary environment.

## State Environmental Protection Policy (Waters)

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

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.

# Section 6: Our people

**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.**

## Performance culture

We continued to invest in the capability of our people to create a performance culture that can deliver stronger communities, business excellence and value for customers.

To help drive these outcomes, our attention in 2018/19 was on:

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

### Engagement

An engaged and satisfied workforce helps 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.

Our engagement index and overall job satisfaction remains above the industry benchmark average. The engagement score was one per cent higher than the average, while satisfaction was seven per cent above the industry benchmark.

Wannon Water	2018/19	2017/18	2016/17
People Matter survey participation	85%	88%	82%
Engagement index	72%	76%	73%
Overall job satisfaction	78%	78%	74%

### 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.

### Learning and development

We recognise that the professionalism, capability and effectiveness of our workforce is linked to our success. As such, we are committed to:

- Providing a supportive learning environment
- Job satisfaction and motivation

- Career and personal development
- Recognising and encouraging good employee performance

During the reporting period, we provided 9,977 hours (48 hours per employee) of employee learning and development.

Our focus on leadership development continued with employees participating in several leadership development programs, including:

- International Water Centre Leadership Program;
- Great South Coast Leadership Program; and the
- Victorian Water Industry Network Operators Program.

Our internal Leading Managers' Training Program aims to improve our managerial skills. It includes modules on career intentions, creating a culture of performance, and psychological health. We will continue to build on the program to generate further value and support our broader workforce.

We completed our first year of using a new contemporary performance engagement system which



was introduced to improve development discussions between managers and their teams. The response has been overwhelmingly positive with a survey of employees rating the system 4 out of 5. The *People Matter* survey showed 94 per cent of employees agreed that their learning and development needs have been addressed in the agreed timeframe over the previous 12 months.

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.

Prevention of Family Violence Training, delivered by Good Shepherd, was offered to all employees. This training exceeded the requirements of the Essential Services Commission and demonstrates Wannon Water's commitment and motivation to support social outcomes in this area.

## 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.

Following our first external secondment with the Corangamite Catchment Management Authority in late 2017, we had a second with the Department of Environment Land Water and Planning in 2018. Internally we had four secondments which both helped fill resourcing gaps but also acted as development opportunities for the secondee. We also consider these initiatives to progress gender equity outcomes and important initiatives when considering future succession planning.

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

Our engineering scholarship continues and we again partnered with regional employment and training providers to offer a 12-month Traineeship Program. This program engages trainees to work in various Wannon Water departments and sites across the region. Four trainees took part in the program in 2018/19.

We continued to sponsor and support education and employment pathway initiatives in our community. In 2018/19 this included:

- Portland and Warrnambool Future Leaders of Industry program;
- Deakin University and secondary school career expos; and
- Gunditjmara - Region Employment Forum.

# Inclusion and diversity

Wannon Water has an Inclusion and Diversity Policy which commits us to an inclusive workplace that embraces and promotes diversity, and where everyone is treated with respect and feel valued. Under the policy, we developed a new internal Inclusion and Diversity Management Plan that details long-term workplace outcomes and targets we want to achieve by 2023. This plan was adopted in June 2018.

Under this plan, Wannon Water has a target of increasing the percentage of females who occupy positions that manage teams to 40 per cent by 2023. The following table outlines Wannon Water's actual progress against this target:

Workforce Inclusion and Management Plan initiative	2023 target	2018/19
Females who occupy positions that manage teams	40%	22%

We will also continue to promote employment pathways and partnerships for our region's Aboriginal people. Supporting this is an outcome that our workforce represents the community that we serve, including the Great South Coast's Aboriginal population of 1.3 per cent. People Matter survey results show that one per cent of our workforce identifies as Aboriginal.

As part of our *Future Workforce Planning Strategy*, we will be undertaking projections for a broader workforce transition project. This project includes assessing gender trends at senior executive and management level starting in 2019/20. We had one female senior executive in 2018/19 (representing 20 per cent of the executive team) and are developing succession strategies to increase this as executive contracts come up for renewal.

Wannon Water's Inclusion and Diversity Committee completed its first full year as a committee in 2018/19. It brings 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 to implement inclusion and diversity activities; and
- Provide feedback on the success and challenges of implementation of the Inclusion and Diversity Management Plan and any additional work plans.

Two committee working groups were created to help progress gender and Aboriginal outcomes.

NOW! Network of Wannon Water Women was formed and launched on International Women's Day. Its purpose is to enable Wannon Water women to enhance their networking, collaboration, access to professional development, and their support for each other and women and girls in our region.

Wannon Water was pleased to work with local Aboriginal groups and employment agencies to support two Aboriginal employees with traineeships and work in 2018/19. We have also formalised an employee program that partners with local Aboriginal organisations to build relationships and cultural awareness. Wannon Water has invested in strengthening regional traditional owner relationships and will continue to support initiatives that progress traditional owner representation on board and organisational committees. This has included sponsorship opportunities for Aboriginal leaders in leadership programs. Work to develop a Reconciliation Action Plan will begin in 2019/20.

### PEOPLE MATTER SURVEY

Inclusion and diversity progress is measured through organisational workforce indicators and benchmarking results from the annual Victorian Public Sector Commission *People Matter* survey and internal data collection.

Cultural results for the 2018/19 survey included:

	2018/19	2017/18	2016/17
Senior leaders actively support diversity and inclusion in the workplace	84%	n/a	n/a
There is a positive culture within my organisation in relation to employees who are Aboriginal and/or Torres Strait Islander	72%	60%	75%
There is a positive culture in my organisation in relation to inclusion and diversity	76%	77%	69%

## Employer of Choice

Wannon Water was accredited by Work 180 as an Employer of Choice to reflect our approach to recruitment and flexible work practices. Work 180 is a national platform that puts professional women in touch with employers who provide higher than normal employment benefits. Accreditation occurs after employers are assessed on a range of benefits and conditions, such as paid parental leave, pay equity and flexible work arrangements.

For the 19 positions filled in 2018/19, the statistics showed:

- 38 per cent of applicants were female;
- 48 per cent of the internal interview panel were female; and
- 47 per cent of the final appointments were female.

These figures support our objective of advancing gender diversity.

# Workforce statistics

The number of full-time equivalent employees in the reporting period decreased by five, with the total all-employee head count decreasing by seven. Contributing factors included:

- The continued uptake of flexible work practices with the number of part-time employees increasing by six from 2018;
- The realignment and redistribution of responsibilities following the departure of employees to meet new organisational requirements; and
- Several vacant positions at the time of reporting.

employees due to an aquaculture project being wound up and short-term work opportunities for our trainees post their traineeships occurring in the 2017/18 year. Employees have been correctly classified in workforce data collection.

There was a reduction in fixed-term and casual

	30 June 2019							30 June 2018						
	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	139	137	132	5	135	2	2	145	142	132	4	135	9	7
Female	70	60	39	30	59	1	1	71	60	39	25	56	7	4
<b>AGE</b>														
15-24	12	12	9	0	9	3	3	14	12	7	0	7	7	5
25-34	37	35	32	5	35	0	0	45	42	35	6	39	4	3
35-44	61	56	48	13	56	0	0	61	56	47	11	54	3	2
45-54	60	57	51	9	57	0	0	57	55	50	7	55	0	0
55-64	35	33	27	8	33	0	0	33	32	29	4	32	0	0
65+	4	4	4	0	4	0	0	6	5	3	1	4	2	1
<b>CLASSIFICATION</b>														
Band 1	0	0	0	0	0	0	0	1	1	0	0	0	1	1
Band 2	0	0	0	0	0	0	0	1	1	0	0	0	1	1
Band 3	7	7	7	0	7	0	0	5	5	3	0	3	2	2
Band 4	57	53	44	10	50	3	3	65	60	50	9	56	6	4
Band 5	46	43	37	9	43	0	0	47	42	36	8	41	3	1
Band 6	40	37	31	9	37	0	0	42	39	32	9	38	1	1
Band 7	23	22	19	4	22	0	0	21	21	19	2	21	0	0
Band 8	19	18	16	3	18	0	0	16	16	15	1	16	0	0
Senior Manager	12	12	12	0	12	0	0	13	12	11	0	11	2	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>209</b>	<b>197</b>	<b>171</b>	<b>35</b>	<b>194</b>	<b>3</b>	<b>3</b>	<b>216</b>	<b>202</b>	<b>171</b>	<b>29</b>	<b>191</b>	<b>16</b>	<b>11</b>

- Excludes seven non-executive Board Directors appointed by State Government
- FTE refers to full-time equivalent employees
- 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.

## 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. Our 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 2019.

New dashboard reporting has been launched, we have had record levels of hazard reporting, and we are currently reorganising and adding new resources to our safety portfolio.

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 most recent People Matter survey showed that 96 per cent of employees are in agreement that "my organisation provides a safe work environment".

The program proactively promotes diverse health and wellbeing themes coinciding with national and workplace events. We partnered with South West Healthcare to deliver stress management and resilience training. Annual employee health checks, skin checks and flu immunisations were also offered to employees. We have an active Employee Assistance Program supported by both male and female practitioners.

We are continuing work to embed our Zero Harm initiative into the organisation. Zero Harm is about looking after the physical and mental wellbeing of our people as well as the environments we work in. It brings OH&S and health and wellbeing considerations under one banner, empowering employees 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.



### TRAINING

Wannon Water continued to invest in OH&S training, with 14 courses delivered to employees including:

- Traffic management;
- Confined space refresher;
- First aid and cardio pulmonary resuscitation;
- Chemical use; and
- Various mobile plant training.

### 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	2018/19	2017/18	2016/17	2015/16	2014/15
Lost Time Injuries (number)	3	5	4	3	7
Lost Time Injury Frequency Rate (LTIFR - LTI occurrences per one million hours worked)	9.87	14.25	11.60	9.08	20.6
Lost Time Injury Severity Rate (days)	43.02	19.76	0.36	8.3	3
<b>Incidents</b>					
No. of Incidents	97*	41	42	32	39
Rate per 100 FTE	45.7	20.30	20.39	16.16	20.63
<i>*NOTE - Increase reflects the new multi classification reporting of incidents.</i>					
<b>Claims</b>					
Number of Lost Time Standard Claims	3	3	1	1	3
Number of Lost Time Standard Claims per 100 FTE	1.52	1.49	0.49	0.53	0.69
Average cost per claim	\$10,756	\$9,783	\$8,240	\$2,119	\$2,919

# Section 7: Our financial performance

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 \$3.14 million for the reporting period - a reduction of \$1.06 million on the previous year. The unfavourable result compared to the prior year relates to higher expenditure in electricity costs this year compared to 2017/18, as well as an increase of \$0.75 million in the Environmental Contribution Levy paid to DELWP. The net profit before

tax was \$5.69 million less than our budget. A significant amount of revenue (\$6.89 million) was budgeted for a contribution by third parties for two capital projects. These projects did not progress as planned during the financial year, subsequently all the revenue was not received. Partly offsetting that impact was a favourable result to budget for employee costs due to a number of positions becoming vacant and not being filled for periods throughout the year. The continued focus of implementing efficiency initiatives also delivered operational expenditure savings compared to budget.

Wannon Water generated cash flows of \$30.89 million from operating activities. We were able to repay borrowings of \$4.06 million during the year with investments of \$26.33 million made in capital infrastructure.

The table below provides the financial highlights in 2018/19 compared with the previous four years.

Financial Result	2018/19 (\$'000)	2017/18 (\$'000)	2016/17 (\$'000)	2015/16 (\$'000)	2014/15 (\$'000)
Core business revenue	72,016	71,681	69,832	73,113	71,127
Capital Revenue	724	448	1,049	620	1,916
Government contributions	1,195	919	552	82	74
Other revenue	2,743	3,914	3,079	3,191	3,669
<b>Total revenue</b>	<b>76,678</b>	<b>76,962</b>	<b>74,512</b>	<b>77,006</b>	<b>76,786</b>
Operating expenditure	46,192	45,307	43,173	41,468	42,607
Depreciation & amortisation expenditure	21,746	21,761	21,959	21,705	22,947
Finance costs	2,289	2,630	3,212	4,400	4,875
Other expenditure	3,315	3,072	3,050	1,288	1,398
<b>Total expenditure</b>	<b>73,542</b>	<b>72,770</b>	<b>71,394</b>	<b>68,861</b>	<b>71,827</b>
<b>Net result before tax</b>	<b>3,136</b>	<b>4,192</b>	<b>3,118</b>	<b>8,145</b>	<b>4,959</b>
Current assets	20,679	20,586	17,922	23,456	19,046
Non-current assets	815,808	748,044	751,796	752,908	568,075
<b>Total assets</b>	<b>836,487</b>	<b>768,630</b>	<b>769,718</b>	<b>776,364</b>	<b>587,121</b>
Current liabilities	22,336	14,999	20,049	19,813	18,574
Non-current liabilities	147,540	135,786	134,743	143,772	95,893
<b>Total liabilities</b>	<b>169,876</b>	<b>150,785</b>	<b>154,792</b>	<b>163,585</b>	<b>114,467</b>
Net cash flows from operations	30,892	26,306	23,943	34,801	29,333
Payments for property, plant and equipment (including infrastructure)	26,333	21,424	21,112	17,170	16,573



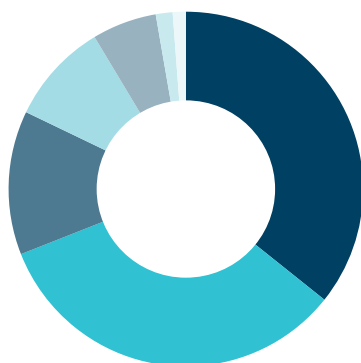
## Revenue and expenses

### OUR REVENUE

Total revenue for the year decreased by \$0.28 million compared to the 2017/18 financial year.

Consistent with our price and growth projections, overall water and sewerage service charges increased by 1.3 per cent from the previous year, reaffirming our desire to deliver affordable pricing for our customers. Although less than the previous year, our water volume usage was the second highest recorded in the past 10 years. The 11.99 gigalitres of water recorded for the year is 4.9 per cent above the 10-year average. The total volumetric revenue of \$25.02 million represents a drop of 2.3 per cent from the previous year. This represented an increase of 2.2 per cent on budget.

Trade waste volume charges and revenue from agreements with third parties increased significantly (16 per cent) from the previous year. Government grants and third party-funded projects also contributed \$1.73 million in revenue throughout the year, however this was lower than the budgeted amount of \$6.87 million due to delays in delivering two major projects.



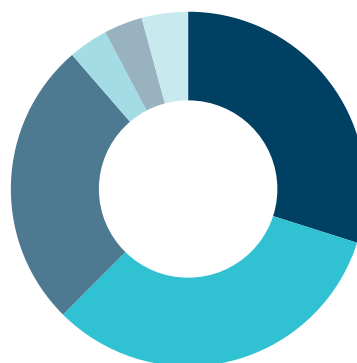
Sewerage service charges	36%
Volumetric water usage charges	33%
Fixed water service charges	13%
Trade waste charges	10%
Other income	5%
Gifted assets	2%
Government grants and contributions	2%

### OUR EXPENSES

Total expenses increased by \$0.77 million (1.1 per cent) compared to the previous year.

Despite a number of vacant positions throughout the year, employee benefits still increased by 2.8 per cent from the previous year; consistent with the organisation's Enterprise Agreement conditions. It was still a 3.2 per cent favourable variance to the budget for the year. Electricity (\$1.17 million) was the biggest increase in expenditure compared to previous year due to pricing within the market. However, we saw reduced expenditure in the customer efficiency rebate (\$0.50 million) and consultant costs (\$0.20 million) compared to the prior year.

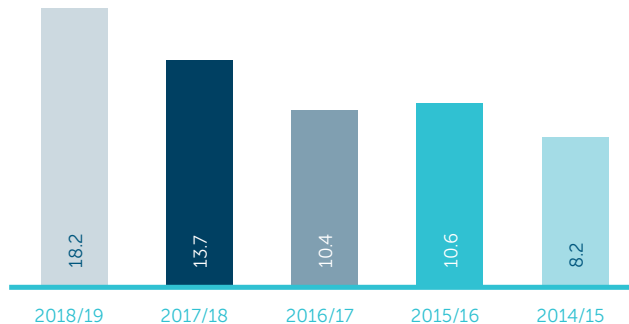
Borrowing costs (\$0.34 million) compared favorably to the prior year as total borrowings decreased during the year. All other operating expenditure, including depreciation, was comparable to prior year results with the exception of a 29 per cent increase in the Environmental Contribution Levy paid to DELWP.



Supplies and services	31%
Depreciation and amortisation	30%
Employee benefits	27%
Net loss on disposal of assets	5%
Environmental contribution levy	4%
Borrowing costs	3%

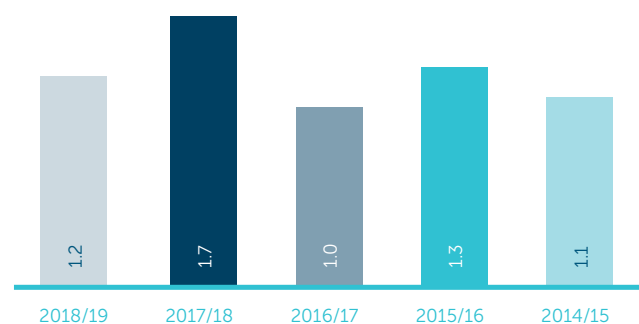
## Summary of financial performance indicators

Cash Interest Cover (times)



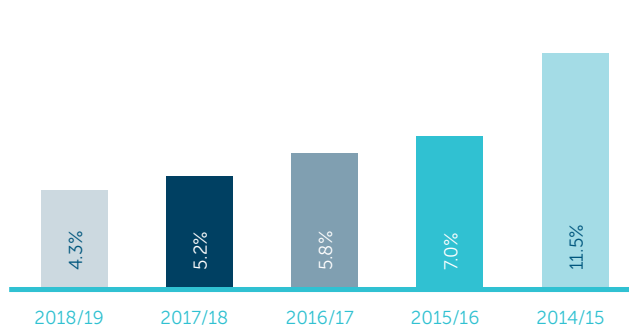
The result is favourable to last year. The excellent results are due predominantly to a significant reduction in borrowing costs during the year. The ratio shows that cash received from operating activities is 18.2 times that of net interest costs paid.

Current Ratio (times)



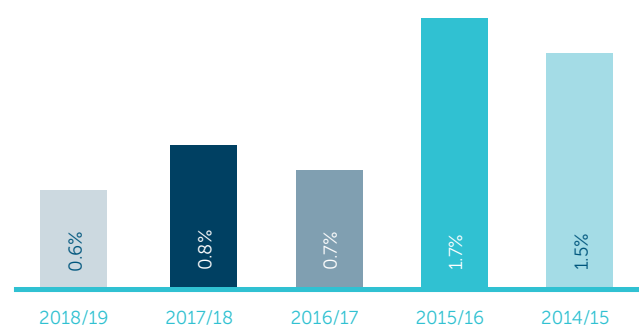
The ratio measures how comfortably payment of short-term liabilities can be covered by Wannon Water's short-term assets. A ratio result greater than 1.0 times indicates that Wannon Water's short-term assets are greater than its short-term liabilities. Lower than usual debt maturity amounts at 2017/18 year end was the key driver of the improved ratio for that year.

Gearing Ratio



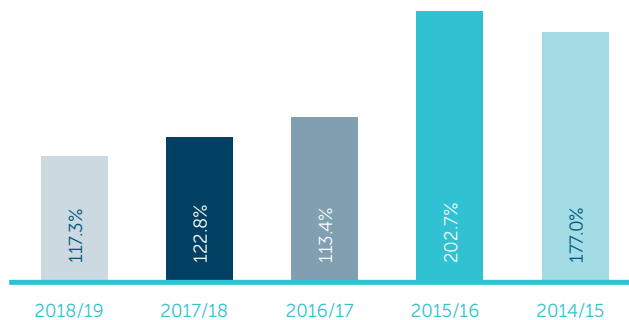
Interest bearing liabilities reduced by \$4.1 million during 2018/19 as a result of positive cash flows and lower than budgeted capital expenditure throughout the year. The decline in the ratio total is a favourable result, as a low ratio provides a positive indication of Wannon Water's long-term liquidity.

Return on Assets



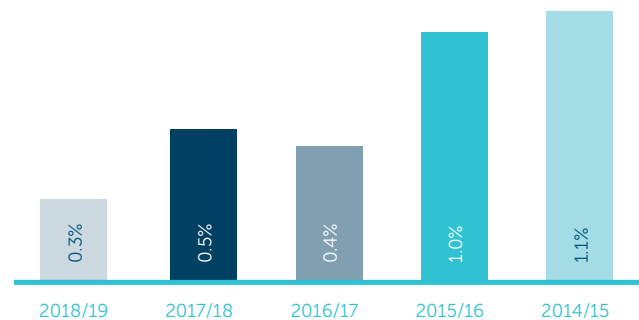
Indicates how much profit Wannon Water has generated from every dollar in assets owned. The ratio is low, as assets owned are significant in value and Wannon Water does not aim to generate large profits. The revaluation of infrastructure assets undertaken during the year also contributes to the lower than prior year result.

Internal Financing Ratio



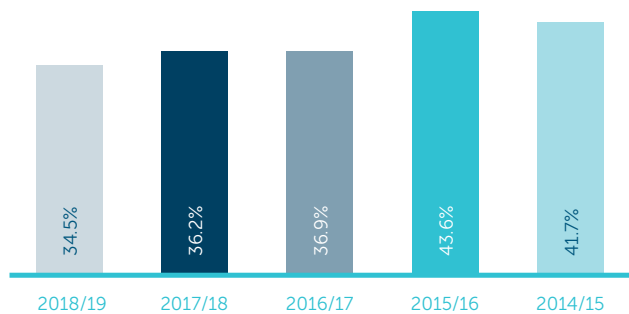
The ratio measures the portion of capital works paid for from operating cash flows. The 2018/19 result indicates that more than 100 per cent of capital works payments was funded by cash received from operating activities resulting in no requirement to borrow extra funds. The key driver of this was the unbudgeted capital receipts during June 2019 from third parties/government for future capital projects.

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. The revaluation of infrastructure assets undertaken during the year also contributes to the lower than prior year result.

## EBITDA Margin



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 total revenue generated.

## Capital expenditure

Wannon Water completed \$26.72 million of capital works in the reporting period (of which \$1.26 million was externally funded) 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)	2018/19 expenditure (\$ million)	Future commitments (\$ million)
Portland - wind energy project	5.00	3.36	0.30
Regional - sewer rehabilitations	2.92	2.92	0.0
Hamilton - new biosolids drying area	3.76	1.90	0.95
Regional - water main replacements	1.59	1.59	0.0
Integrated works management system	2.01	1.46	0.55
Warrnambool - Sewage Treatment Plant upgrade	39.31	0.87	37.86*
Server and data storage replacement	0.87	0.87	0.0
Port Campbell - emergency storage tank	1.78	0.46	0.0
Warrnambool - roofwater harvesting trunk main and storage tank	0.46	0.46	0.04
Camperdown - biosolids facility refurbishment	2.86	0.44	2.42
Warrnambool Cheese and Butter - rising main replacement	1.24	0.42	0.72
Servicing 12 Apostles Visitor Centre (externally funded)	8.63	0.34	6.57
Allansford - Jubilee Park Road booster pump station	0.34	0.34	0.0
Portland - Installation of second pump at various sewer pump station sites	0.5	0.34	0.0
Storage renewals	0.34	0.34	0.0
Warrnambool - Morriss Road sewer pump station refurbishment	0.33	0.33	0.0
Disaster recovery room - server replacement	0.36	0.30	0.06
Warrnambool - Water Treatment Plant solar PV system	0.28	0.28	0.0
Portland - Calvert Street sewer pump station pump upgrade	0.35	0.27	0.01

\*Note - Wannon Water is committed to this spend, but we have not yet awarded a contract.

## Significant changes in financial position

There were no significant changes in financial position during the 2018/19 reporting period.

## 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 \$47 million of capital works in 2019/20, including our largest capital project, the upgrade of the Warrnambool Sewage Treatment Plant. A total of \$29 million of this expenditure will be funded through cash flows from operating activities, with an extra \$26 million required to fund the balance of these capital works, as well as the maturing borrowings of \$9.1 million during 2019/20.

## Wannon Water Financial Management Compliance Attestation Statement

I, Jacinta Ermacora, on behalf of Wannon Water, certify that the Wannon Region Water Corporation has complied with the applicable Standing Directions of the Assistant Treasurer under the Financial Management Act 1984 and instructions.



**Jacinta Ermacora**  
**Chair**  
**Wannon Water**  
**16 August 2019**

## Section 8: Our Board

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.*



## Board Directors

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 Board undertook an externally facilitated Board performance review in 2018/19 and submitted the findings to the Minister for Water in March 2019 in accordance with Section 3.2 of the Minister's Statement of Obligations to Wannon Water. The Board Performance Review was a comprehensive review and included a review of individual Director performance and collective Board performance over 2018, a skills matrix review, the development of an action plan in response to facilitator recommendations, individual Director development plans and an overall Board development plan for 2019.

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 has a background in social work and policy development and brings experience in consumer advocacy, sexual assault counselling and primary health reform, along with governance experience in natural resource management, Local Government and the water industry to the Wannon Water Board table.

Her interests include promoting economic development in the Great South Coast Region and policy development in collaboration with communities.

Jacinta is qualified as a quality improvement performance assessor and is a Graduate and Fellow of the Australian Institute of Company Directors.

Jacinta is currently a Board Director at South West TAFE, a board director of Great South Coast Regional Partnerships, and independent chair of the Warrnambool Special Developmental School, Wollaston Campus Committee.

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 25 years' experience in commercial business and corporate governance in the agribusiness sector where her skills have been in strategic planning, production, efficiency, financial management, research and development, natural resource management, and sustainability.

As a specialist red meat producer, Georgina employs sustainable and environmental farming practices, extending to local wetland protection and establishment of wildlife corridors. With numerous roles on industry advisory committees at a local, state and national level, Georgina has gained experience in community and stakeholder engagement.

Georgina was awarded a Corporate Governance Scholarship from MLA, holds a Masters of Agribusiness and is a Graduate 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

Andrew worked for over 25 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 understands Wannon Water exists for its customers and is focused on providing high quality water, sewerage, trade waste, and customer services. He also sees that Wannon Water can use its inherent capabilities to help communities in the south-west flourish and the region fulfil its potential.

Andrew is a member of the Victoria 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

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 Chairman 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 Chairman 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 Chairman 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 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.

### KEN KING

Dip For BForSc (Hon) MRSV MAICD

Appointed 1 October 2017

Ken is a Senior Project Manager at the Victorian 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 in 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 Chair of the Natural Resources Conservation League of Victoria and Eucalypt Australia. He is also a member of Colac Area Health's Risk and Audit Committee.

Ken is a member of the Executive Remuneration Committee and Strategic Issues Committee.

### HELEN SCARBOROUGH

B. Ec., M.Ec, PhD, GAICD

Appointed 1 October 2017

Helen has held various academic roles at Deakin University for over 25 years and is currently Associate Professor 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 post graduate qualifications in economics and her PhD and research is in environmental economics.

Helen is a member of the Audit & Risk Management 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 has been recently appointed to the board of the Mission to Seafarers.

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

## Board meetings

Board meetings are scheduled monthly except for January, April 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.

### BOARD AND COMMITTEE MEETINGS AND ATTENDANCE

	Board	Audit & Risk Management Committee	Executive Remuneration Committee	Strategic Issues Committee	People & Culture Committee*
	Attended	Attended	Attended	Attended	Attended
Jacinta Ermacora	9 of 9	-	3 of 3	4 of 4	-
Michael Crutchfield	8 of 9	-	-	3 of 4	1 of 1
Georgina Gubbins	8 of 9	-	2 of 3	3 of 4	-
Andrew Jeffers	9 of 9	-	-	4 of 4	-
Ken King	9 of 9	-	3 of 3	4 of 4	1 of 1
Mick Murphy	9 of 9	4 of 4	3 of 3	4 of 4	-
Helen Scarborough	9 of 9	4 of 4	-	4 of 4	1 of 1
Rob Wallis	9 of 9	3 of 4	-	4 of 4	-
Sarah-Jane Walsh	9 of 9	4 of 4	-	4 of 4	1 of 1

\*NOTE: Wound up in November 2018

## Board committees

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

- Audit and Risk Management Committee;
- Executive Remuneration 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 2019, 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 2019, the committee comprised four non-executive Directors: Jacinta Ermacora (Chair), Georgina Gubbins, Ken King and Mick Murphy.

### 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 2019, 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.

### \*PEOPLE AND CULTURE COMMITTEE

The People and Culture Committee, which included Directors Helen Scarborough, Ken King, and Sarah-Jane Walsh, was wound up at the November 2018 Board meeting. The areas of responsibility of the committee were reassigned to the Audit and Risk Management Committee and the Board.

## 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 addressed any potential conflicts of interest during the reporting period.

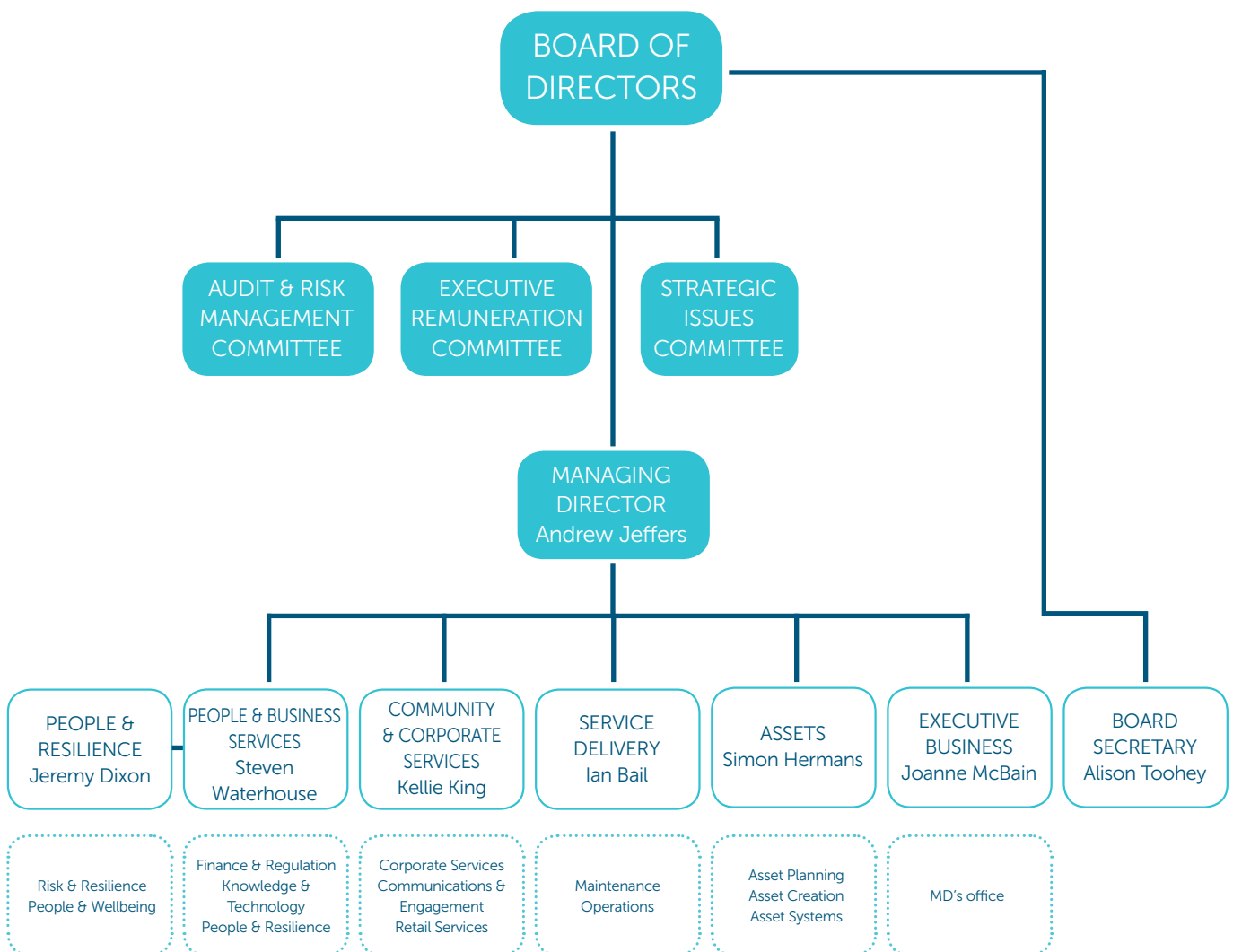
The Board also reviewed its conflict of interest practices against the Department of Environment, Land, Water and Planning model policy for conflict of interest.

## 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.

# Organisational Structure

As at 30 June 2019



# Section 8: Corporate information

## Legislative compliance

### PROTECTED DISCLOSURE 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.

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 \$29.60 (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

#### FoI statistics/timeliness:

Wannon Water did not receive any valid applications under the *Freedom of Information Act 1982* in 2018/19.



#### Further information:

Further information regarding the operation and scope of FoI 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. Ongoing assessments are made ensuring continual compliance with all measures.

## Contracts and consultancies

#### 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 completion 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

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

Wannon Water is required to apply the Local Job First policy in all projects valued at \$1 million or more in regional Victoria. The MPSG applies to all construction projects valued at \$20 million or more.

### Contracts commenced during 2018/19

Wannon Water commenced three contracts in 2018/19 totaling \$11.69 million where VIPP plans were required. All 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 93.19 per cent of the total value of the contracts; and
- an average retention or creation of 16 full-time equivalent jobs.

### Contracts completed during 2018/19

Two contracts were completed in 2018/19 to which the VIPP applied.

The outcomes were:

- Average local content (ANZ added value) of 91.38 per cent; and
- Average retention or creation of 27 employees.

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

During the reporting period, five 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 13 consultancies in 2018/19 where the total fees payable to the consultants were less than \$10,000. Total expenditure on these consultants was \$40,091 (excluding GST).

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

Nineteen consultancies were engaged in 2018/19 with a total value of \$885,425.

Consultant	Purpose of consultancy	Total project fee (exc. GST) \$'000	Expenditure 2018/19 (exc. GST) \$'000	Future expenditure (exc. GST) \$'000
GHD	Dam safety management	845	163	423
Andrew Long and Associates	Cultural heritage consultancy services	19	19	0
Benchmark Heritage Management	Cultural heritage consultancy services	36	36	0
Biosis	Cultural heritage consultancy services	14	14	0
Earth Sciences Services	Earthquake monitoring and alarm consultancy	14	14	14
Brian Consulting	Civil engineering design	57	57	0
Deakin University (Burwood)	Water quality taste and odour consultancy services	12	12	0
Exner Group	Expert engineering advice	45	45	0
Glenn Rundell Consulting	Contract superintendent	49	12	37
Jacobs Group	Expert peer review	19	19	0
Jaguar Consulting	Water quality project dental health advice	12	12	0
Osbourne Management	Expert engineering advice	64	64	0
PCE Training	Contract superintendent	13	13	1
PM Design Group	Clerk of works services	26	21	5
Remedy Asset Protection	Quality inspections of tank coatings	39	39	0
The CSE Group	Civil engineering design	87	87	0
Tracey, Brunstrom and Hammond	Expert engineering advice	133	133	0
Urban Colours Arts	Cultural heritage consultancy Services	32	32	0
WTP Australia	Expert engineering advice	93	93	0

## INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2018/19 reporting period, Wannon Water had a total ICT expenditure of \$7,225,623 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
4,257	–	2,969	2,969

\* "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.

# Section 9: Our performance indicators

## FINANCIAL PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2017-18 Result	2018-19 Result	2018-19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
F1	Cash interest cover Net operating cash flows before net interest and tax / net interest payments	13.7 times	18.2 times	16.5 times	32.8%	1a	10.3%	1b
F2	Gearing ratio Total debt / total assets x 100	5.2%	4.3%	5.6%	-17.3%	2a	-23.2%	2b
F3	Internal financing ratio Net operating cash flow less dividends / net capital expenditure x 100	122.8%	117.3%	93.5%	-4.5%		25.5%	3b
F4	Current ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.7 times	1.2 times	1.1 times	-29.4%	3a	9.1%	
F5	Return on assets Earnings before net interest and tax / average assets x 100	0.8%	0.6%	1.4%	-25.0%	4a	-57.1%	4b
F6	Return on equity Net profit after tax / average total equity x 100	0.5%	0.3%	1.4%	-40.0%	4a	-78.6%	4b
F7	EBITDA margin Earnings before interest, tax, depreciation and amortization / total revenue x 100	36.2%	34.5%	40.4%	-4.7%		-14.6%	5b

### 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 capital revenue, also contributes to the favourable variance to prior year.
- 1b Lower debt levels, resulting in a decrease in net interest payments is the main driver for the favourable variance to the target.
- 2a Total debt has decreased 10.2% from the previous year and higher than previous years asset values due to a managerial revaluation undertaken during the year are the contributing factors that have resulted in this favourable variance.
- 2b Total debt is lower than budgeted due to reduced capital expenditure. Higher than previous years asset values due to a managerial revaluation undertaken during the year is also contributing to the favourable variance.
- 3a An increase in current borrowings compared to the previous year is the main driver of the unfavourable result. The prior year current borrowings figure of \$5M is lower than the usual year end position of approximately \$10M.
- 3b Major capital expenditure delays in relation to the delivery of a third party funded capital project is the main driver of the favourable indicator compared to the target. It is expected that this project will be delivered during the 2019/20 financial year.
- 4a Higher expenditure in employee costs and the environmental contribution have resulted in lower profits than prior year. The managerial revaluation undertaken during the year also contributed to the unfavourable variances.
- 4b 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 with the project and Wannon Water will continue to work with the third party with the aim to complete the project in the 2019/20 financial year. Also contributing to the unfavourable result is the unbudgeted managerial revaluation booked during the year.
- 5b Lower than budgeted interest expenditure, depreciation expense and net result have all contributed to the unfavourable result. The delay in capital revenue related to a project being undertaken on behalf of a third party has also impacted the result compared to target.

## WATER AND SEWERAGE SERVICE PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
WS1	Unplanned water supply interruptions 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	Interruption time Average duration of unplanned water supply interruptions	79.3 Mins	106.2 Mins	80.0 Mins	33.9%	5a	32.8%	6b
WS3	Restoration of unplanned water supply Unplanned water supply interruptions, restored within 5 hours / total unplanned water supply interruptions x 100	99.1%	97.5%	98.0%	-1.6%		-0.5%	
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers, contained within 5 hours / total sewer spills from reticulation and branch sewers x 100	96.7%	96.3%	99.0%	-0.4%		-2.7%	
SS2	Sewer spills interruptions No. of residential sewerage customers affected by sewerage interruptions, restored within 5 hours	95.5%	100.0%	99.0%	4.7%		1.0%	

### Notes:

5a/6b The unfavorable variance to prior year and target is predominately due to an overall increase in the length of time unplanned water supply interruption events took to rectify. There were six significant cases reported in the 2018/19 year with extended repair times. Each case resulted in satisfactory outcomes for customers. The proactive maintenance program continues to be a focus to reduce interruption times, in conjunction with the implementation of a new maintenance Works Management System.

## CUSTOMER RESPONSIVENESS PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water quality complaints No. of complaints per 1000 customers	5.0	3.5	3.8	-30.0%	6a	-7.9%	7b
CR4	Billing complaints No. of complaints per 1000 customers	1.5	0.5	1.7	-66.7%	7a	-70.6%	8b

Notes:

6a/7b Water quality complaints for the 2018/19 year decreased by sixty four, resulting in a favorable variance compared to the prior year and to target. Wannon Water continues to implement improvement initiatives to ensure customers receive high quality water and to further reduce complaints into the future.

7a/8b Billing complaints have reduced in the 2018/19 year by forty two, therefore resulting in a favorable variance compared to prior year and to target. This can be attributed to the continued high performance of the customer relations team and the reduction in tariff prices during the year.

## ENVIRONMENTAL PERFORMANCE INDICATORS

KPI Number	Key Performance Indicator	2017/18 Result	2018/19 Result	2018/19 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent re-use volume (end use)	17.2%	18.6%	20.0%	8.1%	8a	-7.0%	9b
E2	Total net CO2 emissions Net tonnes CO2 equivalent	30,674	30,490	28,624	-0.6%		6.5%	10b

Notes:

8a The favorable result compared to the prior year is predominately due to the increased agricultural irrigation use, over the drier months of the year. Wannon water continues to be proactive in ensuring that recycled water agreement holders utilise the storages available to them.

9b The unfavorable variance to target is attributable to under utilised recycled water volumes by urban/ industrial customers and the less favourable climatic conditions in 2018/19 for recycled water demand. Wannon Water continues to work with agreement holders to ensure recycled water is utilised as much as practical, and is available at the times when agreement holder's demand is higher.

10b The unfavorable result to target for the 2018/19 year is predominately due to an increase in electricity usage at water reclamation plants. While the volume of waste water treated decreased compared to the prior year, the concentration of the waste water was higher than prior years, resulting in an increase in electricity demand. Wannon Water has a number of projects underway which will reduce emissions in the future, including the connection of the constructed Portland Wind Turbine early in 2019/20.



# CERTIFICATION

Certification of Performance Report for 2018/19

We certify that the accompanying Performance Report of Wannon Region Water Corporation in respect of the 2018/19 financial year is presented fairly in accordance with the Financial Management Act 1994.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2018/19 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

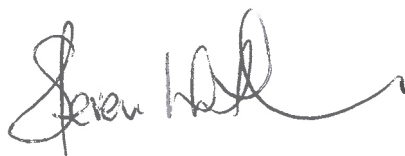
As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



J A Ermacora  
Chair



A R Jeffers  
Managing Director



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

Dated this 5th day of September 2019

# 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 2019, which comprises the:</p> <ul style="list-style-type: none"> <li>• financial performance indicators</li> <li>• water and sewerage service performance</li> <li>• customer responsiveness performance indicators</li> <li>• environmental performance indicators</li> <li>• certification of performance report.</li> </ul> <p>In my opinion, the performance report of the Wannon Region Water Corporation in respect of the year ended 30 June 2019 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the performance report</b>	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p>

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

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

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

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

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

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MELBOURNE  
9 September 2019



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





# Financial Statements

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Balance Sheet

Statement of Changes in Equity

Cash Flow Statement

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Note 3 – The cost of delivering services

Note 4 – Key assets available to support delivery of our services

Note 5 – Other assets and liabilities

Note 6 – How we financed our operations

Note 7 – Risks, contingencies and valuation judgements

Note 8 – Statutory obligations

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Accountable officer's and chief finance and accounting officer's declaration

Auditor-General's Report

## COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
<b>Revenue</b>			
Service charges	2.1	38,070	37,594
Usage charges	2.1	32,550	32,741
Other income	2.4	2,743	3,914
Developer and customer contributions	2.3	1,975	1,628
Government grants and contributions	2.2	1,195	919
Interest income		145	166
<b>Total Revenue</b>		<b>76,678</b>	<b>76,962</b>
<b>Expenses</b>			
Direct operational expenses	3.2	(11,487)	(10,330)
Repairs and maintenance expenses	3.3	(2,781)	(2,678)
Administrative and other operating expenses	3.4	(8,654)	(10,326)
Depreciation	4.1.1	(21,114)	(21,019)
Employee benefits	3.1.1	(19,964)	(19,416)
Finance costs	6.1.2	(2,289)	(2,630)
Environmental contribution	8.2	(3,306)	(2,557)
Net gain / (loss) on disposal of non-current assets	4.1.4	(3,315)	(3,072)
Amortisation	4.2	(632)	(742)
<b>Total Expenses</b>		<b>(73,542)</b>	<b>(72,770)</b>
<b>Net result before tax</b>		<b>3,136</b>	<b>4,192</b>
<b>Income tax expense</b>	8.1.1	<b>(957)</b>	<b>(1,273)</b>
<b>Net result for the period</b>		<b>2,179</b>	<b>2,919</b>
<i>Items that will not be reclassified to net result</i>			
Gain on revaluation of property plant and equipment		66,663	-
Income tax relating to gain on revaluation of property, plant and equipment		(20,000)	-
Net gain on revaluation of property, plant and equipment	9.1.2	46,663	-
<b>Comprehensive result</b>		<b>48,842</b>	<b>2,919</b>

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



**BALANCE SHEET**  
AS AT 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.2	2,137	1,001
Receivables	5.1	16,386	17,634
Inventories		647	634
Prepayments	5.3	1,509	1,317
<b>Total current assets</b>		<b>20,679</b>	<b>20,586</b>
<b>Non-current assets</b>			
Receivables	5.1	8,076	9,026
Infrastructure, property, plant and equipment	4.1	800,592	733,313
Intangible assets	4.2	7,140	5,705
<b>Total non-current assets</b>		<b>815,808</b>	<b>748,044</b>
<b>TOTAL ASSETS</b>		<b>836,487</b>	<b>768,630</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5.2	6,641	4,986
Interest bearing liabilities	6.1	10,692	5,593
Employee benefits	3.1.2	5,003	4,420
<b>Total current liabilities</b>		<b>22,336</b>	<b>14,999</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	6.1	25,000	34,163
Employee benefits	3.1.2	478	484
Net deferred tax liabilities	8.1.2	122,062	101,139
<b>Total non-current liabilities</b>		<b>147,540</b>	<b>135,786</b>
<b>TOTAL LIABILITIES</b>		<b>169,876</b>	<b>150,785</b>
<b>NET ASSETS</b>		<b>666,611</b>	<b>617,845</b>
<b>Equity</b>			
Contributed capital	9.1.1	441,165	441,165
Reserves	9.1.2	194,643	149,494
Accumulated surplus	9.1.3	30,803	27,186
<b>TOTAL EQUITY</b>		<b>666,611</b>	<b>617,845</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 2019

	Notes	Contributed capital \$'000	Reserves \$'000	Accumulated surplus/ (deficit) \$'000	Total \$'000
Balance at 1 July 2017		441,165	150,260	23,501	614,926
Net result for the period		-	-	2,919	2,919
Transfer to/from accumulated funds on disposal		-	(766)	766	-
Closing balance at 30 June 2018	9.1	441,165	149,494	27,186	617,845
Adoption of new accounting standards: AASB9 financial instruments	9.8	-	-	(76)	(76)
Restated total equity at 1 July 2018		441,165	149,494	27,110	617,769
Net result for the period		-	46,663	2,179	48,842
Transfer to/from accumulated funds on disposal		-	(1,514)	1,514	-
Closing balance at 30 June 2019	9.1	441,165	194,643	30,803	666,611

*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 2019

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service and usage charges		75,288	73,228
GST received from the ATO		4,559	3,994
Government contributions received		83	119
Capital charges received		3,550	2,117
		<b>83,480</b>	<b>79,458</b>
<b>Payments</b>			
Payments to suppliers and employees		(46,652)	(47,734)
GST paid to the ATO		(331)	(223)
Interest and other costs of finance paid		(2,299)	(2,638)
Environmental contributions		(3,306)	(2,557)
		<b>(52,588)</b>	<b>(53,152)</b>
<b>Net cash inflow from operating activities</b>	6.2.1	<b>30,892</b>	<b>26,306</b>
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment and intangible assets		(26,333)	(21,424)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.4	641	478
		<b>(25,692)</b>	<b>(20,946)</b>
<b>Net cash outflow from investing activities</b>		<b>(25,692)</b>	<b>(20,946)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(4,064)	(5,177)
		<b>(4,064)</b>	<b>(5,177)</b>
<b>Net cash outflow from financing activities</b>		<b>(4,064)</b>	<b>(5,177)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,136</b>	<b>183</b>
Cash and cash equivalents at start of the financial year		1,001	818
<b>Cash and cash equivalents at the end of the financial year</b>	6.2	<b>2,137</b>	<b>1,001</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 (the Corporation) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, certification and notes accompanying these statements for the year ended 30 June 2019. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. The 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/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 16 August 2019.

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.

The following standard has been adopted by the Corporation: AASB 9 Financial Instruments, effective as of 1 January 2018 (and thus the Corporation on 1 July 2018).

### *AASB 9 impact assessment*

AASB 9 Financial Instruments, which replaces AASB 39 Financial Instruments: Recognition and Measurement, introduces new requirements for recognition, classification and measurement, a new impairment model for financial assets based on expected credit losses, and simplified hedge accounting. The Corporation has adopted AASB 9 as at 1 July 2018 and has applied the new rules on a modified retrospective basis. As a result, comparatives for 2017/18 in our 30 June 2019 accounts will not be restated. Further disclosures in relation to AASB 9 are at note 9.8 of this report. This resulted in an increase of the loss allowance

on 1 July 2018 by \$109,000 for trade receivables – service and usage charges.

### *Functional and presentation currency*

Items included in this financial report are measured using the currency of the primary economic environment in which the Corporation operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the 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 4.1.2);
- the estimation of useful lives for assets (Note 4.1.3);
- the impairment of assets (Note 4.1.3);
- 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 8.1.2);
- actuarial assumptions used to determine the Corporation's superannuation defined benefit liability and employee benefit provisions (Note 3.1.3)

## 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. The Corporation'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 and customer contributions
- 2.4 Other income

### 2.1 Service and usage charges

	2019 \$'000	2018 \$'000
<b>Service charges</b>		
Sewer	27,772	27,498
Water	10,298	10,096
<b>Total service charges</b>	<b>38,070</b>	<b>37,594</b>
<b>Usage charges</b>		
Water	25,016	25,618
Trade waste	7,534	7,123
<b>Total usage charges</b>	<b>32,550</b>	<b>32,741</b>

Water and sewerage service charges are recognised when services have been provided or service charge has been made. 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.

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.

Trade waste usage charges are recognised as revenue at the end of the service delivery period. Trade waste charges are measured by reading volume meters and applying the appropriate rate as per the trade waste agreement. The meters are read on a cyclical basis with accounts sent on a quarterly basis.

### 2.2 Government grants & contributions

Government contributions	1,195	919
<b>Total government grants and contributions</b>	<b>1,195</b>	<b>919</b>

Government grants and contributions are recognised as revenue when the Corporation obtains control of the contribution. Control is obtained when the Corporation 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 FRD119A *Transfers through Contributed Capital*. (Refer to Note 9.1.1)

## 2.3 Developer and customer contributions

	2019 \$'000	2018 \$'000
Fees paid by developers and customers	724	448
Assets received free of charge from developers	1,251	1,180
<b>Total developer and customer contributions</b>	<b>1,975</b>	<b>1,628</b>

New customer contributions are paid by developers to connect new housing developments to existing water supply and waste water systems. The Corporation recognises them as revenue when certificate of compliance is issued.

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 15 Revenue from Contracts with 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	1,325	1,985
Miscellaneous	466	723
Rental	444	348
Information statements	261	257
Connection and inspection fees	205	193
Recycled water sales	43	408
<b>Total other income</b>	<b>2,743</b>	<b>3,914</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 some insurance claims recovery costs. 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 Direct operating expenses
- 3.3 Repairs and maintenance expenses
- 3.4 Administrative and other operating expenses

#### 3.1 Our people

##### 3.1.1 Employee benefits - comprehensive operating statement

	2019 \$'000	2018 \$'000
Employee benefits		
- salaries and wages	(16,014)	(16,031)
- annual leave	(1,441)	(1,352)
- long service leave	(866)	(415)
- employer superannuation contributions	(1,517)	(1,489)
- defined benefit superannuation expense	(126)	(129)
Total employee benefit expense	(19,964)	(19,416)

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.

	2019 \$'000	2018 \$'000
<b>Current provisions:</b>		
<i>Annual leave</i>		
Annual leave - unconditional and expected to settle within 12 months	1,153	1,121
<i>Long service leave</i>		
Long service leave - unconditional and expected to settle within 12 months - measured at nominal value	440	435
Long service leave - unconditional and expected to settle after 12 months - measured at present value	2,553	2,099
<i>On-costs</i>		
Unconditional and expected to settle within 12 months - measured at nominal value	58	57
Unconditional and expected to settle after 12 months - measured at present value	335	276
<i>Other leave</i>		
Other leave - unconditional and expected to settle within 12 months	73	70
<i>Accrued employee costs</i>		
Employment benefits	391	362
<b>Total current provision for employee benefits</b>	<b>5,003</b>	<b>4,420</b>
<b>Non-current provisions:</b>		
Long service leave - conditional - measured at present value	422	428
Long service leave on costs - conditional - measured at present value	56	56
<b>Total non-current provisions for employee benefits</b>	<b>478</b>	<b>484</b>
<b>Aggregate carrying amount of employee benefits</b>		
Current	5,003	4,420
Non-current	478	484
<b>Total provision for employee benefits</b>	<b>5,481</b>	<b>4,904</b>
<b>Reconciliation of movement in on-cost provision</b>		
Opening balance	389	488
Additional provision recognised	118	30
Amounts utilised during period	(43)	(50)
Increases resulting from re-measurement	8	(79)
Effect of changes in the discount rate	(23)	-
<b>Closing balance</b>	<b>449</b>	<b>389</b>
Current	393	333
Non-current	56	56

### *Wages, salaries and annual leave*

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

Liabilities for wages and salaries (including non-monetary benefits, annual leave, accumulating sick leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the water corporation does not have an unconditional right to defer settlements of these liabilities.

Liabilities for salaries and annual leave are all recognised in the provision for employee benefits as 'current liabilities' as per AASB 119 Employee Benefits, because the Corporation does not have an unconditional right to defer settlements of these liabilities.

### *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.

### **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.

The Corporation makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super). The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Operating Statement when they are made or become due.

Contributions by the Corporation (excluding any unfunded liability payments) to the superannuation plans for the financial year ended 30 June 2019 are detailed below:

Scheme	Type of scheme	Rate (%)	2019 \$'000	2018 \$'000
State Superannuation Fund	Defined Benefits	9.5	36	40
Vision Super	Defined Benefits	9.5	90	89
Vision Super	Accumulated Fund	9.5	1,133	1,166
Other	Accumulated Fund	9.5	386	340
<b>Total contributions</b>			<b>1,645</b>	<b>1,635</b>

There were no contributions outstanding and loans issued from or to the above schemes as at 30 June 2019.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2020 is \$93,000.

### *Accumulation*

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

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 (representing seven or more years of service) 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.

### *Defined benefit plan*

Wannon Water 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

Wannon Water makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Wannon Water is a contributing employer was 106.0%. The financial assumptions used to calculate the VBIs were:

Net investment returns	6.0% pa
Salary information	3.5% pa
Price inflation (CPI)	2.0% pa

Vision Super has advised that the estimated VBI at 30 June 2019 was 107.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

## Employer contributions

### Regular contributions

On the basis of the results of the 2018 interim actuarial investigation conducted by the Fund Actuary, Wannon Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018). This rate will increase in line with any increases in the superannuation guarantee contribution rate. In addition, Wannon Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

## 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 Superannuation Prudential Standard (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%.

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.

### The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Wannon Water is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Wannon Water is a contributing employer:

	2018 (\$M)	2017 (\$M)
- A VBI surplus	131.9	69.8
- A total service liability surplus	218.3	193.5
- A discounted accrued benefits surplus	249.1	228.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2018.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2018.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2018.

### The 2019 interim actuarial investigation

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

### 3.2 Direct operating expenses

	2019 \$'000	2018 \$'000
Electricity	(4,565)	(3,415)
Licences	(2,225)	(2,342)
Other goods and services	(1,399)	(1,344)
Consultancies and contractors	(1,287)	(1,244)
Chemicals	(995)	(931)
Testing and sampling	(846)	(848)
Goods and equipment	(170)	(206)
<b>Total direct operating expenses</b>	<b>(11,487)</b>	<b>(10,330)</b>

### 3.3 Repairs and maintenance expenses

Preventative maintenance	(1,051)	(1,187)
Corrective maintenance	(871)	(703)
Other maintenance costs	(466)	(383)
Reactive maintenance	(393)	(405)
<b>Total repairs and maintenance expenses</b>	<b>(2,781)</b>	<b>(2,678)</b>

### 3.4 Administrative and other operating expenses

Consultancies and contractors	(4,245)	(6,817)
Other goods and services	(2,036)	(504)
Efficiency rebate	(1,987)	(2,485)
Goods and equipment	(222)	(381)
Electricity	(164)	(139)
<b>Total administrative and other operating expenses</b>	<b>(8,654)</b>	<b>(10,326)</b>

Administrative and other 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. They are expensed in the period in which they are incurred.

## 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 assets

### 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 improvements \$'000	Buildings \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Plant and equipment \$'000	In the course of construction \$'000	Total \$'000
<b>2018-19</b>							
Opening WDV at 1 July 2018	30,373	26,216	359,572	296,914	6,123	14,115	733,313
Additions	-	-	-	-	-	26,604	26,604
Developer contributed assets	-	-	175	1,076	-	-	1,251
Revaluations	3,675	2,994	41,951	18,043	-	-	66,663
Disposals	-	-	(1,914)	(1,442)	(599)	(102)	(4,057)
Found assets	-	-	-	-	-	-	-
Transfers between categories							
- Additions <sup>1</sup>	164	495	7,761	8,364	2,811	(21,663)	(2,068)
Depreciation expense	(17)	(977)	(10,300)	(8,253)	(1,567)	-	(21,114)
<b>Closing WDV at 30 June 2019</b>	<b>34,196</b>	<b>28,728</b>	<b>397,244</b>	<b>314,703</b>	<b>6,769</b>	<b>18,953</b>	<b>800,592</b>
Cost	34,246	31,634	427,854	338,954	19,893	18,953	871,534
Accumulated depreciation	(50)	(2,906)	(30,610)	(24,251)	(13,125)	-	(70,942)
<b>Closing WDV at 30 June 2019</b>	<b>34,196</b>	<b>28,728</b>	<b>397,244</b>	<b>314,703</b>	<b>6,769</b>	<b>18,953</b>	<b>800,592</b>
<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
Revaluations	-	-	-	-	-	-	-
Disposals	-	-	(1,012)	(1,974)	(499)	(95)	(3,580)
Found assets	41	93	-	-	134	-	268
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>
Cost	30,406	28,144	380,206	313,099	18,484	14,115	784,454
Accumulated depreciation	(33)	(1,928)	(20,634)	(16,185)	(12,361)	-	(51,141)
<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>

<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 and sewerage infrastructure, 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).

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

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluations are undertaken every five years with the next one planned for 2021. 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.

### **4.1.2 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 2019

Fair value measurement at end of reporting period using:

	Carrying amount at 30-Jun-19 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Land and land improvements at fair value</b>				
Specialised land	34,196	-	-	34,196
<b>Total of land and land improvements at fair value</b>	<b>34,196</b>	<b>-</b>	<b>-</b>	<b>34,196</b>
<b>Buildings at fair value</b>				
Specialised buildings	28,728	-	-	28,728
<b>Total of buildings at fair value</b>	<b>28,728</b>	<b>-</b>	<b>-</b>	<b>28,728</b>
<b>Water infrastructure at fair value</b>				
Water reticulation & distribution	282,949	-	-	282,949
Water treatment plants	55,842	-	-	55,842
Water reservoirs & service basins	58,453	-	-	58,453
<b>Total of water infrastructure at fair value</b>	<b>397,244</b>	<b>-</b>	<b>-</b>	<b>397,244</b>
<b>Sewer infrastructure at fair value</b>				
Sewer reticulation	259,689	-	-	259,689
Sewer treatment plants	55,013	-	-	55,013
<b>Total of sewer infrastructure at fair value</b>	<b>314,703</b>	<b>-</b>	<b>-</b>	<b>314,703</b>
<b>Plant, equipment and vehicles at fair value</b>				
Vehicles	3,161	-	3,161	-
Plant and equipment	3,607	-	-	3,607
<b>Total of plant, equipment and vehicles at fair value</b>	<b>6,769</b>	<b>-</b>	<b>3,161</b>	<b>3,607</b>

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

Fair value measurement at end of reporting period using:

	Carrying amount at 30-Jun-18 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'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>

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 current 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 VGV. 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 2019 and determined that there had been material movement in the value of both specialised land and specialised buildings assets since the 2016 valuation. As per the requirements of FRD103G and under the direction of the Victorian Valuer-General's Office, a managerial revaluation was undertaken on the building asset class as at 30 June 2019. A desktop valuation was performed utilising non-metro regional area indices to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 10.5% since the last valuation, resulting in a revaluation amount of \$2.99M being credited directly to equity in the asset revaluation reserve.

Under the same requirements as the buildings assets class stated in the above paragraph, a managerial revaluation was also undertaken on the land asset class as at 30 June 2019. A desktop valuation was performed utilising non-metro regional area indices to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 12.3% since the last valuation, resulting in a revaluation amount of \$3.68M being credited directly to equity in the asset revaluation reserve.

#### *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 2019. For all assets measured at fair value, the current use is considered the highest and best use.

#### *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 VGV. 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 2019 and determined that there had been material movement in the value of all network infrastructure assets since the 2016 valuation. No material movement was identified in facility infrastructure assets since the 2016 valuation. As per the requirements of FRD103G and under the direction of the Victorian Valuer-General's Office, a managerial revaluation was undertaken on the network infrastructure asset class as at 30 June 2019. A desktop valuation was performed utilising non-metro regional area indices to revalue the individual carrying amounts of assets within the class. It was determined that there had been a cumulative increment of 14.1% since the last valuation, resulting in a revaluation amount of \$59.99M being credited directly to equity in the asset revaluation reserve.

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 land \$000	Specialised buildings \$000	Water infrastructure \$000	Sewer infrastructure \$000	Plant and equipment \$000
<b>2019</b>					
Opening balance	30,373	26,216	359,572	296,914	2,920
Additions/ purchases	164	495	7,936	9,440	1,638
Transfers in (out) of level 3	-	-	-	-	-
Revaluations	3,675	2,994	41,951	18,043	-
Disposals	-	-	(1,914)	(1,442)	(7)
Depreciation	(17)	(977)	(10,300)	(8,253)	(944)
Impairment loss	-	-	-	-	-
Closing balance	34,196	28,728	397,244	314,703	3,607
<b>2018</b>					
Opening balance	30,314	26,710	364,245	294,891	3,316
Additions/ purchases	76	474	6,713	12,012	709
Transfers in (out) of level 3	-	-	-	-	-
Transfers - Reclassification	-	-	-	-	-
Disposals	-	-	(1,012)	(1,974)	(11)
Depreciation	(17)	(968)	(10,374)	(8,015)	(1,094)
Impairment loss	-	-	-	-	-
Closing balance	30,373	26,216	359,572	296,914	2,920

## Description of significant unobservable inputs to Level 3 valuations

2019 & 2018	Valuation technique	Significant unobservable inputs
Specialised land and improvements	Market approach	Community Service Obligation (CSO) adjustment Land value range
Specialised buildings	Depreciated replacement cost	Cost per building Useful life of specialised buildings
Water Infrastructure - Water reticulation & distribution	Depreciated replacement cost	Cost per metre Useful life of the infrastructure
Water Infrastructure - Water treatment plants	Depreciated replacement cost	Cost per treatment plant Useful life of the infrastructure
Water Infrastructure - Water reservoirs & service basins	Depreciated replacement cost	Cost per facility Useful life of the infrastructure
Sewer Infrastructure - Sewer reticulation	Depreciated replacement cost	Cost per metre Useful life of the infrastructure
Sewer Infrastructure - Sewer treatment plants	Depreciated replacement cost	Cost per treatment plant Useful life of the infrastructure
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Vehicles	Depreciated replacement cost	Cost per unit 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	Current year	Prior year	Asset class	Current year	Prior year
Bores	3 - 80 years		Buildings	2 - 80 years	
Electrical	1 - 78 years		Furniture and fittings	4 - 20 years	
Lagoons	2 - 100 years		Manholes	1 - 99 years	
Mechanical	2 - 73 years		Meters	5 - 74 years	5 - 39 years
Pipes	1 - 100 years	1 - 97 years	Plant, equipment & motor vehicles	2 - 20 years	
Pumps	1 - 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

	2019 \$'000	2018 \$'000
<b>Cost of assets disposed</b>		
Infrastructure	(3,356)	(2,986)
Motor vehicles	(592)	(488)
Office equipment	(7)	(11)
Intangibles	(1)	(65)
<b>Total written down value of assets disposed</b>	<b>(3,956)</b>	<b>(3,550)</b>
<b>Proceeds of assets disposed</b>		
Motor vehicle trade-ins	639	477
Other asset sales	2	1
<b>Total proceeds of asset disposed</b>	<b>641</b>	<b>478</b>
<b>Net gain/ (loss) on disposal of non current assets</b>	<b>(3,315)</b>	<b>(3,072)</b>

## 4.2 Intangible assets

2019  
\$'000

2018  
\$'000

### (a) Classes of intangibles

Computer software - at cost  
Less: Accumulated amortisation

9,263  
(6,873)

7,280  
(6,325)

2,390

955

Bulk water entitlement - at cost

4,750

4,750

**Total intangibles**

**7,140**

**5,705**

### (b) Movements during the reporting period

Software  
\$'000

Bulk water  
entitlement  
\$'000

Total  
\$'000

#### 2018-19

Opening WDV at 1 July 2018

955

4,750

5,705

Disposals

(1)

-

(1)

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

2,068

-

2,068

Amortisation expense

(632)

-

(632)

**Closing WDV at 30 June 2019**

**2,390**

**4,750**

**7,140**

#### 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 as at 30 June 2018**

**955**

**4,750**

**5,705**

<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	Not amortised or revalued	Not amortised or revalued
Internally generated / Acquired	Acquired	Acquired or internally generated
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

#### Permanent water entitlements

Permanent water entitlements purchased are recognised as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets), and will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water 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
- 5.2 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

	2019 \$'000	2018 \$'000
<b>Current</b>		
<b>Contractual</b>		
Accrued tariffs and charges	9,318	9,226
Tariffs and charges	2,560	2,843
Other receivables	4,259	4,988
Schemes / receivables	53	53
Less: Allowance for expected credit losses	(176)	(84)
	16,014	17,026
<b>Statutory</b>		
GST input tax credit receivable	372	608
<b>Total current receivables</b>	<b>16,386</b>	<b>17,634</b>
<b>Non-current</b>		
<b>Contractual</b>		
Other receivables	7,708	8,612
Schemes / receivables	369	414
<b>Total non-current receivables</b>	<b>8,076</b>	<b>9,026</b>
<b>Total receivables</b>	<b>24,462</b>	<b>26,660</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.

## Impairment of contractual receivables

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

On that basis, the loss allowances as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for receivables - service and usage charges and other receivables:

30 June 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	More than 365 days past due	Total
Expected loss rate, tenant debt (%)	11.7	25.9	35.5	42.1	56.2	100	
Gross carrying amount – receivables from service and usage charges, tenant ('\$000)	119	17	22	21	35	31	245
Gross carrying amount – receivables from service and usage charges, owners ('\$000)	1,168	110	70	113	214	640	2,315
Gross carrying amount – other receivables ('\$000)	4,226	20	13	-	-	-	4,259
Gross carrying amount – schemes/ receivables ('\$000)	53	-	-	-	-	-	53
<b>Loss allowance ('\$000)</b>	<b>(15)</b>	<b>(4)</b>	<b>(9)</b>	<b>(9)</b>	<b>(23)</b>	<b>(116)</b>	<b>(176)</b>
<b>1 July 2018</b>							
Expected loss rate, tenant debt (%)	14.5	31.5	40.3	47.7	63.6	100	
Gross carrying amount – receivables from service and usage charges, tenant ('\$000)	149	19	22	28	51	34	303
Gross carrying amount – receivables from service and usage charges, owners ('\$000)	1,469	76	85	93	262	555	2,540
Gross carrying amount – other receivables ('\$000)	4,297	687	4	-	-	-	4,988
Gross carrying amount – schemes/ receivables ('\$000)	53	-	-	-	-	-	53
<b>Loss allowance ('\$000)</b>	<b>(22)</b>	<b>(6)</b>	<b>(9)</b>	<b>(14)</b>	<b>(34)</b>	<b>(108)</b>	<b>(193)</b>

## Ageing analysis of contractual receivables

Receivables from service and usage charges are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments for a period of greater than 120 days past due.

Loss allowance on receivable from service and usage charges are presented in other operational expenses within the comprehensive operating statement, but are not classified as financial instruments.

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.

	\$'000 Carrying amount	\$'000 Not past due and not impaired	\$'000 Less than 1 month	Past due but not impaired		
				\$'000 1 - 3 months	\$'000 3 months - 1 year	\$'000 1 - 5 years
<b>2019</b>						
Sale of goods and services <sup>1</sup>	4,417	2,388	-	947	465	617
Other receivables	2,847	2,698	-	136	13	-
<b>Total</b>	<b>7,264</b>	<b>5,086</b>	<b>-</b>	<b>1,083</b>	<b>478</b>	<b>617</b>
<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>

Note <sup>1</sup> - 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

	2019 \$'000	2018 \$'000
<b>Current</b>		
<b>Contractual</b>		
Trade creditors	4,333	3,778
Accrued loan interest	13	11
Contract deposits	444	403
Income received in advance	1,851	794
<b>Total current payables</b>	<b>6,641</b>	<b>4,986</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 Carrying amount	\$'000 Nominal amount	\$'000 Less than 1 month	Maturity dates		
				\$'000 1 - 3 months	\$'000 3 months - 1 year	\$'000 1 - 5 years
<b>2019</b>						
Supplies and services	2,876	2,876	2,877	-	-	-
Other payables	3,766	3,766	367	341	3,057	-
<b>Total</b>	<b>6,641</b>	<b>6,641</b>	<b>3,243</b>	<b>341</b>	<b>3,057</b>	<b>-</b>
<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>

**5.3 Prepayments**

	2019 \$'000	2018 \$'000
<b>Current</b>		
Prepaid expenses	1,509	1,317
<b>Total prepayments</b>	<b>1,509</b>	<b>1,317</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 2019**

	Carrying amount at 30-Jun-19 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	2,137	2,137	-	-
Receivables	24,107	16,031	7,994	-
<b>Total financial assets</b>	<b>26,244</b>	<b>18,168</b>	<b>7,994</b>	<b>-</b>
<b>Financial liabilities</b>				
Interest bearing liabilities	35,692	-	37,605	-
Payables and accruals	6,640	6,640	-	-
<b>Total financial liabilities</b>	<b>42,332</b>	<b>6,640</b>	<b>37,605</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 2018**

	Carrying amount at 30-Jun-18 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'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

## 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 for the period 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

	2019 \$'000	2018 \$'000
<b>Current</b>		
Loans from TCV	10,692	5,593
<b>Total current interest bearing liabilities</b>	<b>10,692</b>	<b>5,593</b>
<b>Non-current</b>		
Loans from TCV	25,000	34,163
<b>Total non-current interest bearing liabilities</b>	<b>25,000</b>	<b>34,163</b>
<b>Total interest bearing liabilities</b>	<b>35,692</b>	<b>39,756</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:

less than 1 month	1,570	539
1 - 3 months	-	10
3 - 12 months	9,122	5,044
1 - 5 years	25,000	34,163
Over 5 years	-	-
	<b>35,692</b>	<b>39,756</b>

## 6.1.2 Interest expense

	2019 \$'000	2018 \$'000
<b>Borrowing costs</b>		
Interest on loans - TCV	1,879	2,167
Financial Accommodation Levy - DTF	410	463
<b>Total borrowing costs</b>	<b>2,289</b>	<b>2,630</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 and measured at fair value.

Borrowing costs include interest on short-term and long-term borrowings held with the Treasury Corporation of Victoria (TCV) and costs relating to the Financial Accommodation Levy (FAL) set by the Treasurer of the State of Victoria under section 40N(2) of the Financial Management Act 1994. The FAL is in place to remove the financial benefit obtained by the Corporation in securing lower than market interest rates as a result of being guaranteed by the State of Victoria.

## 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	2,137	1,001
Balance as per cash flow statement	2,137	1,001

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

Net result for the period after income tax	2,179	2,919
<b>Add / (less) non-cash flows in net result</b>		
Depreciation and amortisation	21,746	21,761
Net loss on disposal of non-current assets	3,315	3,072
Infrastructure assets acquired at no cost	(1,251)	(1,180)
<b>Changes in assets and liabilities</b>		
Decrease (increase) in receivables	2,089	(1,202)
Decrease (increase) in inventories	(13)	(28)
Decrease (increase) in prepayments	(192)	(275)
Increase (decrease) in payables	1,485	151
Increase (decrease) in employee benefits	577	(184)
Increase (decrease) in net deferred tax liabilities	957	1,272
<b>Net cash (outflow) / inflow from operating activities</b>	<b>30,892</b>	<b>26,306</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 2019, 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:

	2019 \$'000	2018 \$'000
Within one year	1,869	2,507
One to five years	1,722	3,084
<b>Total operating commitments (inclusive of GST)</b>	<b>3,591</b>	<b>5,591</b>
<b>Less GST recoverable</b>	<b>326</b>	<b>508</b>
<b>Total operating commitments (exclusive of GST)</b>	<b>3,265</b>	<b>5,083</b>

### 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 2019, 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	5,059	6,228
<b>Total capital commitments (inclusive of GST)</b>	<b>5,059</b>	<b>6,228</b>
<b>Less GST recoverable</b>	<b>460</b>	<b>566</b>
<b>Total capital commitments (exclusive of GST)</b>	<b>4,599</b>	<b>5,662</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
- 7.3 ZEW - Power Purchase Agreement

## 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.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits Receivables Sale of goods and services Loans to third parties Accrued investment income Other receivables	Payables Supplies and services Amounts payable to government and agencies Borrowings TCV loans

Due to the short-term nature of the financial assets and liabilities held by the Corporation, their carrying value is assumed to approximate their fair value.

### Classification of financial instruments

Loans, receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. Financial assets are initially measured at fair value plus or minus any direct transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost only if both of the following criteria are met:

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

The following assets are held with the objective to collect the contractual cash flows:

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

Financial liabilities are initially recognised at fair value, plus or minus subsequent to initial recognition, these financial instruments are measured at amortised cost with any liability, using the effective interest rate method.

The Corporation recognises the following liabilities:

- 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. 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

All financial assets and financial liabilities of the Corporation are measured at amortised cost in line with AASB 9 Financial Instruments.

### 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.

#### 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 group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. Refer to section 5.1.

#### 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.

#### 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 TCV and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly.

In accordance with the Corporation'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

##### 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 \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Carrying amount \$'000	-1% Result	Equity	1% Result	Equity
<b>2019</b>								
<b>Financial assets:</b>								
- Cash and cash equivalents	2,137	-	-	2,137	(39)	(39)	39	39
- Receivables <sup>1</sup>	-	14,504	9,603	24,107	-	-	-	-
<b>Total</b>	<b>2,137</b>	<b>14,504</b>	<b>9,603</b>	<b>26,244</b>				
Weighted Average Effective Interest Rate	1.3%	6.4%	-					
<b>Financial liabilities:</b>								
- Payables <sup>1</sup>	-	-	6,640	6,640	2	2	(2)	(2)
- Interest bearing liabilities	1,570	34,122	-	35,692	-	-	-	-
<b>Total</b>	<b>1,570</b>	<b>34,122</b>	<b>6,640</b>	<b>42,332</b>	<b>(37)</b>	<b>(37)</b>	<b>37</b>	<b>37</b>
Weighted Average Effective Interest Rate	1.4%	4.5%						
<b>2018</b>								
<b>Financial assets:</b>								
- 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	1.50%	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%						

<sup>1</sup> - 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.

## 7.3 ZEW - Power Purchase Agreement

Wannon Region Water Corporation is one of 13 water corporation members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee.

ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility(ies) in Victoria and in turn supply these products to its members. This vehicle provides the opportunity for water corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. Wannon Region Water Corporation does not currently hold a position on the Board of ZEW. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors.

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

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

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

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

The Members' Agreement specifies that Wannon Region Water Corporation must make a loan available to the Special Purpose Vehicle (SPV) amounting to \$72,020.57.

The loan provided to ZEW meets the definition of a financial asset as it gives rise to a contractual right for Wannon Water to receive cash from ZEW at the end of the loan term.

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

## 8. STATUTORY OBLIGATIONS

### Introduction

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

### 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

### 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 contribution commitments

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.

	2019 \$'000	2018 \$'000
The income tax expense for the financial year differs from the amount calculated on the net result. The differences are reconciled as follows:		
Net result before income tax expense	3,136	4,192
Income tax calculated @ 30% (2018: 30%)	941	1,258
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible expenses	16	15
<b>Income tax as reported in the comprehensive operating statement</b>	<b>957</b>	<b>1,273</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:

Amounts recognised in the comprehensive operating statement		
Prior and current tax losses	23,567	28,585
Provisions and accrued expenditure not deductible	1,731	1,534
	<b>25,298</b>	<b>30,119</b>
Movement		
Opening balance 1 July	30,119	34,673
Annual movement	(4,821)	(4,554)
<b>Closing balance 30 June</b>	<b>25,298</b>	<b>30,119</b>

### Deferred tax liabilities

The balance comprises temporary differences attributable to:

Depreciation and revaluation	147,360	(131,258)
Other	-	-
	<b>(147,360)</b>	<b>(131,258)</b>
Movement		
Opening balance 1 July	(131,258)	(134,540)
Annual movement	(16,102)	3,282
<b>Closing balance 30 June</b>	<b>(147,360)</b>	<b>(131,258)</b>
<b>Net deferred tax liabilities</b>		
Deferred tax assets	25,298	30,119
Deferred tax liabilities	(147,360)	(131,258)
<b>Net deferred tax liabilities</b>	<b>(122,062)</b>	<b>(101,139)</b>



## 8.2 Environmental contribution

	2019 \$'000	2018 \$'000
Environmental contribution levy	3,306	2,557
<b>Total environmental contribution levy</b>	<b>3,306</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 2019, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

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

##### 9.1.3 Accumulated surplus/ (deficit)

#### 9.2 Events occurring after the balance date

#### 9.3 Responsible persons

#### 9.4 Related Parties

#### 9.5 Remuneration of Executives

#### 9.6 Remuneration of auditors

#### 9.7 Ex-gratia expense

#### 9.8 Changes in accounting policy

#### 9.9 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

	2019 \$'000	2018 \$'000
Land	3,817	1,244
Buildings	4,366	2,271
Infrastructure	186,460	145,979
<b>Total reserves</b>	<b>194,643</b>	<b>149,494</b>

### Movements in reserves during the reporting period

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Total \$'000
Opening balance at 1 July	1,244	2,271	145,979	149,494
Transfer from / (to) accumulated funds on disposal of re-valued assets	-	-	(1,514)	(1,514)
Revaluation increment / on non-current assets	2,573	2,095	41,995	46,663
<b>Closing balance at 30 June</b>	<b>3,817</b>	<b>4,366</b>	<b>186,460</b>	<b>194,643</b>

## 9.1.3 Accumulated surplus/ (deficit)

	2019 \$'000	2018 \$'000
Opening balance at 1 July	27,186	23,501
Net profit/ (loss) for the year	2,179	2,919
Transfer from / (to) asset revaluation reserve	1,514	766
Prior Year adjustment - AASB 9	(76)	-
<b>Closing balance at 30 June</b>	<b>30,803</b>	<b>27,186</b>

## 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 Assistant Treasurer under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period as required by AASB 124 Related Party Disclosures.

The names of persons who held the positions of Ministers and Accountable Officers in the Corporation are as follows:

Title	Name	Period of Appointment
Minister for Water	The Hon. Lisa Neville MP	1 July 2018 - 30 June 2019
Chair	Ms Jacinta Ermacora	1 July 2018 - 30 June 2019
Deputy Chair	Ms Georgina Gubbins	1 July 2018 - 30 June 2019
Director	Mr Michael Crutchfield	1 July 2018 - 30 June 2019
Director	Mr Mick Murphy, OAM	1 July 2018 - 30 June 2019
Director	Mr Rob Wallis	1 July 2018 - 30 June 2019
Director	Ms Sarah-Jane Walsh	1 July 2018 - 30 June 2019
Director	Mr Kenneth King	1 July 2018 - 30 June 2019
Director	Ms Helen Scarborough	1 July 2018 - 30 June 2019
Managing Director / Accountable Officer	Mr Andrew Jeffers	1 July 2018 - 30 June 2019

## Remuneration

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

Income band	2019 No.	2018 No.
\$0 - \$9,999	0	2
\$10,000 - \$19,999	0	3
\$20,000 - \$29,999	7	4
\$50,000 - \$59,999	1	1
\$260,000 - \$270,000	0	1
\$300,000 - \$310,000	1	0
<b>Totals</b>	<b>9</b>	<b>11</b>

Total remuneration received or receivable by the responsible officers in connection with the management of the Corporation during the reporting period was in the range: \$540,000 - \$550,000 (\$490,000 - \$500,000 in 2017-18)

## 9.4 Related parties

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

Related parties of the Corporation 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; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

### Key management personnel (KMP)

Key managements personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly, this comprises independent Directors and the Managing Director, KMP (as defined in AASB 124 Related Party Disclosures) includes the Portfolio Minister and all directors listed under responsible persons in note 9.3 who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly, or indirectly, during the financial year.

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the Department of Parliament Services' financial report.

The Corporation considers KMP's to be responsible persons as referred to in note 9.3.

Compensation of KMPs	2019 \$'000	2018 \$'000
Short-term employee benefits	486	447
Post-employment benefits	49	42
Other long-term benefits	6	6
Termination benefits	-	-
<b>Total compensation of KMPs</b>	<b>541</b>	<b>495</b>

## Significant transactions with government-related entities

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

	2019 \$'000	2018 \$'000
<b>Department Environment, Land, Water and Planning (DELWP)</b>		
<b>Paid/ payable</b>		
Environmental contribution levy	3,306	2,557
Aerial photography	56	-
<b>Received/ receivable</b>		
Integrated water management payments	72	-
Bushfire relief funding	-	701
<b>Department Treasury and Finance (DTF)</b>		
<b>Paid/ payable</b>		
Financial accommodation levy	410	463
DTF recovery fees	54	-
<b>Department Health and Human Services (DHHS)</b>		
<b>Received/ receivable</b>		
Customer rebates and administration fees	3,387	3,380
Camperdown fluoride project funding	852	-
<b>Treasury Corporation of Victoria (TCV)</b>		
<b>Paid/ payable</b>		
Net borrowings during the year	4,064	5,177
Borrowing costs	1,879	2,167
<b>Received/ receivable</b>		
Interest revenue	66	-
<b>State Revenue Office (SRO)</b>		
<b>Paid/ payable</b>		
Payroll tax	478	693
<b>Received/ receivable</b>		
Not for profit rebate	314	273
<b>Environment Protection Authority (EPA)</b>		
<b>Paid/ payable</b>		
Licences	167	162
<b>GWM Water</b>		
<b>Paid/ payable</b>		
Water service and supply charges	325	340
<b>Department of Premier &amp; Cabinet</b>		
<b>Received/ receivable</b>		
Framlingham water supply project funding	1,400	-
<b>Parks Victoria</b>		
<b>Received/ receivable</b>		
12 Apostles project funding	-	1,687

### 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 e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public

Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the Corporation, there were no related party transactions that involved key management personnel and their close family members.

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

## 9.5 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, 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 (as defined in AASB 119 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. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

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

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

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

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

Remuneration (a)	2019 \$'000	2018 \$'000
Short-term employee benefits	1,010	1,029
Post-employment benefits	97	99
Other long-term benefits	24	24
Termination benefits	-	33
<b>Total remuneration of executives</b>	<b>1,131</b>	<b>1,185</b>
	<b>No.</b>	<b>No.</b>
<b>Total number of executives (b)</b>	<b>6</b>	<b>6</b>
<b>Total annualised employee equivalents (c)</b>	<b>5.33</b>	<b>5.65</b>

#### Notes:

- (a) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB119 Employee Benefits.
- (b) 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 9.4).
- (c) 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).

## 9.6 Remuneration of auditors

Victorian Auditor-General's Office		
Audit or review of financial statements	55	54
Other non-audit services		
Other non-audit services <sup>1</sup>	140	117
<b>Total auditor remuneration</b>	<b>195</b>	<b>171</b>

<sup>1</sup> The Victorian Auditor General's Office is not allowed to provide non-audit services

9.7 Ex-gratia expense	2019 \$'000	2018 \$'000
Forgiveness or waiver of debt	51	33
Payment to employee in lieu of notice upon termination	6	-
<b>Total ex-gratia expenses</b>	<b>57</b>	<b>33</b>

In accordance with FRD 11A Disclosure of Ex-Gratia Expenses the Corporation must disclose in aggregate the total amount of material (greater than \$5000) expenses.

## 9.8 Changes in accounting policies

### AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting, as reflected in note 7.1.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements (refer to Note 5.1). In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), the Corporation has applied a modified retrospective approach, therefore, comparative figures from FY2018 have not been restated.

On 1 July 2018 (the date of initial application of AASB 9), the Corporation's management assessed which business models apply to the financial assets held by the Corporation and have classified its financial instruments into the appropriate AASB 9 categories.

To measure the expected credit losses, receivables have been grouped based in the shared credit risk characteristics and the days past due. The expected loss rates are based in the payment profiles of sales over a period of 18 months before 30 June 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables.

On the date of the initial application, the financial instruments of the Corporation were as follows, with any reclassification noted:

	Carrying amount		
	Original \$'000	New \$'000	Difference * \$'000
Cash and cash equivalents	1,001	1,001	-
Tariffs and charges receivables	2,843	2,734	109
Other receivables	4,988	4,988	-
Scheme receivables	53	53	-
Accrued tariffs and charges	9,226	9,226	-
<b>Total financial assets</b>	<b>18,111</b>	<b>18,002</b>	<b>109</b>
<b>Total financial liabilities</b>	<b>4,192</b>	<b>4,192</b>	<b>-</b>

\* The difference noted in this column are the result of the new expected credit loss model. Refer to section 5.1 for the application of the Expected Credit Loss model. The reclassification of the financial instruments on the adoption of AASB 9 did not result in any changes to measurements.

### Impact statement

This resulted in an increase of the loss allowance on 1 July 2018 by \$109,000 for trade receivables – service and usage charges and other receivables.

## 9.9 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 2019 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	Applicable for annual reporting periods beginning on	Estimated impact
<b>AASB 15 Revenue from Contracts with Customers</b>	The core principles of AASB 15 requires an entity to recognise revenue when the Corporation satisfies a performance obligation by transferring a promised good or services to a customer. Note that amending standard AASB 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017 for not-for-profit entities.	1 January 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. Revenue from developer contributions will now be recognised when certificate of compliance is issued. The Corporation has assessed its impact which is expected to be minimal.
<b>AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</b>	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. The Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist non-for-profit entities in applying the respective standards to particular transactions and events.	1 January 2019	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: AASB 9 <ul style="list-style-type: none"> <li>Statutory receivables are recognised and measured similarly to financial assets</li> </ul> AASB 15 <ul style="list-style-type: none"> <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> The assessment has indicated that there will be no significant impact for the Corporation.
<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	The assessment has indicated that there will be no significant impact on the Corporation as there are only a few low value leases in place which will be transferred to balance sheet. The operating lease expense within the operating statement will be replaced by a depreciation expense of the asset. There will also be an interest charge recognised.



Topic	Key requirements	Applicable for annual reporting periods beginning on	Estimated impact
<b>AASB 2018-8 Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit entities</b>	This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1 January 2019	Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions. For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not-for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption. Wannon Water has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets of which there are very few so will have minimal impact on reporting. This decision was made considering that the methodology of valuing peppercorn leases was still being developed.
<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	The assessment has indicated that revenue from capital grants that are provided under 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.
<b>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</b>	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	The assessment has indicated that there will be no significant impact for Wannon Water.

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 2018-19 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 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business



# 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 Directions 5.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of the Corporation at 30 June 2019.

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

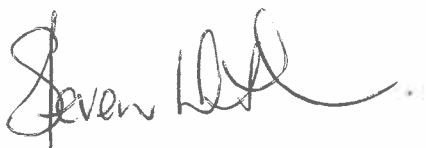
We authorise the attached financial statements for issue on 5 September 2019.



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 5th day of September 2019

# 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 2019</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• 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 2019 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's 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>Other Information</b>	<p>The Board is responsible for the "other information" included in the corporation's Annual Report for the year ended 30 June 2019. The other information in the Annual Report does not include the financial report, performance report and my auditor's reports thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon.</p> <p>In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

---

MELBOURNE  
9 September 2019



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

# Appendix 1

## Disclosure index (FRD 10A)

The 2018/19 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
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# Appendix 1

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<i>Protected Disclosures Act 2012</i>		56
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<i>Financial Management Act 1994</i>		6, 49, 63, 64, 72, 92, 100, 109, 110

# Appendix 2

## Disclosure of information on letter of expectations (MRD 07)

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Customer & community outcomes	C2 - Community engagement strategy	
	<i>Note - available on our website</i>	22, 30
Water for Aboriginal, cultural, spiritual & economic values	AC 1.1 - Social procurement strategy	31
	AC 1.2 - Aboriginal sponsorship	31, 41, 42
	AC 1.3 - Cross-cultural training	20, 32, 42
	AC 2.1 - Engagement with Traditional Owners	32, 36
	AC 2.2 - Traditional Owner pilot programs	32
	AC 2.3 - Aboriginal inclusion plan	32, 42
Resilient & liveable cities & towns	L1 - Integrated Water Management	17, 33, 34
	L2 - Water efficiency	34
	L3 - Total residential bill	24
	L4 - Payment management and hardship	24
Recognising recreational values	Rec1 - Recreational values in water management	32
Leadership & culture	G1.1 - Diversity and inclusion plan	
	<i>Note - available on our website</i>	41
	G1.2 - Females occupying senior executive positions	41, 43
	G1.3 - Target for Aboriginal people	41
	G1.4 - Actions to improve Traditional Owner participation	42
	G3 - Health & Safety	44

# Appendix 3

## Bulk entitlements and groundwater licences

### *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 2018/19.

With regard to the reporting requirements for each of Wannon Water's Bulk Entitlements during 2018/19, 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;
- Approval, amendment and implementation of programs and proposals for clauses relating to making allowances, metering program or environmental obligations - programs implemented as required and there were no amendments to these programs. There were no proposals under the Making Allowances clauses.
- 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 2018/19, 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 was taken by the Hamilton Pipeline offtake and 52 megalitres by the Balmoral offtake;
- Wannon Water did not take any water in the Wimmera and Glenelg Rivers Bulk Entitlement at any other works;
- The final allocation to Wannon Water under the Wimmera and Glenelg Rivers Bulk Entitlement was 2,120 megalitres.
- The Glenthompson Railway Reservoir was decommissioned in 2015. This storage is still included in the Glenthompson Bulk Entitlement.

# Appendix 3

Bulk Entitlement Order	Bulk entitlement volume (ML)	Volume extracted in 2018/19 (ML)	Percentage of bulk entitlement extracted in 2018/19 (ML)	Water in storage at 30 June 2019 (ML)	Water level at 30 June 2019 (m)	Reporting requirement clause
Otway System Conversion Order 1998	12,580	8,895	71%	N/A	N/A	Clause 12
Hamilton Conversion Order 1997	3,435	1,544	45%	N/A	N/A	Clause 12
Dunkeld System Conversion Order 1997	170	0	0%	97	16	Clause 13
Glenthompson Conversion Order 1997	94	-4	-4%	45	2	Clause 13
Coleraine, Casterton and Sandford Conversion Order 1997	885	75	8%	1,802	5	Clause 13
Wimmera and Glenelg Rivers – Wannon Water Conversion Order 2010	2,120	3 (Hamilton) 52 (Balmoral)	3%	6,100	N/A	Clause 13
Willaura System – Wannon Water Conversion Order 2012	58	33	57%	N/A	N/A	Clause 10

# Appendix 3

## 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 2018/19 (ML)
Albert Park	BEE024155 (1152971)	750	431
Bullawin	BEE026192 (911313)	1,102	0
Caramut	BEE021943 (924563)	50	35
Carlisle	BEE029488 (9016487)	1,800	39
Casterton	BEE022551 (885355)	1,000	418
Condah	4001451	N/A	N/A
Curdievale	904309	2,150	0
Darlington	BEE021827 (1082159)	10	3.6
Dartmoor	9016786	150	24
Heywood	900184	333	179
Koroit	BEE029066 (899038)	524	0
Macarthur	BEE021944 (4001451)	130	25
Mocamboro	BEE026109 (903701)	100	0
Mortlake	BEE030858 (907049)	335	17
Penshurst	BEE036146 (914444)	250	88
Port Campbell	BEE026252 (904309)	1,009	339
Port Fairy	890472	1,026	619
Portland	923621	6,222	1,759

# Notes

# Our Region







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