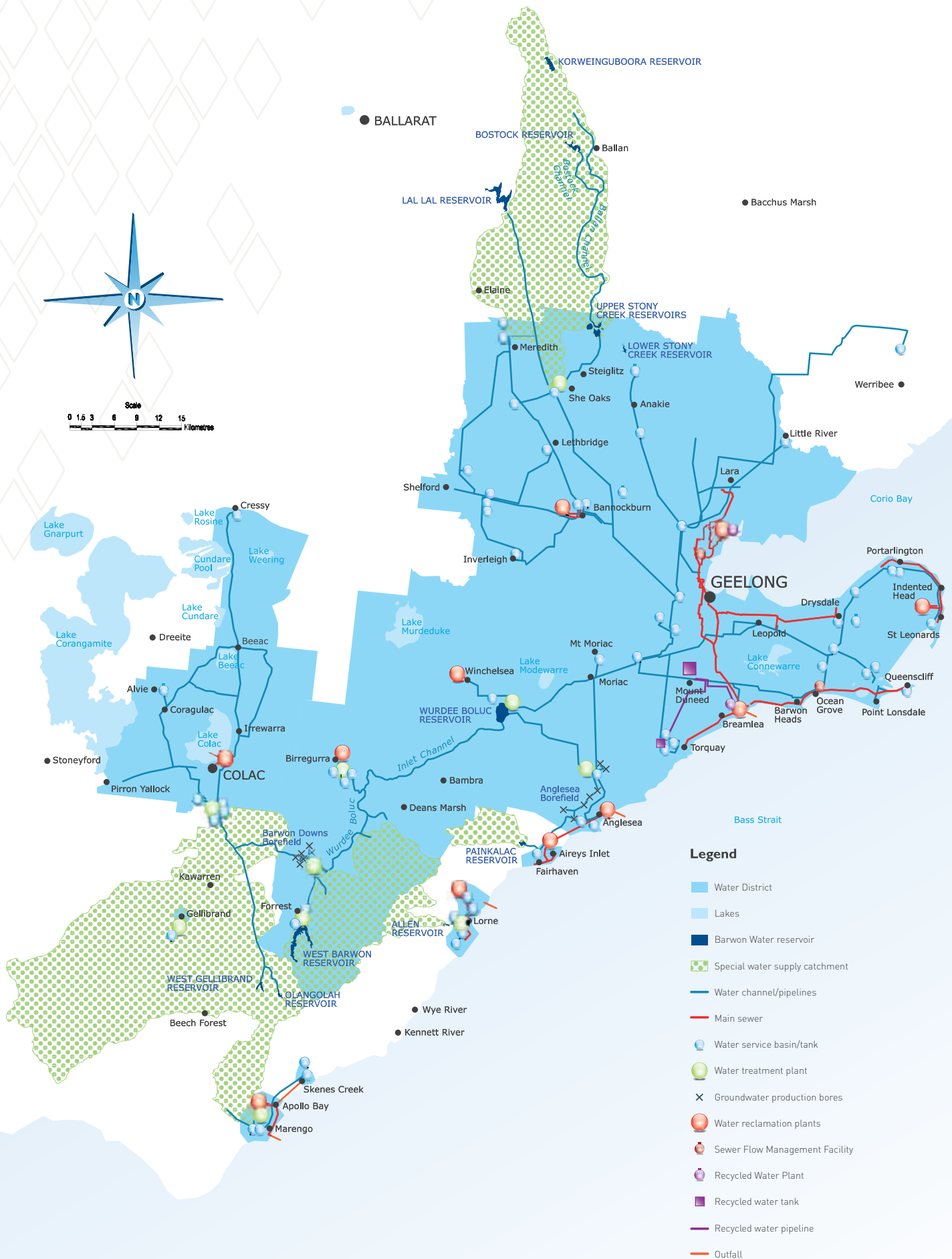




# Annual Report

2016-2017

# Service Area



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 Barwon Water

BARWON WATER  
RECEPTION (10M)

GEE LONG PERFORMING  
ARTS CENTRE (75M)

GEE LONG LIBRARY AND  
HERITAGE CENTRE (50M)

GEE LONG ART GALLERY  
(250M)

JOHNSTONE PARK  
(150M)

Part 1:

# Year in review

## Responsible Body Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present Barwon Water's Annual Report for the year ending June 30, 2017.



**Jo Plummer**  
Chair

## About us

Barwon Water (Barwon Region Water Corporation) is Victoria's largest regional urban water corporation. Its history dates back to the establishment of the Geelong Municipal Waterworks Trust in 1908.

Barwon Water was constituted in February, 1994. For the 2016-17 reporting period, Barwon Water operated as a statutory corporation under the *Water Act 1989*.

Barwon Water has more than 110 years of experience in providing excellence in water, sewer and recycled water services to its customers and the community.

We service a community of more than 300,000 permanent residents over 8,100 square kilometres. Over the holiday period, the serviced population can reach up to 510,000 people.

As a major employer in the region, we have more than 300 highly skilled employees from a diverse range of disciplines, including operations, engineering, strategic planning, finance and administration. In addition, Barwon Water's expenditure in the region creates additional external employment opportunities. It is estimated Barwon Water's annual capital and operating expenditure sustains an additional 120 full time equivalent jobs.

Building on our core business success, we have entered a new phase in the organisation's history. Recognising the challenges of climate change, population growth, rapid technological advancement and economic transition, we are shifting our mindset from water utility to being a leader of the region's prosperity.

Our water and sewerage services underpin

the economic, social and environmental dimensions of regional prosperity:

- **Economic** – enabling a strong and diverse business sector through support, partnerships and entrepreneurship, to create new models for commercial ventures with Aboriginal and other community groups, as well as small and large businesses.
- **Social** – our water services underpin the health of our communities and liveability of our cities and towns. We leverage the social value from the services we provide by becoming a major vehicle for community connectedness, building linkages and understanding and responding to the community's views.
- **Environmental** – we build on our position as an environmental leader by an ethic of caring for country and protecting the natural assets upon which we all depend.
- **Cultural** – benefiting from diversity, including enhancing Aboriginal values.

## Our region

Our region of responsibility stretches from Little River and the Bellarine Peninsula in the east to Colac in the west, and from Meredith and Cressy in the north to Apollo Bay on Victoria's south-west coast.

The City of Greater Geelong, Borough of Queenscliffe, Surf Coast and Colac Otway shires and part of Golden Plains Shire are incorporated into our service area.

## Assets

- 12 major reservoirs
- 8 water treatment plants
- 2 water pre-treatment plants
- 11 water reclamation plants
- 2 Class A recycled water plants
- 2 groundwater fields
- 240 pumping stations (49 water, 191 sewerage)
- 20 water basins
- 40 water tanks
- 6,729 kilometres of pipes

## Water sources

The Greater Geelong region's water is supplied by three major surface water sources – the Barwon River and its tributaries, East Moorabool River and West Moorabool River, and from two underground aquifers. Barwon Water also has a bulk entitlement to take and use water through the Melbourne bulk transfer system allocated from the Greater Yarra system – Thomson River pool.

The Barwon River system, from its Otway Ranges catchment, typically supplies 80 per cent of the water for Geelong, the Bellarine Peninsula and Surf Coast via Wurdee Boluc Reservoir and Water Treatment Plant. The balance is supplied from catchments on the Moorabool River system, which provide water to the Moorabool Water Treatment Plant at She Oaks, north of Lethbridge. The Moorabool system also provides water to Bannockburn, Gheringhap, Teesdale, Shelford, Meredith and Inverleigh.

Due to low storage levels, the Melbourne-Geelong pipeline and Barwon Downs borefield continued to supplement surface water supplies for the Greater Geelong region in the first half of 2016-17. The Melbourne-Geelong pipeline sources water allocated to Barwon Water from the Greater Yarra system – Thomson River pool. These alternative water supplies were turned off in late 2016 as spring rainfall recovered storage levels.

Supplies in the Colac and Otway regions are drawn from five separate sources, all located in the forested catchments of the Otway Ranges. The Colac system provides water to urban and rural districts extending as far north as Cressy. The pipeline that interconnects the Colac system to the Geelong system was under construction during 2016-17, with commissioning aimed to be complete in early 2017-18.

Gellibrand, Apollo Bay/Skenes Creek and Lorne have their own supply systems.

## Part 1: Year in review

### Water customers

Domestic customers comprise 92 per cent of our customer base, with the industrial and commercial sectors accounting for the remaining 8 per cent. Approximately 29 per cent of metered consumption is attributed to non-domestic customers.

### Water reclamation plants

Barwon Water has 11 water reclamation plants, 10 of which are governed by Environmental Protection Authority (EPA) Victoria licensing requirements. Black Rock, Anglesea, Apollo Bay and Lorne plants release water through ocean outfalls. Plants at Aireys Inlet, Bannockburn, Portarlinton, Birregurra and Winchelsea are land-based systems. Water from the Colac facility is released into Lake Colac. The Northern Water Plant is an advanced recycled water facility that supplies Class A recycled water for industrial use in Geelong's northern suburbs.

### Recycled water

Maximising use of our main waste stream, recycled water, from our water reclamation plants is a key priority. In doing this we optimise high value uses for this resource, including providing recycled water to a range of non-residential customers for re-use. This saves drinking water for the community, minimising impact on the environment and easing pressure on local water supply.

All water reclamation plants produce water suitable for recycling. Barwon Water achieved 21 per cent water recycling in 2016-17.

### Biosolids

During 2016-17, Barwon Water turned some of its waste into productive resources to help grow the regional economy and improve productivity and customer value.

Barwon Water's Black Rock drying facility converts biosolids – a by-product of the sewage treatment process – into nutrient-rich farm fertiliser.

The natural gas-fuelled drying process begins by seeding wet biosolids with dry biosolids pellets. The mixture is raked across a succession of heated plates until it dries and forms into larger pellets.

In 2016-17, Barwon Water received 53,334 tonnes of wet biosolids and produced 7,510 tonnes of dried biosolids product which is used as a commercial fertiliser product.

The pellets meet the highest standards set by the Environment Protection Authority (EPA).

### Future growth

Over the next five years, Barwon Water will commit \$371 million to capital works. This will ensure the completion of a number of significant projects that will guarantee delivery of services in an efficient, cost-effective and environmentally responsible manner, and provide the capacity to meet future growth and development.

### Corporate Governance

Barwon Water is established under the *Water Act 1989*. The responsible Minister for the period from July 1, 2016, to June 30, 2017, was the Honourable Lisa Neville MP, Minister for Water.

Since July 28, 2004, Barwon Water has operated under a Statement of Obligations issued by the Minister for Water under section 41 of the *Water Industry Act 1994*.

The statement imposes obligations on Barwon Water regarding the performance of its functions and exercise of powers. Barwon Water is required to monitor compliance with the obligations set out in the statement, report on non-compliance and take remedial action in relation to non-compliance.

On January 1, 2004, the Essential Services Commission became the economic regulator of the Victorian water sector. The commission's role encompasses regulation of prices, service standards and market conduct.

### Strategy 2030

Barwon Water is proud of its long history of delivering safe and reliable water and wastewater services. Our vision and mission have been strongly tied to the safe and environmentally responsible delivery of services.

This commitment to service delivery has been the source of our strength for more than 100 years. We continue to meet our service standards, we have secure water sources, strong financials and efficient, reliable systems. However, we also know we are more than a service delivery organisation to our customers. We know we play a significant role in the prosperity of the region and the wellbeing of our community.

By leveraging the intrinsic value of the services we provide, we think there is further scope to explore and realise new opportunities to benefit the regional community.

**Vision:** A prosperous region

**Mission:** To strengthen our region's economy, liveability and sustainability, through the delivery of high quality and affordable water and sewerage services.

Our new vision and mission reflects the shift from service provider to regional enabler.

Barwon Water's Strategy 2030 commits to taking a leading role in generating prosperity in the region. It outlines the corporation's commitment to customers and stakeholders, strategic directions, objectives and key milestones and actions.

The Board, management and staff have discussed the challenge of why the corporation exists and how it undertakes its business. Through these discussions, a new paradigm is emerging for the why, how and what for Barwon Water:

**Why we exist:** To be an enabler of regional prosperity.

**How we will deliver:** through a diverse and high performing workforce; creating common ground for strategic partnerships; a more entrepreneurial approach to commercial opportunities; and a commitment to zero waste and zero emissions in our operations, driving innovation, efficiency and cost effectiveness.

**What we do:** Deliver outstanding value to our customers and the community by delivering high quality, affordable and reliable water services.

In making this shift, Barwon Water will continue to leverage its strengths of strong financials, excellence in service delivery and committed staff. The corporation will also make some significant step changes over

the next few years.

### Step-changes in 'how' we will deliver?

Barwon Water's Strategy 2030 outlines these changes across five key areas:

- **Strategic partnerships** with our customers, industry, the community, agencies and internally across our organisation to identify, plan and deliver outcomes from high value opportunities and initiatives.
- Climate change action by achieving **zero emissions** through our operations and systems.
- Improved productivity through a goal of **zero waste**, driving us to optimise the benefits of our resources to help grow the regional economy and continuously improve our organisational processes and practices.

- A more **entrepreneurial** mindset by driving a culture of innovation that proactively identifies and explores new commercial and community opportunities to harness water resources and core competencies for the best possible regional outcomes and customer value.
- **High performance** by building a more diverse and accountable organisation where leadership is shared and inclusive to deliver outstanding value to our customers and community.

### Our values

- **Respect**
- **High performance**
- **Innovation**
- **Relationships**
- **Leadership**

## At a glance

	2016-17	Change (%)	2015-16	Change (%)	2014-15	Change (%)	2013-14	Change (%)	2012-13	Change (%)
Population served (water)	303,858	1.7	298,769	2.2	292,347	1.6	287,813	-2.7	295,799	1.7
Population served (sewerage)	277,290	1.8	272,372	2.4	265,892	1.3	262,379	-2.6	269,270	1.9
Connected properties (water)	154,266	1.9	151,418	2.2	148,214	1.8	145,600	2.2	142,494	1.8
Connected properties (sewerage)	137,852	1.7	135,561	2.0	132,877	1.7	130,618	1.8	128,326	2.0
Water treatment plant volumes (megalitres)	33,600	6.1	35,797	10.4	32,424	1.8	31,866	-6.9	34,220	4.6
Water reclamation plant volumes (megalitres)	28,042	0.8	28,267	3.8	27,224	-0.5	27,365	10	24,879	4.2
Employee numbers <sup>1,2</sup>	314	-1.9	320	6.7	300	-1.0	303	-23	394	-5.5
Number of days lost to injury	28	100	0	-100	34	-78.3	157	1470	10	-16.6
Total revenue (\$'000)	213,448	-2.1	218,034	5.6	206,548	4.3	198,074	-1.2	200,551	-9.3
Net operating result (before income tax) (\$'000)	4,671	-81.3	25,024	48.1	16,899	49.6	11,298	-60.1	28,325	-44.0
Total assets (\$'000)	2,730,251	1.2	2,697,222	16.1	2,323,409	1.1	2,297,101	1.4	2,265,788	7.5
Capital expenditure (\$'000)	83,290	4.2	79,895	25.8	63,496	-28.0	88,221	-42.7	154,065	-31.1

### Notes

1. Measured as full-time equivalent (FTE) employees
2. The Australian Bureau of Statistics (ABS) develops and maintains standard occupation coding structures for labour market analysis. The primary ABS occupation coding structure is known as ANZSCO (Australian and New Zealand Standard Classification of Occupations). Barwon Water utilises ANZSCO as its occupational reporting model.

## Part 1: Year in review

### Message from the Chair and Managing Director



Jo Plummer



Tracey Slatter

*It is our pleasure to present the activities and performance of Barwon Water for the past year.*

*We respectfully acknowledge the Traditional Owners and custodians of the land on which we operate today, and we pay our respects to their Elders, both past and present. We recognise and respect their culture, beliefs and ongoing connection to the land over thousands of years.*

Barwon Water is recognised as an industry leader in providing outstanding value to our customers and the community by delivering high quality affordable and secure water services.

Our community's future is bright and we are excited about playing a leading role in enhancing our region's prosperity.

#### Looking to the future

We are in a time of significant and rapid change at global, national and regional scales. As a major regional provider of critical services, including Geelong, the second largest city in Victoria, we have sought to be aware of how these changes affect our region and our organisation so that we can prepare and provide even greater value to our community.

Our region is growing rapidly. By 2030, we will see our population increase by more than 13 per cent in Colac to 16,000 and by more than 40 per cent in Geelong to 410,000.

Building on our strong foundations of providing affordable, secure and quality water services, our Board has developed an ambitious agenda to provide greater support to our customers, community and region over the next decade – Strategy 2030.

At the heart of our strategy is a focus on becoming a driver and enabler of regional prosperity. We are 100 per cent committed to delivering on five focus areas: high performance, strategic partnerships, entrepreneurial, zero waste and zero emissions.

These areas reflect the expectations of our customers and the broader community. They are also strongly aligned with the directions for the water sector outlined in *Water for Victoria* and importantly they embrace and build on the directions outlined in our previous corporate strategy.

#### Delivering better value and outcomes for our community

We understand how important our services are to our community and have been focused on providing even greater value and better outcomes for all we serve. To

reach this goal, our multifaceted approach included:

- Continuing to deliver affordable water and sewerage services by reducing average water and sewerage prices by 1.6 per cent (exclusion inflation), for the third year in a row.
- Collaborating with our community on future water and sewerage prices (for the 2018-2023 period) in the lead up to submitting our proposed prices and services to the Essential Services Commission in late September, 2017.
- Involving our community in optimising economic, liveability and wellbeing opportunities for our community across our assets, including formally opening our Painkalac Reservoir near Aireys Inlet for bushwalking, fishing and bird watching, and developing a community proposal to open a 66-hectare parkland around our ovoid sewer Aqueduct in Breakwater.
- Confirming our engagement approach for the Barwon Downs borefield licence renewal in partnership with our Barwon Downs community reference group to better understand the social, economic and environmental needs of the community.

#### Delivering high quality services and asset improvements

We have continued to provide a high level of service for residents, small businesses, major commercial customers and holiday makers.

Recognising the challenges of affordability, climate change, population growth, rapid technological advancement and economic transition, 2016-17 saw us broaden our focus from water utility to a leader of our region's prosperity and livability.

Some of our key service delivery highlights for 2016-17 were:

- Refurbishment of our Ryrie Street headquarters to provide a sustainable and highly-efficient building accommodating all Barwon Water office-based employees under one roof. The new head office represents our ongoing commitment to affordability. The refurbishment results



in reductions of almost 50 per cent on maintenance, operational and energy costs and these savings, along with appropriate surplus asset sales, will pay for the building, meaning costs will not be passed onto customers through their water bills.

- Completing construction of a major upgrade to the Colac water supply system. The upgrade has doubled Colac's water supply capacity by providing access to our largest reservoir, the West Barwon and will reduce the threat of reduced catchment inflows in dry years for Colac.
- Being awarded the contract to design and construct Barwon Water's first solar energy project at the Black Rock environmental precinct near Barwon Heads. The project will initially save more than \$130,000 in yearly operating costs and will make significant progress towards our commitment to achieve zero emissions by 2030.
- Completing the Urban Water Strategy, our 50-year plan outlining actions required to manage demand and ensure sufficient supplies of drinking water to drive the region's continued prosperity and liveability.

### New organisational structure

A new organisational structure was announced in March, 2017, and implemented in May, 2017. The structure supports the changes we are making in the organisation to improve our capability to deliver on our customers' priorities.

We farewelled Managing Director, Joe Admaski, in late December, 2016. We gratefully acknowledge his contribution to Barwon Water, not only in this reporting period, but over his many years of service to Barwon Water.

In closing, we acknowledge the ongoing support of the Victorian and Australian governments and the co-operation of the various agencies we partner with.

We also thank our fellow Directors for their commitment and guidance and management for their continuing professionalism and dedication. In addition, we recognise the valuable contribution of our employees and the outstanding performance across all areas of the business.

We look forward to future and continuing our great track record of delivering great community outcomes for the Barwon Water region.



**Jo Plummer**  
Chairman



**Tracey Slatter**  
Managing Director

## Part 1: Year in review

### Summary of financial results

#### Financial summary

Barwon Water's operations have a significant impact on the region's economy and liveability.

We continued our historical performance of delivering financially sustainable and healthy results. The 2016-17 financial year was the fourth year of the 2013 to 2018 Water Plan period. A combination of innovative practices and a focus on operational efficiencies continued to drive savings across all operational areas of the business during 2016-17.

Debt levels increased by \$30.0 million during the year to \$566.4 million. Responsible management and levels of borrowings remain an effective means of funding critical infrastructure projects that have a long-term benefit to the community, while minimising the cost impacts of the corporation's services. Barwon Water remains committed to managing debt levels to ensure the long-term financial health of the corporation is not impacted.

#### Challenges overcome

The 2016-17 year continued to focus on efficiencies and innovations to drive savings across the business, while ensuring service standard and quality of supply met customer service targets.

Barwon Water remains committed to customer affordability.

This was successfully achieved with prices, excluding the consumer price index, decreasing by 1.6 per cent a year from July 1, 2013, and for the next year to June 30, 2018.

In addition, Barwon Water provided residential customers a \$90 water rebate during quarter one of 2016-17 through operational and capital savings made during the year. This was part of the Government water rebate initiative without compromising profitability or customer service standards.

We developed a price proposal to ensure water prices were reduced to offset the completion of the rebate.

The 2017-18 rebate, previously proposed at \$100, will now be \$80. This change will allow 2018-19 residential bills to be kept the same as 2017-18, other than inflation. The reduced customer rebate in 2017-18 will also result in lower prices at the end of the next price-setting period. Average increases in customers' annual bills over the 5-year period commencing July 1, 2018, will be \$44 per customer less than they would otherwise have been.

The introduction of an annual headworks charge for access to the Yarra-Thompson water supply system commenced in 2016-17. A prepayment of \$15.8 million was made to Melbourne Water for headworks charges for the three year period from July 1, 2017, to June 30, 2020, taking advantage of a discount for paying in advance with savings flowing on to customers.

#### Significant changes in financial position

Barwon Water's ongoing commitment to long-term service delivery through adequate and efficient infrastructure has provided for investment in the following key areas:

- \$54.2 million was invested in infrastructure renewal projects
- \$21.9 million related to investment in infrastructure for growth, including \$11.4 million on the Colac Water Source Augmentation project.

Investment in infrastructure was funded through \$48.5 million in funds from operations, and new borrowings of \$30 million. As detailed earlier, the increase in debt levels is prudently managed with a long-term sustainable outlook.

#### Major changes or factors affecting performance

The net result before tax was a surplus of \$4.7 million. This exceeded the target of (\$17.5 million) by \$22.2 million. A combination of factors contributed to achieving this result, including higher capital revenue, savings in operational expenditure and savings in finance costs associated with the continued low interest rates and low level of new debt taken up during the 2016-17 year.

#### Events subsequent to balance date

No material events have occurred after balance date.

## Summary of financial results

Financial result	2016-17 (\$'000)	2015-16 (\$'000)	2014-15 (\$'000)	2013-14 (\$'000)	2012-13 (\$'000)
Tariff revenue	171,861	176,542	172,139	171,987	168,411
Capital revenue	33,066	32,886	29,217	20,610	28,186
Government contributions	362	170	128	268	583
Other revenue	8,159	8,436	5,064	5,209	3,371
<b>Total revenue</b>	<b>213,448</b>	<b>218,034</b>	<b>206,548</b>	<b>198,074</b>	<b>200,551</b>
Operating expenditure	88,279	79,051	78,143	80,210	79,246
Depreciation expenditure	74,281	67,126	64,863	60,813	54,171
Finance costs	39,347	39,913	39,737	38,795	34,291
Other expenditure	6,870	6,920	6,906	6,958	4,518
<b>Total expenditure</b>	<b>208,777</b>	<b>193,010</b>	<b>189,649</b>	<b>186,776</b>	<b>172,226</b>
<b>Net result before tax</b>	<b>4,671</b>	<b>25,024</b>	<b>16,899</b>	<b>11,298</b>	<b>28,325</b>
Current assets	68,117	61,206	60,813	47,087	55,827
Non-current assets	2,662,134	2,636,016	2,262,596	2,250,014	2,209,960
<b>Total assets</b>	<b>2,730,251</b>	<b>2,697,222</b>	<b>2,323,409</b>	<b>2,297,101</b>	<b>2,265,787</b>
Current liabilities	78,728	77,116	72,473	82,601	93,568
Non-current liabilities	933,452	905,443	796,424	775,940	747,373
<b>Total liabilities</b>	<b>1,012,180</b>	<b>982,559</b>	<b>868,897</b>	<b>858,541</b>	<b>840,941</b>
Net cash flows from operations	48,474	81,152	74,295	67,979	57,428
Payments for property, plant and equipment (including infrastructure)	84,514	81,338	64,629	100,655	155,462

## Summary of financial performance

Performance indicator	2016-17	2015-16	2014-15	2013-14	2012-13
<b>Internal Financing Ratio</b>	<b>60.3%</b>	102.8%	118.8%	68.7%	36.94%
<b>Gearing Ratio</b>	<b>22.5%</b>	21.7%	25.2%	24.9%	24.13%
<b>Interest Cover (EBIT)</b>	<b>1.12 times</b>	1.63 times	1.43 times	1.29 times	1.83 times
<b>Interest Cover (Cash)</b>	<b>2.42 times</b>	3.36 times	3.18 times	3.10 times	3.04 times
<b>Return on Assets</b>	<b>1.61%</b>	2.57%	2.44%	2.19%	2.85%
<b>Return on Equity</b>	<b>0.22%</b>	1.12%	0.84%	0.60%	1.38%

## Part 1: Year in review

### Capital expenditure

Barwon Water's operations have a significant impact on the region's economy and liveability. Our organisation had a turnover of \$213 million, \$2.7 billion in assets and spent \$83 million in capital and related infrastructure works during 2016-17.

#### The \$13.7 million spent on water headworks projects included:

- \$11.5 million for the Colac water supply upgrade
- \$1.0 million for the Barwon Downs borefield prod bores refurbishment
- \$0.3 million for the Allen Reservoir embankment upgrade.

#### The \$5.6 million spent on major transfer and distribution projects included:

- \$1.1 million for the Highton feeder main replacement
- \$1.0 million for the Aireys Inlet water supply pipeline
- \$0.7 million for new and replacement water meters.

#### Other major water infrastructure projects included:

- \$5.4 million for water mains replacements
- \$2.0 million for Geelong pressure management works
- \$0.7 million for AKD Softwoods water main relocation.

#### The \$3.2 million spent on recycled water infrastructure included:

- \$2.2 million for the Armstrong Creek Burvilles and Whites Road recycled water main

- \$0.3 million for the Armstrong Creek East RW mains.

#### The \$13.9 million spent on investment in sewerage infrastructure included:

- \$4.0 million for sewer mains replacement and rehabilitation
- \$1.6 million for the Ocean Grove Banks Road pump station
- \$1.5 million for the Black Rock Water Reclamation Plant inlet hydraulic capacity upgrade.

#### Investment on other major works and services included:

- \$22.5 million for the Ryrie Street office refurbishment.

Item	2016-17	Change	2015-16	Change	2014-15	Change	2013-14	Change	2013-12	Change
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
<b>Water supply</b>										
Headworks	13,736	240.2	4,038	-31.2	5,866	-38.4	9,528	-58.6	23,039	-45.2
Water treatment and quality	1,068	-40.8	1,804	-36.5	2,839	-74.1	10,972	286.3	2,840	116.8
Major transfer and distribution	5,598	-42.2	9,680	11.5	8,678	-60.6	22,008	1.8	21,620	10.7
Reticulation	9,240	34.4	6,875	25.7	5,470	-34.7	8,378	-7.2	9,028	3.3
<b>Total water</b>	<b>29,642</b>	<b>32.4</b>	<b>22,396</b>	<b>-2.0</b>	<b>22,853</b>	<b>-55.1</b>	<b>50,886</b>	<b>-10.0</b>	<b>56,528</b>	<b>-21.1</b>
<b>Sewerage</b>										
Water reclamation and disposal	5,269	-74.8	20,883	133.2	8,954	135.3	3,805	1.6	3,745	-20.1
Main sewers	3,421	-43.6	6,065	-49.3	11,975	30.0	9,210	-57.0	21,407	-47.8
Reticulation and other	5,245	-43.6	9,300	44.5	6,438	41.5	4,549	40.6	3,235	-17.9
<b>Total sewerage</b>	<b>13,934</b>	<b>-61.6</b>	<b>36,248</b>	<b>32.5</b>	<b>27,367</b>	<b>55.8</b>	<b>17,563</b>	<b>-38.1</b>	<b>28,388</b>	<b>-42.8</b>
<b>Recycled water</b>										
<b>Total recycled water</b>	<b>3,151</b>	<b>404.1</b>	<b>625</b>	<b>-83.2</b>	<b>3,714</b>	<b>-76.6</b>	<b>15,891</b>	<b>-73.1</b>	<b>58,970</b>	<b>-37.1</b>
<b>Other works and services</b>										
Building	23,618	97.7	11,946	213.1	3,815	2857.4	129	-43.4	228	162.1
Corporate information	1,517	55.4	976	-14.5	1,141	-43.1	2,006	-78.7	9,436	102.4
Other corporate	11,428	48.4	7,703	67.2	4,606	163.8	1,746	239.7	514	-86.8
<b>Total other works</b>	<b>36,563</b>	<b>77.3</b>	<b>20,626</b>	<b>115.7</b>	<b>9,562</b>	<b>146.4</b>	<b>3,881</b>	<b>-61.9</b>	<b>10,178</b>	<b>17.6</b>
<b>Total</b>	<b>83,290</b>	<b>4.2</b>	<b>79,895</b>	<b>25.8</b>	<b>63,496</b>	<b>-28.0</b>	<b>88,221</b>	<b>-42.7</b>	<b>154,065</b>	<b>-31.1</b>



Part 2:

# Water consumption

## Part 2: Water consumption

### Weekly household water consumption (kilolitres)

Month	Week 1	Week 2	Week 3	Week 4
January	4.18	4.18	4.18	4.18
February	4.18	4.18	4.18	4.18
March	4.18	4.18	4.18	4.18
April	3.47	3.47	3.47	3.47
May	3.47	3.47	3.47	3.47
June	3.47	3.47	3.47	3.47
July	2.70	2.70	2.70	2.70
August	2.70	2.70	2.70	2.70
September	2.70	2.70	2.70	2.70
October	2.78	2.78	2.78	2.78
November	2.78	2.78	2.78	2.78
December	2.78	2.78	2.78	2.78
<b>Total</b>	<b>39.39</b>	<b>39.39</b>	<b>39.39</b>	<b>39.39</b>

### Regional metered water consumption (megalitres)

	2016-17	Change (%)	2015-16	Change %	2014-15	Change %	2013-14	Change %	2012-13	Change %
Apollo Bay	242	-8.4%	264	6.6%	248	5.5%	235	1.2	204	0.8
Aireys Inlet	115	-10.4%	128	17.1%	109	9.3%	100	-7.8	109	11.9
Anglesea	332	-12.3%	379	10.9%	342	1.6%	336	-2.3	344	11.5
Bellarine Peninsula	4,418	-6.3%	4,715	13.9%	4,140	4.0%	3,980	0.2	3,971	11.1
Colac and district	2,541	-10.8%	2,847	6.3%	2,679	-1.0%	2,706	-8.3	2,630	2.0
Geelong urban	22,102	-5.3%	23,341	9.9%	21,236	4.1%	20,391	-4.8	21,779	3.0
Lorne	305	-9.9%	339	7.5%	315	2.9%	306	1.5	302	-0.2
Skenes Creek	29	-7.3%	31	21.1%	26	-2.5%	27	-6.3	28	9.6
Torquay	1,645	1.2%	1,625	13.1%	1,437	7.5%	1,336	-1.6	1,358	11.7
<b>Total</b>	<b>31,729</b>	<b>-5.8%</b>	<b>33,670</b>	<b>10.3%</b>	<b>30,533</b>	<b>3.8%</b>	<b>29,418</b>	<b>-4.3</b>	<b>30,726</b>	<b>4.3</b>

**Bellarine Peninsula:** Barwon Heads, Bellarine, Breamlea, Clifton Springs, Curlewis, Drysdale, Indented Head, Mannerim, Marcus Hill, Ocean Grove, Point Lonsdale, Portarlington, Queenscliff, St Leonards, Swan Bay, Wallington.

**Geelong urban includes:** Anakie, Avalon, Balliang, Bamganie, Bannockburn, Batesford, Birregurra, Fyansford, Gheringhap, Inverleigh, Leopold, Lethbridge, Little River, Marshall, Maude, Meredith, Modewarre, Moorabool, Moriac, Mount Moriac, Murgheboluc, She Oaks, Shelford, Staughton Vale, Sutherlands Creek, Teesdale, Thompson, Winchelsea, Wurdiboluc.

### Residential and non-residential metered potable water consumption

District	Residential			Non-residential		Total consumption (ML)	Per capita consumption (litres/person/day)	Average annual consumption (ML) <sup>3</sup>
	Number of water customers <sup>1</sup>	Volume consumed (ML) <sup>2</sup>	Weekly potable consumption (kL)	Number of water customers <sup>1</sup>	Volume consumed (ML) <sup>2</sup>			
Geelong and district	129,561	20,554	395,273	10,474	7,877	28,431	198	28,500
Colac and district	6,657	1,308	25,162	1,185	1,233	2,541	253	2,689
Apollo Bay / Skenes Creek	2,170	191	3,668	172	106	297	266	307
Lorne	2,250	213	4,104	156	92	305	334	320
Aireys Inlet / Fairhaven	1,594	141	2,704	47	15	155	354	162
<b>Total</b>	<b>142,232</b>	<b>22,407</b>	<b>430,912</b>	<b>12,034</b>	<b>9,322</b>	<b>31,729</b>	<b>202</b>	<b>31,978</b>

1. This is the total number of properties connected to Barwon Water's water supply service.
2. Metered consumption excludes non-revenue water.
3. Average calculated over three years.

### Residential and non-residential metered recycled water consumption

District	Non-residential (Class C)		Non-residential (Class A)		Residential (Class A)		Total consumption (ML)	Average annual consumption (ML)
	Number of recycled water customers	Volume consumed (ML)	Number of recycled water customers	Volume consumed (ML)	Number of recycled water customers	Volume consumed (ML)		
Geelong and district	33	1,612.8	12	1,210*	3,665	N/A**	2,822.8	2,900.4
Colac and district	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Apollo Bay / Skenes Creek	1	0.1	N/A	N/A	N/A	N/A	0.1	0.3
Lorne	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Aireys Inlet / Fairhaven	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>34</b>	<b>1,612.9</b>	<b>12</b>	<b>1,210</b>	<b>3,665</b>	<b>N/A</b>	<b>2,822.9</b>	<b>2,900.7</b>

\*One customer, Viva Energy Australia, used the stated amount of Class A recycled water.

\*\*There was no Class A recycled water volume consumed by residential customers in 2016-2017 because the commissioned Class A recycled water plant was not brought into operation due to insufficient demand

### Non-revenue water (ML)

	Leakage	Fire fighting	Other*	Total
Barwon Water service region	1,715	-*	156**	1,871

\*Water used for fire fighting purposes is not metered.

\*\*Includes combined potable metered hydrant volumes and volume used by Barwon Water for mains flushing, scouring and other maintenance. The two cannot be separated and the mains flushing, scouring and other maintenance is marginal.

## Part 2: Water consumption

### Corporate water consumption

This is the eleventh year Barwon Water has officially measured employee water consumption for its sites/offices.

Usage figures for other Barwon Water sites are difficult to determine and compare, as measurements include operational consumption as well as employee water use.

Location	2016-2017				
	Total full-time equivalent employees	Office space (m <sup>2</sup> )	Water consumption (kL)	kL/FTE	Water consumption by office space (l/m <sup>2</sup> )
155 Mercer Street	67	921	595	8.88	646.04
49-51 Malop Street	37	474	289	7.81	609.28
40-44 Lonsdale Street (South Geelong)	158	1,740	529	3.35	304.02
33 Bromfield Street (Colac)	3	190	19	6.33	100.00
<b>Total</b>	<b>265</b>	<b>3,325</b>	<b>1,432</b>	<b>5.40</b>	<b>430.62</b>

### Major non-residential water users

Customer by volume range

Volumetric range – ML per year	No. customers
Equal to or greater than 100ML and less than 200ML	4
Equal to or greater than 200ML and less than 300ML	0
Equal to or greater than 300ML and less than 400ML	3
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	2
Equal to or greater than 750ML and less than 1000ML	0
Greater than 1000	1
<b>Total no. of customers</b>	<b>10</b>

### Major customer participation in water conservation programs

Name of customer	Information as to customers participation in water conservation program
AKD Softwoods Pty Ltd	Yes, water consumption monitoring and leak detection.
Australian Lamb Pty Ltd	Yes, water consumption monitoring and leak detection.
Barrett Burston Ltd	Yes, water consumption monitoring and leak detection.
Barwon Health – Geelong Hospital	Yes, water consumption monitoring and leak detection.
Deakin University	Yes, water consumption monitoring and leak detection.
EP Robinson Pty Ltd	Yes, water consumption monitoring and leak detection.
Geelong Grammar School	Yes, water consumption monitoring and leak detection.
Malteurop Australia Pty Ltd	Yes, water consumption monitoring and leak detection.
MC Herd Pty Ltd	Yes, water consumption monitoring and leak detection.
Turi Foods P/L	Yes, water consumption monitoring and leak detection.
Viva Energy Refining Pty Ltd	Yes, water consumption monitoring and leak detection.

### Other water efficiency reporting

Two account managers are responsible for providing a range of services to key customers, including encouraging customers to adopt water saving solutions.





Part 3:

# Environmental and social sustainability

# Environmental sustainability

## Sustainable water use

We understand there are sustainable limits on the use of natural resources, including water. Optimising value from existing infrastructure and available resources is essential to provide the foundation for a strong economy, healthy environment, liveable towns and cities and a prosperous region in the decades to come.

Our long-term ambition is to achieve optimal use of our resources to the full extent possible and achieve zero waste. This includes managing our water and wastewater to recover and re-use not only water, but other resources, such as energy and nutrients embodied within waste streams.

Reducing waste will not only enhance our environment, it will help drive innovation to identify and deliver greater productivity.

Internally, we will engage all staff in the identification of waste and process improvement projects that make us a more customer focused, productive and high performing organisation.

## Recycled water

Barwon Water continues to invest in the staged implementation of dual pipe water infrastructure to supply Class A recycled water to residents at Armstrong Creek and Torquay North. Recycled water is supplied from the Black Rock Recycled Water Plant. The plant treats wastewater from Black Rock via ultra-filtration, reverse osmosis, ultraviolet and chlorine disinfection to produce Class A recycled water.

Significant quantities of Class A recycled water continue to be supplied to VIVA Energy's Geelong refinery from the Northern Water Plant, reducing the requirement for use of drinking water for refinery operations.

Class C recycled water is produced at several of Barwon Water's water reclamation plants and is supplied to a range of non-residential customers for watering golf courses, horticulture, agriculture and viticulture.

## Urban Water Strategy

Barwon Water finalised its 2017 Urban Water Strategy (UWS) during 2016-17. The strategy

sets out how Barwon Water will continue to deliver secure water supplies, supporting resilient and liveable communities under a range of climate futures, over the next 50 years.

The strategy considers a growing population, changing climate, evolving customer needs and a desire to protect and sustain the environment and cultural values, including Traditional Owner values.

It emphasises the need to make the most productive use of what we have to support the region's ongoing prosperity. It also explores the role of alternative water sources, considering all aspects of the water cycle, to meet future demand.

The strategy shows how significant investment in new water supplies over the past decade has secured the water supply for the Greater Geelong region and Colac. However, an upgrade to the Apollo Bay system may be required as early as 2024 under worst-case conditions. Lorne's water supply may also require an upgrade as soon as 2032 under worst-case conditions.

The fifty-year outlook of the Urban Water Strategy enables – and requires – Barwon Water to rise boldly to this challenge. We are optimistic about our ability to respond as an organisation and as a community, working together to make the best use of the resources we have available to drive the region's continued prosperity and liveability.

The strategy updates and replaces the 2012 Water Supply Demand Strategy.

## Water conservation

With Greater Geelong's water supplies secured, Barwon Water's water conservation efforts continued to be centred around demand management in Colac during 2016-17. Four customer segments within the Colac water supply district were targeted for demand management activities: agricultural, manufacturing, residential and commercial/other customers.

During 2016-17, Barwon Water collaborated with Smart Approved Watermark and other Victorian water corporations to develop the Smart Water Advice website. The website provides community and educational

material for customers to improve water efficiency.

## Water awareness campaign(s)

During 2016-17, Barwon Water commenced implementation of the Target Your Water Use (TYWU) campaign. TYWU is an action from Victorian Government's water plan, *Water for Victoria*. The campaign aims to improve water literacy and water efficiency awareness for customers.

## Colac agricultural program

Agricultural customers connected to the drinking water supply network use approximately 31 per cent of all drinking water consumed in Colac (930 million litres a year).

Most consumption can be attributed to just 100 of the region's 600 farm-based customers. On-farm leaks are a significant and ongoing issue for many high water using agricultural customers in the Colac district.

Approximately 80 farms in the Colac district have access to hourly water use data via state of the art radio transmitting technology, which allows farmers to view their water use online and detect irregularities that may indicate leaks. Once detected, the leaks can be quickly repaired, saving money and drinking water.

Since July, 2015, farmers have been using an SMS alert system that advises if a particular meter has exceeded a continuous trigger flow level over a certain period, further assisting in leak detection. The on-farm leak detection program is expected to save over 65 million litres of drinking water a year.

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## Colac manufacturing program

The manufacturing sector in Colac accounts for approximately 25 per cent of all drinking water consumed within the district. Three businesses, Australian Lamb, Bulla Dairy Foods (Regal Cream Products) and Australian

Kiln Driers (AKD) account for approximately 18 per cent of Colac's total annual drinking water consumption.

During 2016-17, the three businesses continued to investigate opportunities for process improvements to reduce water use.

### Colac residential program

Residential customers in Colac use approximately 32 per cent of drinking water in the district. Average residential water consumption in Colac's urban area was approximately 137 million litres a year. In 2016-17, Barwon Water commenced a residential leak detection trial using digital metering technology on 200 residential properties in Colac.

### Colac commercial/other program

Non-manufacturing businesses and municipal irrigation account for around 12 per cent of total drinking water use in Colac. Barwon Water is working with Colac Otway Shire to identify water saving opportunities for high water using commercial and local government facilities.

### Key account projects

In 2016-17, Barwon Water's key account managers worked closely with the City of Greater Geelong, Colac Otway Shire, Surf Coast Shire and several high water using businesses to identify opportunities to improve business practices, resulting in reduced water consumption.

On selected health, manufacturing and local government sites, Barwon Water installed digital metering technology and soil moisture probes to better manage water use on-site. Two open space irrigation forums were also held to discuss best practice irrigation methods to assist businesses to become more water efficient.

### Integrated Water Management

The urban water cycle plays a significant role in shaping the characteristics of cities, suburbs and towns, not only from the provision of water, sewerage and recycled water services, but through natural waterways, wetlands and floodplains, the management of urban stormwater and the use of alternative water for green open space. A key initiative for water related

agencies across the region has been to encourage adoption of integrated water management (IWM).

Barwon Water has continued to be at the forefront of this initiative through its Barwon Region Integrated Water Cycle Management (IWCM) Network and collaborative approach to regional planning. More recently, Barwon Water has partnered with City of Greater Geelong to develop IWCM plans for its Northern and Western growth areas. This forms a significant and important input to upcoming urban planning for the key growth areas. Other completed work includes IWCM plans across the region, including Spring Creek, Torquay and Colac, and also working with North East Water on the Leneva Baranduda IWCM plan.

The Barwon Region IWCM Network has continued to play a key role in raising awareness and building capacity of local agencies to identify opportunities for embedding IWM into the planning and design of new developments. This includes facilitating alternative water sources where it is effective and efficient to do so.

As a major stakeholder in urban water cycle management, Barwon Water has a significant role to play in promoting IWM principles in urban planning across all scales: regional, precinct and property. Collective cross-sectoral ownership of IWM is critical for effective reforms. Future Barwon Water and Barwon region IWCM network projects include:

- implementation of an IWM forum across the G21 region, supported by DELWP
- implementation of an IWM regional working group to identify IWM opportunities, water system solutions and implementation arrangements
- identified regional and local IWM plans to be developed and implemented as required.

Integrated water management will lead the Barwon region in achieving more water sensitive cities, which in turn will be more liveable for residents, environmentally healthy and resilient in the face of critical climate change risks, including water scarcity and increased flooding.

### Sustainable water strategies

The Central Region Sustainable Water Strategy was released in 2006 and the Western Region Sustainable Water Strategy in 2011. Most actions relevant to Barwon Water in these strategies have been implemented or are ongoing.

### The value of green open space

Public open space assets include parks and gardens, sporting fields and golf courses. These assets are the only green spaces available to the community during drought, therefore the preservation of green open space has significant liveability outcomes.

Due to favourable climate conditions and prior investment in standby water sources, water restrictions were not required during 2016-17. Barwon Water recognises the economic and social importance of maintaining green assets for the community and the impact water restrictions have on the irrigation of public green spaces. In 2016-17, Barwon Water engaged with local government authorities to identify open space areas, their water requirements and developed arrangements for the protection of priority green open spaces during dry periods.

### Showerhead exchange

Barwon Water offers a showerhead exchange program to encourage customers to replace old, inefficient units with a new water saving showerhead.

Customers can bring old showerheads into any Barwon Water customer service centre.

## Part 3: Environmental and social sustainability

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### Highton Community Trail

Our region's prosperity is underpinned by the reliable and affordable water and sewerage services we provide. The 2016-17 year provided a unique position to create, nurture and sponsor meaningful partnerships with our residential and business customers, industry, the community and agencies across the region. Barwon Water used an under-utilised pipe reserve to create a new linear park and trail, a significant asset for not only the residents of the new Cumulus Estate, but for its customers across the region. The 1.8 kilometre asphalt shared pathway opened up an off-road trail between Highton and Waurin Ponds that was previously blocked by our Highton basin site, improving recreational and wellbeing opportunities.

### Destination Queenscliff Project

Barwon Water has a role to play in working with regional partners to support common goals. Entrepreneurship also involves leading and showing others the way with an

'opportunity' mindset. In 2016, the Borough of Queenscliff received significant funding of \$7 million through the Department of Health and Human Services (Sport and Recreation Victoria) and National Stronger Regions Fund to realise elements of the its master plan related to the Destination Queenscliff project. Barwon Water has agreed to provide project management resources – an area of Barwon Water's expertise – on a fee for service basis.

### Black Rock solar farm

As a major greenhouse gas emitter in our region, we need to be a leader in reducing emissions. Black Rock Water Reclamation Plant is Barwon Water's largest electricity user, comprising 37 per cent of total use during 2015-16. The site provides the largest opportunity to establish on-site renewable energy generation in pursuit of 100 per cent renewable electricity use by 2025. A one-megawatt solar farm (around 2,880 panels) is optimally sized to match the site's energy usage profile, able to supply 13 per cent of on-site demand, while avoiding excess

generation loss. Producing approximately 1.3 gigawatt-hours of electricity in its first year, the project will avoid 1,500 tonnes of carbon emissions. The project is on-track to be the largest solar farm in southern Victoria.

### Breakwater Maintenance Centre

Optimising value from existing infrastructure and available resources is essential for a prosperous region in the decades to come. Barwon Water will cease activities at its aging South Geelong operations centre in 2017. A new maintenance centre is being constructed at Breakwater to accommodate its maintenance activities, stores and workshops. In combination with the energy efficient new head office, Barwon Water's new maintenance centre will contribute to Barwon Water's target of 100 per cent renewable electricity use by 2025 and zero waste. In addition, the site will also contribute to achieving zero emissions. Efficiency energy technology will allow not only the depot, but also the existing on-site sewer pump station to be near fully solar powered.

## Community engagement

Barwon Water is recognised as an industry leader in providing outstanding value and effective engagement with our customers and the community:

- we inform and engage broadly and deeply to build trust and value
- we provide an effortless customer experience, anywhere, anytime
- we provide timely, valued and integrated service provision to new customers.

### Environmental Consultative Committee report

The Environmental Consultative Committee (ECC) helps ensure Barwon Water carries out its business in an environmentally responsible manner. The ECC meets bi-monthly and comprises representatives from local environmental groups, individual community members and an independent chair.

In 2016-17, the ECC met six times and conducted one field trip. Key topics discussed included:

- climate change mitigation and adaptation
- emissions reduction
- renewable energy
- Aqueduct Park proposal
- Aboriginal values
- Urban Water Strategy 2017

- Price Submission 2018-2023
- Barwon Downs borefield licence renewal.

Barwon Water thanks the members of the ECC for their commitment and expertise during the year:

- Susan Howells, independent Chair
- Alan Barlee, Geelong Sustainability Group
- Cameron Steele, Environment Victoria
- Daryl Hoffmann, community member
- Deborah Evans, Geelong Field Naturalists Club
- Geoff Gayner, Geelong Environment Council
- John King, Indigenous Flora and Fauna Association of Victoria
- John Wade, ANGAIR
- Ron Patterson, community member
- Simon Cook, Moorabool Catchment Landcare Group
- Simone Wilkie, community member.

### Education program

Barwon Water's education program is broad-based and targets customers and the community generally, as well as students at preschool, primary, secondary and tertiary levels.

An Education Officer is employed to coordinate the program, develop materials and deliver key messages on:

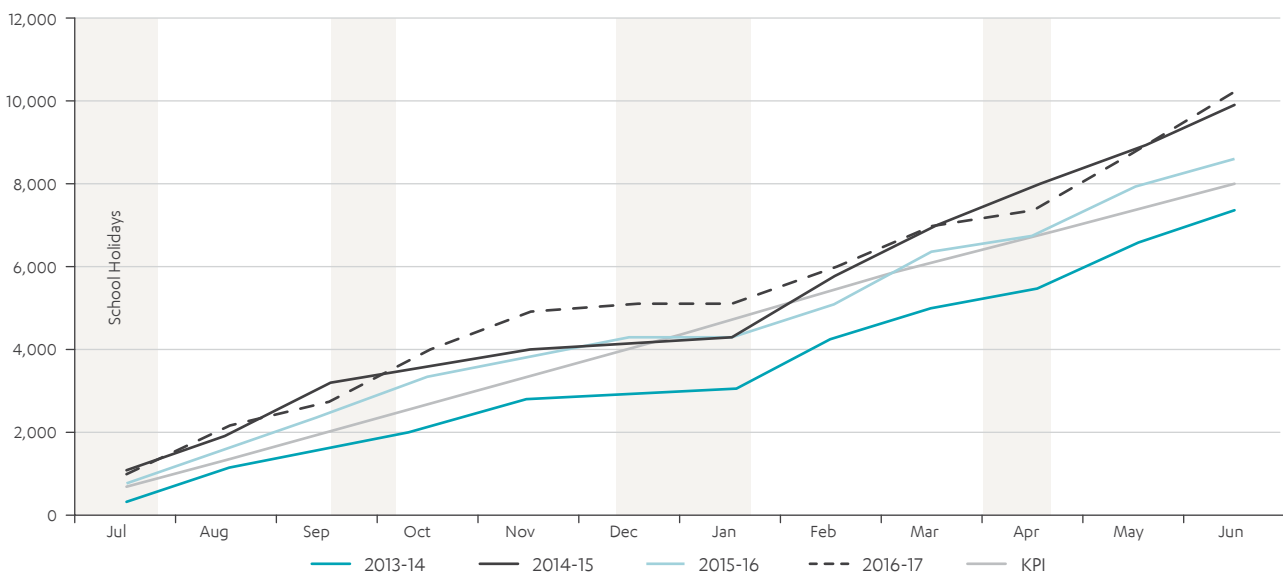
- water as a natural resource
- the need for the efficient use of water
- the role of Barwon Water in the supply of water and sewerage services
- developments in the area of reuse.

During 2016-17, the program reached 10,190 students and community members across the region. The most popular aspects of the program were interactive site tours and in-class sessions, with 155 tours conducted and 194 in-class sessions delivered over this period.

The program also encouraged students to consider and connect with the environment by organising tree planting days and hosting an annual National Water Week poster competition. In 2016-17, 991 students from 13 schools submitted posters for the competition. Almost 10,000 students were involved in planting more than 3,000 native trees at schools, along the Barwon River or at other environmentally sensitive locations.

Barwon Water was also involved in five community events: Poppykettle Festival, Geelong agricultural shows, World Tree Day, GPAC Sustainability Festival and Geelong Big Play Day.

## Education program participation



	2016-17	2015-16
Students reached	10,190	8,614
Tours conducted	155	102
In class sessions conducted	194	242

## Part 3: Environmental and social sustainability

### Barwon Downs groundwater monitoring program

The Barwon Downs borefield is operated under licence from Southern Rural Water. This licence was granted in 2004 and is due for renewal by June, 2019. The borefield is an important resource for Barwon Water and operates in times of extended dry periods to supplement low surface water storages.

To ensure that the upcoming licence application is thorough, Barwon Water continues with a rigorous, scientifically-based monitoring program and technical studies to better understand the impacts of operating the borefield. The technical studies and data collected from the monitoring program will form part of the licence application to be submitted by Barwon Water in late 2017.

Barwon Water is consulting with the community through a range of activities and continues to work with the Barwon Downs Groundwater Community Reference Group to put forward a licence application which meets future resource needs, recognises the water needs of the environment and other beneficial users, and that is supported by the wider community.

### Drought Preparedness Plan

Barwon Water has integrated its Drought Preparedness Plan into the 2017 Urban Water Strategy to account for long and short term planning to better respond in the event of supply shortages.

Barwon Water uses the Drought Preparedness Plan, which includes the Drought Response Plan(s), as a management tool to ensure security of water supply for customers during drought and when storages run low.

### Drought Response Report

The Melbourne-Geelong pipeline and Barwon Downs borefield were activated during 2015-16 and continued to operate in 2016-17 to supplement surface water supplies for the Greater Geelong region. The Melbourne-Geelong pipeline and Barwon Downs borefield continued to operate until being switched off in September, 2016, and December, 2016, respectively. Permanent water saving rules apply across Barwon Water's entire service region.

### Restriction rule curves

The restriction rule curves are developed for each water supply system to guide the

introduction of water restriction stages depending on the time of year and the volume of water in storages. They are also used in conjunction with weather forecasts to guide decisions on lifting restrictions.

### Water restrictions by-law

The water restrictions by-law is a state-wide set of rules that establish the allowable uses for water throughout the various stages of restrictions. These rules provide Barwon Water with the power to ensure water use is controlled during drought.

The four stages of water restrictions focus on outdoor water use and restrict activities such as garden watering, filling of pools and spas and car washing.

### Communications strategy

Designed to keep the community informed on the status of water supplies and encourage water conservation, the strategy involves:

- briefings to key stakeholders, including local councils, large water users, tourism outlets, coastal committees, sporting clubs, the ECC and the CCC
- advertising campaigns using print and radio media
- bill advertising
- media releases
- brochures and signage
- customer mail out: customers receive a letter advising of the level of water restrictions being implemented and a brochure explaining the rules
- pop-up information stalls
- social media and website updates.

### Drinking water quality

In accordance with the *Safe Drinking Water Act 2003*, Barwon Water has a water quality risk management plan in place to ensure the provision of safe drinking water. Barwon Water also maintains a HACCP-certified drinking water quality management system, which covers the entire water supply system from the catchment to customers' taps.

In November, 2016, Barwon Water successfully passed its HACCP Recertification Audit with one minor non-conformance and one observation noted by the auditor. Overall, the feedback throughout the report was very positive and reflected our mature/robust risk management system and highlighted clear engagement from all staff who play a role in its ongoing success.

Throughout 2016-17, Barwon Water delivered drinking water to 30 out of 31 water sampling locality in accordance with the required standards in the *Safe Drinking Water Regulations 2015*. An *E. coli* detection from a sample taken in April, 2017, from the Batesford water quality locality zone required submission of a Section 18 non-compliance with drinking water quality standards. Following the incident, a full investigation was carried out and implementation of short and long term corrective actions is underway. Storm water ingress during an extreme weather event into a potable supply tank was established to be the cause of *E. coli* contamination.

The number of water quality complaints received in 2016-17 was 1.67 per 1,000 properties. There was a decrease in complaints of 0.39 per 1,000 properties on the previous year, which could be attributed to an upgrade to the Moorabool Water Treatment Plant, leading to a reduction in seasonal organic taste and odour compounds in the treated water.

### Central Region Sustainable Water Strategy (2006) Victorian Waterway Management Strategy 2013

#### Environmental flows

The Central Region Sustainable Water Strategy (2006) identified the Moorabool River as Victoria's most flow-stressed river. It committed to returning an average of up to 2,500 million litres a year to environmental flows in the Moorabool River by transferring part of Central Highlands Water and Barwon Water entitlements to an environmental entitlement.

The 2,500 million litre a year entitlement is used for summer low flows and freshening flows, which are critical flow components required to improve water quality in remnant habitat pools used by fish and animal life to ensure they survive during dry periods.

The environmental entitlement volume is deducted from Barwon Water's Lal Lal Reservoir entitlement based on the proportion of the total bulk entitlement held in the Moorabool system. Therefore, Barwon Water contributes 43 per cent of the 2,500 million litre a year environmental entitlement.

### Other statutory obligations

#### Environment Strategy

Barwon Water's Environment Strategy 2013-2018 provides strategic direction on its commitment to environmental responsibility. It describes the current programs and actions to manage environmental impacts, as well as future initiatives to continually improve environmental performance. The strategy aims to:

- protect catchments for current and future generations
- minimise the impact of water supply extraction on waterways and groundwater dependent ecosystems
- protect and enhance land and biodiversity values across the region and support efforts to halt the decline in biodiversity
- achieve a five per cent reduction in Scope 1 and 2 emissions by 2018, from 2004-2005 levels (note: the strategy will be updated to reflect Barwon Water's new zero emissions target)
- implement a sustainable procurement policy
- manage waste generated and received in accordance with regulatory standards.

#### Regional Catchment Management Strategy and Victorian Waterway Management Strategy 2013

Barwon Water harvests water from declared drinking water supply catchments on the Barham, Barwon, Gellibrand, Moorabool and St George Rivers. While these are largely contained within publicly managed national parks and reserves, significant areas of private land are also present within some catchments.

Barwon Water has a keen interest in ensuring the protection and rehabilitation of land and waterways within these catchments in accordance with the priorities established in the Corangamite Regional Catchment Strategy, the Corangamite Waterway Strategy and the Victorian Waterway Management Strategy.

In 2016-17, Barwon Water continued to work in partnership with Corangamite Catchment Management Authority (CMA) through its river health agreement, and with Landcare to protect and enhance waterways within drinking water supply catchments, contributing \$114,000 in partnership funds to:

- Moorabool Catchment Landcare Group
- Southern Otway Landcare Network
- Upper Barwon Landcare Network.

Additionally, Barwon Water contributed \$70,000 to on-ground work for river health projects in water supply catchments under the Barwon Water-Corangamite CMA River Health Agreement. The Corangamite CMA's waterway protection program received over 73 expressions of interest from landholders to undertake works including willow removal, fencing and revegetation with local indigenous vegetation. Twelve of these sites are within the Moorabool water supply catchment and four are within the Barwon water supply catchment, covering over 11 kilometres of river frontage.

Barwon Water also provided \$25,000 toward ongoing operation of the Corangamite WaterWatch program. The program supports community groups conduct water quality testing at monitoring sites and delivers an education program to schools in the Corangamite region. Staff attend these public events to promote river health and discuss water and catchment issues.

Program	Partner	Focus	2016-17 funding
Landcare partnerships	Moorabool Catchment Landcare Group	Upper Moorabool River catchment	\$38,000
Landcare partnerships	Southern Otway Landcare Network	Barham River catchment	\$38,000
Landcare partnerships	Upper Barwon Landcare Network	Upper Barwon River catchment	\$38,000
River Health partnership	Corangamite CMA	Priority waterways and catchments	\$70,000
Corangamite region WaterWatch	Corangamite CMA	Waterway health education	\$25,000

## Part 3: Environmental and social sustainability

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### Victorian Biodiversity Strategy 2017

As a manager of significant areas of land and as a major infrastructure and service provider across the region, managing impacts on native biodiversity is an important environmental aspect of Barwon Water's activities. Barwon Water has continued to implement policies, procedures and programs to protect, enhance and restore biodiversity, consistent with the vision and goals of Victoria's biodiversity strategy Protecting Victoria's Environment - Biodiversity 2037. Barwon Water implements targeted biodiversity plans to address priority biodiversity assets on a range of Barwon Water sites.

Procedures, training and support for environmental planning and management of capital works projects continue to facilitate avoidance and minimisation of risks to biodiversity from the siting, design and construction of new infrastructure.

The Geelong Community Nursery, operated as a partnership between Barwon Water and

Karingal, provides native plant propagation facilities for the use of community groups. Native plants are produced for revegetation projects focusing on catchment and biodiversity restoration.

Barwon Water contributed a further 10,000 indigenous plants to the Greenway Project in 2016-17, bringing the total to 30,000 plants to date. The project, co-ordinated by the City of Greater Geelong, is revegetating the Ted Wilson Trail, a 21-kilometre cycle and walking path on the eastern side of the Geelong Ring Road, which will eventually stretch from Corio to Waurin Ponds. Once completed, the trail will provide natural shade for pedestrians and cyclists and habitat for wildlife.

### State Environmental Protection Policy (Waters of Victoria)

Barwon Water's amalgamated EPA licence sets out environmental performance conditions for 10 of its water reclamation plants. The licence allows for the discharge of recycled water into local waterways and for re-use of treated wastewater.

The amalgamated licence includes 113 licence conditions spread across the 10 premises. During 2016-17, Barwon Water achieved compliance against all 113 of the licence conditions.

Barwon Water has a separate EPA licence for a biosolids processing site located at Western Treatment Plant (Melbourne Water). During 2016-17, Barwon Water achieved compliance against 8 of 9 licence conditions in this licence. The non-compliance was due to the 2015-16 Annual Performance Statement not being submitted to EPA Victoria by September 30, 2016.

### Victorian Urban Stormwater: Best Practice Environmental Management Guidelines

All construction environmental management plans include measures to manage risks to stormwater and are implemented during infrastructure projects.



### Carbon emissions performance

As a major greenhouse gas emitter in the region, Barwon Water need to be a leader in reducing emissions. More than 80 per cent of emissions come from the use of electricity sourced from the grid. As a leader in managing emissions, Barwon Water have made the commitment to achieve zero net emissions by 2030. We will put in place a comprehensive suite of measures to ensure we achieve this goal efficiently and cost effectively.

Barwon Water's greenhouse gas emissions include carbon dioxide, methane and nitrous oxide. These are reported in equivalent

tonnes of carbon dioxide – tCO<sub>2</sub>-e. Barwon Water reports only direct emissions (scope 1) and indirect emissions from grid-supplied electricity (scope 2), calculated in accordance with the National Greenhouse and Energy Reporting Act 2007.

Scope 3 emissions are not included in any results presented in this section.

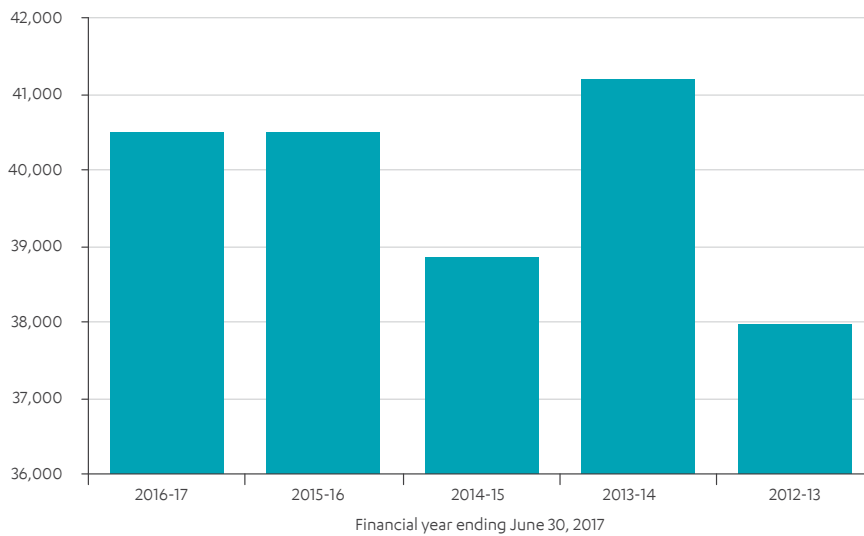
Barwon Water's calculated scope 1 and 2 emissions total for 2016-17 was 40,604 tCO<sub>2</sub>-e. Overall, emissions from water and sewerage services were similar to the previous year. Energy consumption associated with water supply services

increased due to the use of groundwater and the Melbourne-Geelong pipeline in mid-2016.

### Total net emissions (tCO<sub>2</sub>-e)

	2016-17	2015-16	2014-15	2013-14	2012-13
Total net emissions	40,604	40,504	38,849	41,192	37,960
Target	53,909	53,909	53,909	53,909	50,929
Variance to target (%)	-25%	-25%	-28%	-24%	-25%

### Total net emissions per financial year (tCO<sub>2</sub>-e)



### Net emissions by business area (tCO<sub>2</sub>-e)

	2016-17	2015-16	2014-15	2013-14	2012-13
Water treatment and supply	6,515	6,192	5,419	5,434	5,400
Sewerage treatment and management	31,837	31,925	30,272	29,981	28,690
Transport	670	702	738	2,522	1,438
Offices and other	1,582	1,685	2,421	3,256	2,433
<b>Total emissions (tCO<sub>2</sub>-e)</b>	<b>40,604</b>	<b>40,504</b>	<b>38,849</b>	<b>41,192</b>	<b>37,960</b>

## Part 3: Environmental and social sustainability

### Energy use

Sewage collection and management, which includes recycled water production and distribution, continues to make up the largest portion of Barwon Water's energy use.

### Total net energy consumption (megajoules)

	2016-17	2015-16	2014-15	2013-14	2012-13
Total net energy consumption (MJ)	119,977,629	119,506,436	114,938,411	146,033,829	N/A
Target	N/A	N/A	N/A	N/A	N/A
Variance to target (%)	N/A	N/A	N/A	N/A	N/A

### Net energy consumption breakdown by business area (megajoules)

	2016-17	2015-16	2014-15	2013-14	2012-13
Water treatment and supply	23,189,588	21,107,138	18,461,752	18,287,696	N/A
Sewage collection and management	79,100,289	80,495,941	74,027,894	76,395,517	N/A
Transport	9,765,073	10,261,698	10,935,971	36,698,121	N/A
Offices and other	7,922,679	7,641,659	11,512,794	14,652,495	N/A

### Net energy consumption per unit output/input (megajoules per megalitre)

	2016-17	2015-16	2014-15	2013-14	2012-13
Water treatment and supply	690	590	569	574	N/A
Sewage collection and management	2,848	2,848	2,910	2,792	N/A

### Energy and emissions reduction

Consistent with the Victorian Government's objective for the water sector to be a leader in climate change mitigation, Barwon Water has adopted a target of zero net emissions by 2030 and is pursuing a switch to 100 per cent renewable electricity by 2025. This is reflected in Barwon Water's emissions reduction pledge to 2025.

Barwon Water's approach to climate mitigation follows the emissions reduction hierarchy:

- avoid energy use and emissions through smart design of new and renewed assets
- minimise energy and emissions through efficiency and optimisation
- substitute emissions-intensive energy with zero-emission renewable sources
- sequester carbon from the atmosphere
- offset residual emissions through additional reductions elsewhere.

Having achieved significant reductions through efficiency and optimisation of existing assets, Barwon Water is implementing a program to achieve 100 per cent renewable electricity by 2025.

Installation of a 1 megawatt solar farm at the Black Rock water reclamation plant is due for completion by December, 2017. The plant, which consumes 39 per cent of Barwon Water's overall electricity use, will become home to southern Victoria's first solar farm of this scale. Plans for further expansion of the solar farm are being developed.

Rooftop solar, as well as extensive energy efficiency measures, have been incorporated into Barwon Water's redeveloped head office and new maintenance centre facilities.

Feasibility studies into a range of renewable energy opportunities are well underway. Behind-the-meter project opportunities include solar, battery and potentially wind, at water reclamation plants and water treatment plants. Barwon Water initiated and is playing a lead role in the identification of renewable energy partnerships with G21 region partners, and the development of the Intelligent Water Networks' Large Scale Renewables project.

These projects will complement Barwon Water's existing 60 kilowatt Breamlea wind turbine purchased in 2003 and the jointly owned mini-hydro generator at

Lal Lal Reservoir with neighbouring water corporation Central Highlands Water.

Barwon Water continues to collaborate with the water industry via the Intelligent Water Networks (IWN) Energy Optimisation Group, Institute of Water Administration (IWA) Energy and Greenhouse Special Interest Group and the Water Services Association of Australia (WSAA) Climate Change, Energy and Environment Network.

# Bulk entitlement reporting

## Surface water bulk 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 in Victoria with objectives to:

- provide authorities with a clearly defined property right to water
- provide authorities with flexibility to manage within their entitlements
- 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 of finite water resources

- allow specific entitlements for environmental purposes.

Barwon Water operates under 11 surface water bulk entitlements covering the Barwon, Moorabool, Gellibrand, St Georges, Painkalac and Barham river systems, as well as the Greater Yarra System-Thomson River Pool.

Barwon Water also has one groundwater bulk entitlement for operation of the Anglesea Borefield. Each entitlement provides clear direction on the amount and rate of water that can be harvested each year and the amount that must be passed to the environment for river health.

## 2016-17 overall surface water bulk entitlement performance

- An overall compliance of 100 per cent was achieved during 2016-17 for passing flows across the surface water bulk entitlements.
- An overall compliance of 100 per cent was achieved during 2016-17 for the numerous daily extraction limits across the surface water bulk entitlements.

Each bulk entitlement requires annual reporting of water taken. This information is provided in the following tables

## Bulk entitlements 2016-17

Bulk entitlement (Aireys Inlet) Conversion Order 1997		
14.1 (d)	Painkalac Reservoir level at 30/6/17	29.85 mAHD
	Painkalac Reservoir storage volume at 30/6/17	532 ML (100%)
14.1 (e)	Volume taken 2016-17	0 ML
14.1 (f)	Approval, amendment and implementation of programs and proposals under clauses 11, 12 and 13	
	Clause 11 – Making allowances	Not applicable
	Clause 12 – Environmental obligations	Ongoing management in accordance with Barwon Water’s Environment Strategy and Environmental Obligations program
	Clause 13 – Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
14.1 (g to j)	Transfers, amendments or new entitlements under this order	Nil
14.1 (k)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
14.1 (l)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

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### Bulk entitlement (Apollo Bay) Order 2010

10.1 (c)	Approval, amendment and implementation of programs and proposals under clauses 8 and 9	
	Clause 8 – Environmental obligations	Ongoing management in accordance with Barwon Water's Environment Strategy and Environmental Obligations program
	Clause 9 – Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
10.1 (d)	Volume diverted 2016-17 (West Barham diversion)	0 ML
	Volume pumped 2016-17 (Barham River)	367.55 ML
10.1 (e to h)	Transfers, amendments or new entitlements under this order.	Nil
10.1 (i)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
10.1 (j)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

### Bulk entitlement (Colac) Amendment Order 2003

12.1 (c)	Storage volumes at 30/6/17	
	Olangolah Reservoir level	344.30 mAHD
	Olangolah Reservoir volume	152 ML (100%)
	West Gellibrand Reservoir level	339.80 mAHD
	West Gellibrand Reservoir volume	1,327.04 ML (71.5%)
12.1 (d)	Volume taken 2016-17	3,316.65 ML
12.1 (e)	Approval, amendment and implementation of programs and proposals under clauses 9, 10 and 11.	
	Clause 9 – Making allowances	Not applicable
	Clause 10 – Environmental obligations	Ongoing management in accordance with Barwon Water's Environment Strategy and Environmental Obligations program
	Clause 11 – Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
12.1 (f to i)	Transfers, amendments or new entitlements under this order.	Nil
12.1 (j)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
12.1 (k)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

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### Bulk entitlement (Gellibrand) Conversion Order 1997

11.1 (b)	Volume taken 2016-17	17.3 ML
11.1 (c)	Approval, amendment and implementation of programs and proposals under clauses 8, 9 and 10.	
	Clause 8 – Making allowances	Not applicable
	Clause 9 – Environmental obligations	Ongoing management in accordance with Barwon Water’s Environment Strategy and Environmental Obligations program
	Clause 10 – Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
11.1 (d to g)	Transfers, amendments or new entitlements under this order.	Nil
11.1 (h)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
11.1 (i)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

### Bulk entitlement (Lorne) Conversion Order 1997

14.1 (d)	Allen Reservoir storage level at 30/6/17	120.11 mAHD
	Allen Reservoir storage volume at 30/6/17	196 ML (100%)
14.1 (e)	Volume taken 2016-17	419.69 ML
14.1 (f)	Approval, amendment and implementation of programs and proposals under clauses 11, 12 and 13	
	Clause 11 – Making allowances	Not applicable
	Clause 12 – Environmental obligations	Ongoing management in accordance with Barwon Water’s Environment Strategy and Environmental Obligations program
	Clause 13 – Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
14.1 (g to j)	Transfers, amendments or new entitlements under this order	Nil
14.1 (k)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
14.1 (l)	Any difficulties experienced or anticipated by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

### Bulk entitlement (Meredith) Conversion Order 1995

11.1 (d)	Approval, amendment and implementation of programs and proposals under clauses 9 and 10	
	Clause 9 – Environmental obligations	Ongoing management in accordance Barwon Water’s Environment Strategy and Environmental Obligations program
	Clause 10 – Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
11.1 (e)	Volume taken 2016-17	0 ML
11.1 (f to i)	Transfers, amendments or new entitlements under this order	Nil
11.1 (j)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
11.1 (k)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

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Bulk entitlement (She Oaks) Conversion Order 1995		
13.1 (d)	Weir pool level at 30/6/17	0.29 m
	Weir pool storage volume at 30/6/17	19 ML (100%)
13.1 (e)	Volume taken under this entitlement 2016-2017 (river flow)	0 ML
13.1 (f)	Volume taken under this entitlement over the past 3 years (2014-15 to 2016-17)	0 ML
13.1 (g)	Approval, amendment and implementation of programs and proposals under clauses 11 and 12	
	Clause 11 – Environmental obligations	Ongoing management in accordance Barwon Water's Environment Strategy and Environmental Obligations program
	Clause 12 – Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
13.1 (h-k)	Transfers, amendments or new entitlements under this order	Nil
13.1 (l)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
13.1 (m)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No
Bulk entitlement (Lal Lal - Barwon) Conversion Order 1995 / Amendment Order 2010		
19.1 (f)	Amount of water in Barwon Water's share of reservoir capacity	15,138 ML (90.1%)
19.1 (g)	Annual flow into Barwon Water's share of reservoir capacity	17,138 ML
19.1 (h)	Annual volume released to West Moorabool River from specified point A (releases to Barwon Water)	1,185 ML
19.1 (i)	Volume taken under this entitlement from specified point B (She Oaks diversion weir)	555.31 ML
19.1 (k)	Volume taken from a location other than specified point B	Nil
19.1 (l)	Annual losses debited to Barwon Water's share of reservoir capacity	7,870 ML
19.1 (m)	Annual losses from releases between specified points A and B	Not Available
19.1 (n)	The implementation of programs approved under sub-clauses 16.2, 17.2, and 18.2	
	Clause 16.2 – Environmental obligations	Ongoing management in accordance Barwon Water's Environment Strategy and Environmental Obligations program
	Clause 17.2 – Joint Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
	Clause 18.2 – Authority's metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
19.1 (o)	Any temporary or permanent transfer of all or part of this entitlement	Nil
19.1 (p)	Any bulk entitlement or licence in respect of the waterway temporarily or permanently transferred to Barwon Water with respect to the reservoir	Nil
19.1 (q)	Any amendment to this bulk entitlement	Nil
19.1 (r)	Any new bulk entitlement granted to Barwon Water with respect to its entitlement to a share of reservoir capacity	Nil
19.1 (s)	Any failure by Barwon Water to comply with any provision of this bulk entitlement	Nil
19.1 (t)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	Nil

## Part 3: Environmental and social sustainability

### Bulk entitlement (Upper Barwon System) Conversion Order 2002

15.1 (d)	Storage volumes at 30/6/17	
	<ul style="list-style-type: none"> <li>West Barwon Reservoir</li> </ul>	8,806 ML (41%)
	<ul style="list-style-type: none"> <li>Wurdee Boluc Reservoir</li> </ul>	22,940 ML (60.3%)
	<ul style="list-style-type: none"> <li>Barwon system total</li> </ul>	31,746 ML (53.3%)
15.1 (e)	Volume taken under this entitlement 2016-17	36,111.2 ML
	<ul style="list-style-type: none"> <li>Barwon Downs borefield</li> </ul>	1,546 ML
15.1 (f)	Approval, amendment and implementation of programs and proposals under clauses 13.3 and 14.3	
	Clause 13.3 – Environmental obligations	Ongoing management in accordance with Barwon Water’s Environment Strategy and Environmental Obligations program
	Clause 14.3 – Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
15.1 (g-j)	Transfers, amendments or new entitlements under this order	Nil
15.1 (k)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	Nil
15.1 (l)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

### Bulk entitlement (Upper East Moorabool System) Conversion Order 1995 / Amendment Order 2004

14.1 (d)	Storage volume at 30/6/17	
	<ul style="list-style-type: none"> <li>Korweinguboora Reservoir</li> </ul>	1,032 ML (44.3%)
	<ul style="list-style-type: none"> <li>Bolwarra Weir</li> </ul>	113.36 ML (100%)
	<ul style="list-style-type: none"> <li>Bostock Reservoir</li> </ul>	4,359 ML (58.5%)
	<ul style="list-style-type: none"> <li>Upper Stony Creek Reservoirs</li> </ul>	5,419 ML (57%)
	<ul style="list-style-type: none"> <li>Lower Stony Creek Reservoir</li> </ul>	0 ML (0%)
14.1 (e)	Volume taken under this entitlement 2016-17	2,605 ML
14.1 (f)	Approval, amendment and implementation of programs and proposals under clauses 12.2 and 13.3	
	Clause 12.2 – Environmental obligations	Ongoing management in accordance with Barwon Water’s Environment Strategy and Environmental Obligations program
	Clause 13.3 – Metering program	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
14.1 (g-j)	Transfers, amendments or new entitlements under this order	Nil
14.1 (k)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	No
14.1 (l)	Any existing or anticipated difficulties experienced by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed by the Barwon Water.	No

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### Bulk entitlement (Greater Yarra System – Thomson River Pool – Barwon Water) Order 2014

16.1 (a)	The annual amount of water taken under this bulk entitlement (MW billable)	1,071 ML
16.1 (b)	The water allocation made available under this bulk entitlement and volume of carryover	12,139.611 ML 24,274.658 ML
16.1 (c)	Compliance with the entitlement volume	Yes
16.1 (d)	Any temporary assignment or permanent transfer of all or part of this bulk entitlement	5000 ML Assigned to Western Water's bulk entitlement (Greater Yarra System – Thomson River Pool – Western Water) Order 2014
16.1 (e)	The approval, amendment and implementation of the metering program approved under clause 13	Ongoing implementation of Bulk Entitlement Metering program as approved by the DELWP in 2016
16.1 (f)	Any amendment to this bulk entitlement	The Bulk Entitlement (Greater Yarra System – Thomson River Pool – Barwon Water) Order 2014 was amended on June 1, 2017, to account for the creation of an additional 3.9 per cent share of inflows environmental entitlement in Thomson Reservoir. The water for this environmental entitlement was transferred from the three Melbourne retailers Greater Yarra System – Thomson River Pool bulk entitlements, and the amendment to Barwon Water's bulk entitlement was required to reflect the change in the size of the Greater Yarra System – Thomson River Pool.
16.1 (g)	Any new bulk entitlement of water granted to the Authority	Nil
16.1 (h)	Any failure by the authority to comply with any provision of this bulk entitlement and any remedial action taken or proposed	No
16.1 (i)	Any difficulties experienced or anticipated by Barwon Water in complying with this bulk entitlement and any remedial action taken or proposed.	No

### Groundwater Bulk entitlements

The bulk entitlement (Anglesea groundwater) Order 2009 authorises Barwon Water to take up to 35,000 ML of groundwater from the lower Eastern view formation in the Jan Juc groundwater management area in any five year period.

### Bulk entitlement (Anglesea groundwater) Order 2009 / Amendment Order 2014

16.1 (a)	Annual amount taken (volume) in 2016-17	0 ML
16.1 (b)	Any amendment to this order	Nil
16.1 (c)	Any failure by Barwon Water to comply with any provision of this bulk entitlement.	Nil

#### Notes:

- Information supplied refers to volume in megalitres unless stated otherwise.
- References (e.g. 14.1 (d)) relate to clause numbers in each bulk entitlement order.
- Telemetry data has been used to evaluate compliance with passing flows and diversions (final quality checked data collected under the regional water monitoring partnership is yet to be supplied).



### Social sustainability

#### Customer Consultative Committee

Established in 1996, Barwon Water's Customer Consultative Committee (CCC) is an advisory group drawn together from various sectors of Barwon Water's customer-base to provide the business with customer feedback.

During 2016-17, three formal meetings and one informal field trip was held. The field trip was jointly conducted with Barwon Water's Environmental Consultative Committee (ECC).

At the formal meeting on August 24, 2016, the CCC received a presentation on planned proposed upgrades to Barwon Water's customer relationship management system. The system will provide customers with a complete digital customer experience.

The meeting also covered an update on the 2018 Pricing Submission consultation and a review was provided on maintenance activities from a customer's perspective to identify improvement opportunities for the business. An overview of Barwon Water's strategic direction for 2016-17 was also presented by Board Director Rebecca Leonard. There was also significant discussion around recycled water and its uses in the community.

The second formal meeting for the financial year was held in February, 2017. A presentation was made on climate change with it being noted that, without intervention, climate change would have severe implications for the whole planet.

Discussions were held around engagement for Barwon Water's Urban Water Strategy (UWS). The objective of the UWS is to deliver secure water supplies, supporting resilient and liveable communities under a range of climate futures.

There was also conversation about the future of the Barwon Water's Aqueduct/Ovoid Sewer and the 2018 Pricing Submission.

The final formal meeting for 2016-17 was held as a workshop around Barwon Water's 2018 Price Submission on May 17, 2017. Members of the ECC were also invited to this gathering. Barwon Water has sought

feedback from both committees on how it should equitably and fairly manage changes in residential water charges.

#### Aged debtor management

Barwon Water proactively manages its aged debtor profile to minimise financial impact to the business. During 2016-17, the value of aged tariff debt reduced from \$4.6 million to \$3.9 million. Many Barwon Water customers continue to experience financial difficulties and the corporation will continue to assist anyone requiring support to ensure its aged debt profile is minimised.

#### Assisting customers experiencing financial hardship

During 2016-17, Barwon Water provided the following assistance measures:

- Customers were granted extensions of time to pay their account. This assisted customers with short-term cash flow issues to pay their account without penalty.
- Instalment plans were offered to assist customers to pay their account, usually over a six or 12 month period. Instalment amounts were agreed to by Barwon Water with each customer based on their individual circumstances. While instalment plans were active, no penalties or referrals for debt collection applied.
- Customers can also choose to pay their bills through Centrepay, a program where payments are made directly to Barwon Water from Centrelink on behalf of the customer.

#### Government Utility Relief Grant scheme

Victorian Government Utility Relief Grants (URGs) are offered to eligible Barwon Water customers. A total of 206 grants were issued this year, an increase on the 176 approved during 2015-16.

#### Concession cards

Barwon Water has a high proportion of customers in receipt of government concession cards. There were 41,056 customers provided concessions in 2016-17, which represents around 30 per cent of

Barwon Water's domestic customer base.

Eligible concession cards include Centrelink pension and health care cards and Department of Veterans' Affairs gold cards.

#### Medical concessions

Barwon Water supports a number of customers with special medical needs by providing a concession on top of Victorian Government dialysis concessions. In addition, Barwon Water offers a concession for other medical conditions requiring higher than usual water consumption. Government dialysis rebates totalled \$12,652 during the year, supplemented by an additional \$8,131 contributed directly by Barwon Water.

#### Flexible payment plan – arrange and save

Barwon Water's arrange and save program assisted 1,149 customers during the year. The program helps customers experiencing financial hardship by putting them on a payment plan where they are provided a "credit" of one instalment if they meet their instalment arrangements for several consecutive periods. The program provided customer credits totalling \$90,932 during 2016-17.

#### Helping customers save water

The Victorian Government's community water rebate program aims to help vulnerable customers save water and money on their water bills. The program is targeted at customers who may be unable to afford to make their home more water efficient by repairing leaks and helping them install water efficient showerheads, dual flush toilets and other eligible water saving products.

During 2016-17, Barwon Water provided assistance to 338 customers for a total value of \$159,175.

## Part 3: Environmental and social sustainability

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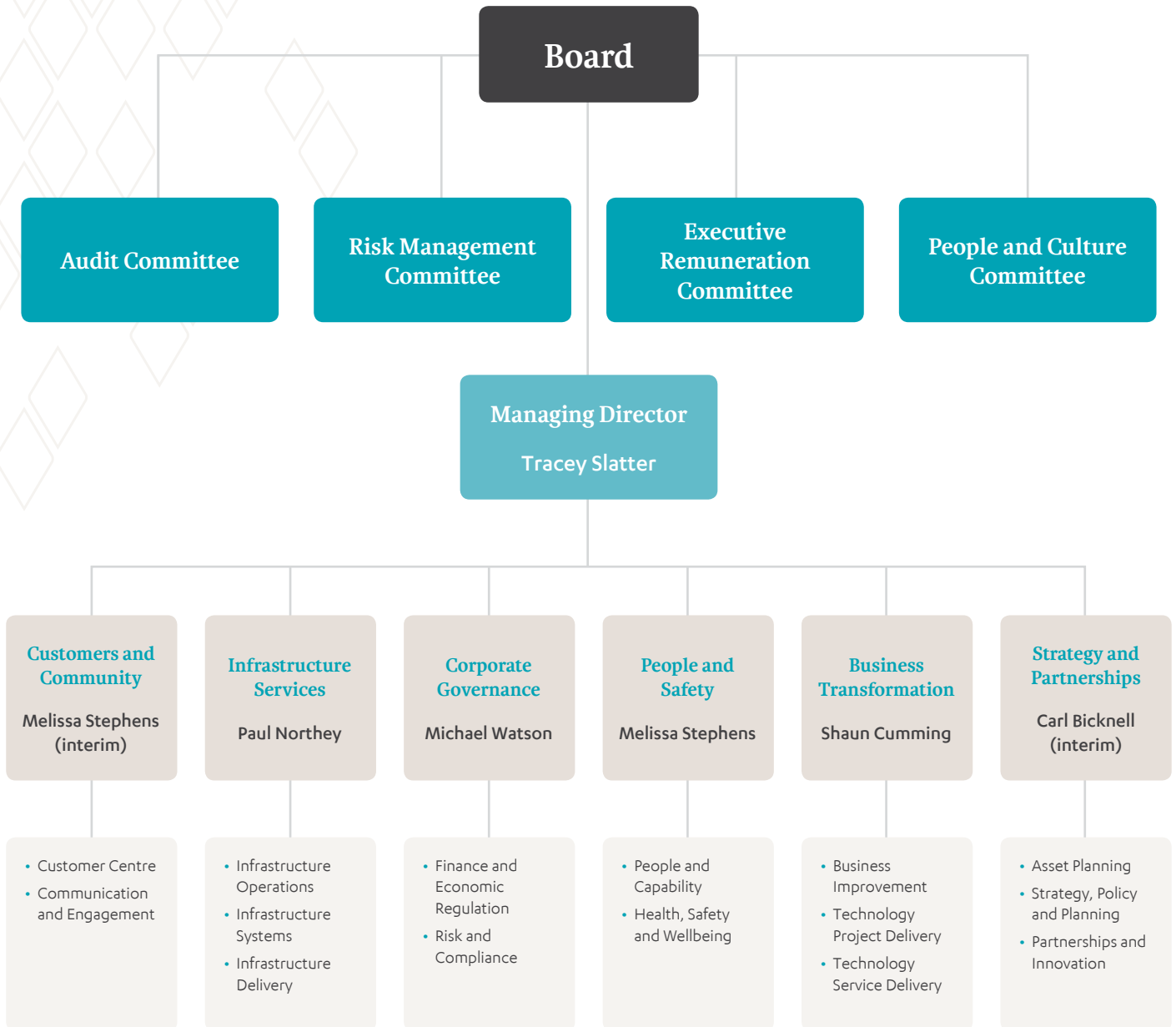
	2016-17	2015-16
Pension and health concessions	\$9,883,762	\$9,747,827
Utility relief grants	\$81,451	\$66,060
Dialysis rebates (State Government)	\$12,652	\$13,213
Barwon Water medical rebates	\$8,131	\$9,380
Barwon Water arrange and save	\$90,932	\$95,109
Water and sewer rebates	\$545,807	\$572,827
Community rebate / Government water bill rebates	\$103,765	\$40,982
Hardship relief grant scheme (sewerage connection scheme)	\$0	\$0
<b>Total</b>	<b>\$10,726,499</b>	<b>\$10,545,398</b>



Part 4:

# Corporate information

# Organisational structure



As at June 30, 2017

### Role of the Board

The Board is responsible for the overall corporate governance of Barwon Water, including strategic direction, establishing goals for management and monitoring the achievement of those goals to optimise performance within the parameters of the organisation's broader obligations. Barwon Water is subject to the *Water Act 1989*.

### Board composition

The Board comprises a non-executive Chair, seven non-executive Directors and a Managing Director.

The non-executive Chair and non-executive Directors are appointed by the Minister for Water. The Managing Director is appointed by the Board in accordance with the *Water Act 1989*.

### Board meetings

Board meetings are scheduled monthly. Additional meetings are convened as circumstances warrant. Minutes of meetings record Board decisions.

The Managing Director and Executive Leadership Team attend Board meetings. The General Manager Corporate Governance is also the Corporate Secretary, providing advice to the Board on governance matters.

During 2016-17, the Board had four sub-committees formed: Audit, Risk Management, Executive Remuneration and People and Culture. Each Board sub-committee has its own Board-approved charter and reports to the Board following each meeting.

### Audit Committee

The Audit Committee comprises an independent non-executive Chair and three independent non-executive Directors. Meetings are held quarterly and at any other time as requested by a member of the committee or the internal or external auditor. The committee liaises with the internal auditor and external auditor to evaluate the adequacy and effectiveness of the overall governance framework.

### Audit Committee Members/ Directors

John Gavens (Chair)  
Jodi Heath  
Chris Lovell  
Jason Mifsud

### Risk Management Committee

The Risk Management Committee comprises an independent non-executive Chair and four independent non-executive Directors. Meetings are held quarterly and at any

other time as requested by a member of the committee.

The committee takes a lead role in facilitating risk management across the organisation and ensuring that risks are identified and adequately addressed by management.

### Risk Management Members/ Directors:

Chris Lovell (Chair)  
John Gavens  
Rebecca Leonard  
Jo Plummer  
Bernard Walsh

### Risk attestation

I, Jo Plummer, certify that the Barwon Region Water Corporation has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. The Barwon Region Water Corporation's Risk Management Committee has verified this.



Jo Plummer  
Chair  
August 14, 2017

## Part 4: Corporate information

### Executive Remuneration Committee

The Executive Remuneration Committee comprises the non-executive Chair and three non-executive Directors. The committee reviews remuneration arrangements and terms of employment for the Executive Leadership team and succession planning.

#### Executive Remuneration Members/ Directors:

Jo Plummer (Chair)  
Jodi Heath  
Jason Mifsud  
Bernard Walsh

### People and Culture Committee

The People and Culture Committee comprises the non-executive Chair and three non-executive Directors. The committee will assist the Board to drive a diverse, values-based, high performing workforce to deliver the Strategic Intent and organisation's directions.

#### People and Culture Members/ Directors:

Jodi Heath (Chair)  
Jason Mifsud  
Jo Plummer  
Bernard Walsh

### Ethical standards

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance practice and ethical conduct by all Directors, employees and contractors. The Board has a comprehensive governance framework that seeks to ensure high standards of ethical behaviour through adoption of policies supported by specific awareness and compliance programs in accord with Victorian government policies and guidelines.

### Performance evaluation

The Board has established a formal process to review its own performance, its committees and individual Directors consistent with the Governance Guidelines issued by the Department of Environment, Land, Water and Planning.

### Independent advice

Individual Directors have access to independent advice from a range of services.

### Directors' Code of Conduct

Directors on the Board of Barwon Water are public officials under section 4 of the *Public Administration Act 2004*.

The Directors' Code of Conduct is issued to promote adherence to public sector values by Directors of all Victorian public entities. The code expresses the public sector values in terms that are most relevant to the special role and duties of Directors. At the same time, it is based on the same set of values (the public sector values) that apply to all public officials, including all employees of Barwon Water.

### Board Directors as at June 30, 2017

#### Jo Plummer

##### Chair

MBA, Grad Dip Retail Mgt, GAICD  
Appointed to Board: October, 2015

Jo Plummer was a Director on the Board of Central Highlands Water for four years during which time she served on the Audit and Risk and Sustainability committees. She also chaired the Customer and Community Partnership Committee. Prior to this, Jo consulted to Barwon and Wannon Water in her capacity as Director for OUT of the BOX Business Services.

OUT of the BOX Business Services was established in 2009 as a boutique management consultancy, specialising in developing and implementing strategy, engineering business improvement initiatives and managing change.

Since December, 2014, Jo has been Director and co-owner of Business in Heels International, a women's networking organisation that works towards connecting women with resources, opportunity and choice.

She also sits as Non-Executive Director for VicWater, is Chair for the Geelong Regional Football Committee, on Advisory Board for Victoria Patriots A-League bid and Committee Member for AICD Geelong.

Jo has a strong commercial background, having held senior roles in buying and product development, business and merchandise planning and strategic design with well-known retail brands for over twenty years.

She holds a Master of Business Administration, a Graduate Diploma in Retail Management and is a graduate of the Australian Institute of Company Directors.

#### Chris Lovell

##### Deputy Chair

Arts/Law, M Laws  
Appointed to Board: October, 2015

Chris Lovell has practiced as a commercial lawyer for more than 35 years.

He advises major industry superannuation funds and some of their collective investment vehicles on a wide range of corporate, governance and superannuation issues. Chris is Chairman of national law firm Holding Redlich, having been national managing partner for 15 years.

Chris is an independent Director (and member of the finance committee) of the Clemenger Group, Australasia's largest marketing communications group. He is also Chairman of LawExchange International, a group of 32 law firms around the world.

Chris has held a number of Board positions. These include Director of Film Victoria, Director and then Chair of Screen Australia, trustee of the Melbourne Cricket Ground, Director and Deputy Chair of VicTrack, and Director and then Chair of Australian Communities Foundation.

Chris has an Arts/Law degree from the University of Melbourne and a Masters of Laws from the University of London (London School of Economics).

#### Elaine Carbines

B Arts, Dip Ed, GAICD  
Appointed to Board: October, 2015

Elaine is the CEO of G21 Geelong Region Alliance. She was a Parliamentary Secretary for the Environment and for Education.

Elaine is a Director of Gforce, Director of IPAA Victoria, Committee Member of BWS Regional Development Committee and Committee Member of Barwon Region Partnership

### John Gavens

M Arts, B Comm, MIA, GAICD  
Appointed to Board: October, 2015

John is Partner, Audit and Assurance at Crowe Horwath Melbourne, and has a background in auditing, risk management and internal audit, specialising in the public sector, local government and not-for-profits. In this role, among other things, he currently holds audit contracts with the Victorian Auditor General's Office and internal audit contracts with several local government and public sector agencies.

He is a Registered Company Auditor and was a member of the Auditing and Assurance Standards Board.

He is the Treasurer of Gateways Support Services and a member of two local government audit committees.

### Jodi Heath

MBA, GAICD  
Appointed to Board: July 2010

Jodi is currently the Head of Strategy, Governance and Change for Human Resources at NAB and has a wealth of experience in the banking and telecommunications sectors with top-10 ASX listed companies over the past 20 years.

Jodi is a graduate of the Australian Institute of Company Directors and has worked on various boards over the past 13 years. Jodi is a Director on Professional with Alzheimer's (PALZ) which is near and dear to her and has just completed seven years as a Deputy Chair at the Gordon and Chair of Audit and Risk.

Jodi is a former Director of Committee for Geelong, St Laurence Community Services and Geelong Chamber of Commerce. She is also a member of the Deakin Alumni Community and an Australian Rural Leaders Fellow.

Jodi holds a Master of Business Administration specialising in Corporate Governance and Ethics from Deakin University.

Jodi was appointed to Barwon Water Board in July, 2010, and re-appointed in October, 2015.

She was Deputy Chair from 2011-2015.

### Rebecca Leonard

B Sc, B Laws, MAICD  
Appointed to Board: October, 2013

Rebecca is the Executive Manager, Governance and Legal Services at the City of Greater Geelong and has previously worked at the Transport Accident Commission (TAC) in both solicitor and senior management roles since 2009. She is an experienced lawyer and has practised in the Geelong region since 2004.

Rebecca has a strong commitment to the Geelong community and has previously served as Vice Chairperson of UnitingCare Geelong and Secretary of Barwon Centre Against Sexual Assault.

She is currently a member of the Deakin University Alumni, the Law Institute of Victoria, Victorian Women Lawyers and the Australian Institute of Company Directors. She also serves as a Director on the Board of Community Care Chemist.

Rebecca is the current Board representative member of Barwon Water's Customer Consultative Committee and a member of Barwon Water's Risk Management Committee.

Rebecca holds a Bachelor of Science and a Bachelor of Laws.

Rebecca was appointed to the Barwon Water Board in October, 2013.

### Jason Mifsud

Appointed to Board: October, 2015

Jason is Executive Director of Aboriginal Victoria for the Victorian Government in the Department of Premier and Cabinet.

Jason was previously the Head of Diversity at the Australian Football League and has held governance roles on the Suicide Prevention Taskforce at the Victorian Aboriginal Community Controlled Health Organisation and the Ministerial Advisory Council for Indigenous Affairs and Economic Development.

He is a Board member at the Australian Indigenous Leadership Centre, the NAB Indigenous Advisory Group and the national governance group for Recognise.

### Bernard Walsh

MIEAust, CPEng, GAICD  
Appointed to Board: October, 2015

Bernard is the Managing Director at Walsh Global Consulting Pty Ltd and has had an extensive executive career in the chemicals, petrochemicals and explosives industries. His most recent role was with Incitec Pivot Limited where, as a member of the executive team, he led the major fertiliser and explosives manufacturing operations in North America and Australia and the supporting global engineering and process technology functions.

Bernard was a board member at Queensland Nitrates (QNP), Sasol Dyno Nobel (SDN) and Initiation Explosives Systems (IES).

Bernard has a Bachelor of Mechanical Engineering, a Graduate Certificate in Business Administration and is a graduate of the Australian Institute of Company Directors.

### Tracey Slatter

**Managing Director**  
(commenced January 16, 2017)  
M Comm, FIPAA, GAICD

Tracey has more than 20 years experience at senior management level having had several years at the helm of local councils, as well as executive experience in the local region.

She was most recently the Chief Executive Officer of Port Phillip City Council. Her previous roles include CEO of Colac Otway Shire, Head of Claims at the TAC, Director of Primary and Community Health in the Victorian Health Department and a Director of the G21 Geelong Region Alliance.

Tracey has post-graduate qualifications in research, leadership and commerce.

Tracey was appointed to the role in October, 2016, and commenced at Barwon Water in January, 2017.

## Part 4: Corporate information

### 2016-17 Board and committees of the Board attendance

	Board meetings	Audit Committee meetings	Risk Management Committee meetings	Executive Remuneration Committee meetings	People and Culture Committee meetings
<b>J Plummer</b> (Chair) Term continuing	11 of 12	2 of 4*	3 of 4	1 of 1	2 of 3
<b>C Lovell</b> (Deputy Chair) Term continuing	11 of 12	4 of 4	4 of 4	*	*
<b>E Carbines</b> Term continuing	11 of 12	*	*	*	*
<b>J Gavens</b> Term continuing	11 of 12	4 of 4	4 of 4	*	*
<b>J Heath</b> Term continuing	11 of 12	3 of 4	*	1 of 1	3 of 3
<b>R Leonard</b> Term continuing	12 of 12	*	3 of 4	*	*
<b>J Mifsud</b> Term continuing	9 of 12	2 of 4	*	*	2 of 3
<b>B Walsh</b> Term continuing	12 of 12	1 of 4*	4 of 4	1 of 1	3 of 3
<b>J Adamski</b> (Accountable Officer) Term completed December 30, 2016	6 of 6	2 of 2*	2 of 2*	1 of 1*	2 of 2*
<b>T Slatter</b> (Accountable Officer) Term commenced January 16, 2017	6 of 6	2 of 2*	2 of 2*	0 of 0*	1 of 1*

\*Indicates non-member of committee

### Employment data

Barwon Water's people are among its most important resources. A high performance culture was achieved through diversity, accountability and inclusive leadership.

#### Public sector values and employment principles

Barwon Water has policies and practices that are consistent with the Victorian Public Sector Commission (VPSC)'s employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues.

Barwon Water has advised its employees on how to avoid conflicts of interests, how to respond to offers of gifts and how it deals with misconduct.

Barwon Water complies with the *Public Administration Act 2004*. Employees are selected on the basis of ability, knowledge and skills in fair and open competition that ensures equal opportunity. Promotion and advancement of qualified individuals within Barwon Water is based on these same principles.

Employees receive fair and equitable treatment and human rights, as set out in the *Charter of Human Rights and Responsibilities Act 2006*.

Barwon Water employs a Talent Acquisition Advisor to guide and support its managers through the recruitment and selection process.

#### Prevention of bullying, Equal Employment Opportunity (EEO) and harassment prevention policies

Barwon Water has an EEO policy as well as policies for the prevention of bullying and harassment. These policies detail Barwon Water's commitment to taking reasonable steps to ensure a workplace free of bullying and equality of opportunity for all employees by providing a workplace free of all forms of harassment and discrimination.

It is the responsibility of all employees to ensure their own behaviour reflects policy requirements. Behaviour contrary may be subject to disciplinary action in accordance with Barwon Water's Performance Counselling policy.

Barwon Water provides EEO, anti-bullying, harassment and discrimination training to all employees, including refresher training. Trained contact officers are available to provide information to employees about their rights and obligations relating to the prevention of bullying or harassment and discrimination.

#### Gifts, Benefits and Hospitality policy

Barwon Water has a policy which establishes standards and procedures for responding to gift, benefit and hospitality offers. The policy details Barwon Water's commitment to taking reasonable steps to ensure offers and acceptances of gifts are minimised by Board members and employees.

Gift offers are discouraged and must never be accepted unless there is clear justification, consistent with the prohibitions in the policy, to do so.

Barwon Water provides training to all employees, including refresher training. Board members and employees are responsible for ensuring their own conduct meets the required standards of integrity. Public interest is placed above own interests when carrying out official duties. This includes declaring all gift offers in accordance with the policy and refusing prohibited gifts.

Barwon Water's policy is consistent with the Department of Environment, Land, Water and Planning (DELWP) model policy on gifts, benefits and hospitality when responding to offers.



### Workforce inclusion policy

Barwon Water is working towards creating a diverse and inclusive working environment with a workforce reflective of the community it serves.

A Diversity, Inclusion and Gender Equity Strategy was launched in August, 2016, providing a pathway to formalise diversity, inclusion and gender equity in the workplace.

The strategy seeks to promote broader representation under seven pillars:

gender equity, aboriginal values, creating advantage, life stages, accessibility, cultural and linguistic diversity and lesbian, gay, bisexual, transsexual, intersex and questioning (LGBTIQ).

As part of its Diversity, Inclusion and Gender Equity Strategy, Barwon Water has a 40/40/20 (male/female/flexible) target on the managers' gender profile by July 1, 2018.

The following table outlines Barwon Water's actual progress against this target in 2016-17 and 2015-16.

Workforce inclusion policy initiative	Target	Actual progress in 2016-17	Actual progress in 2015-16
Balanced gender profile at management level.	By July 1, 2018: 40 per cent male; 40 per cent female; 20 per cent flexible	Managers: 65 per cent male; 35 per cent female	Managers: 56 per cent male; 44 per cent female

### Disability Action Plan

The Disability Action Consultative Committee (DACC) has maintained a commitment to the Disability Action Plan (DAP) throughout 2016-17 and was successful in achieving its objectives.

The 2014-16 DAP is published on both Barwon Water's internal intranet page and

external website. This ensures the plan is both accessible to employees and the community.

Barwon Water remains committed to working with its employees and customers to raise awareness of access and inclusion issues, to strengthen customer and employee relationships and meet the needs of the community.

### Employment statistics

2017						
	Casual	Part-time	Full-time	Total (Headcount) 2017	Total (Percentage) 2017	FTE 2017
<b>Gender</b>						
Female	1	37	76	114	34%	98.29
Male	1	6	212	219	66%	215.80
<b>Age</b>						
15-24	2	0	5	7	2%	5.28
25-34	0	6	62	68	20%	66.11
35-44	0	21	98	119	36%	110.50
45-54	0	9	73	82	25%	78.44
55-64	0	5	48	53	16%	50.42
65+	0	2	2	4	1%	3.34
<b>Total</b>	<b>2</b>	<b>43</b>	<b>288</b>	<b>333</b>	<b>100%</b>	<b>314.09</b>

#### Notes

Excludes external contractors/consultants and temporary staff employed by employment agencies.

Includes eight (8) State Government appointed Board Directors 0.5 FTE as at June 30, 2017.

FTE means full-time employee equivalent.

## Part 4: Corporate information

2016						
	Casual	Part-time	Full-time	Total (Headcount) 2016	Total (Percentage) 2016	FTE 2016
<b>Gender</b>						
Female	0	35	73	108	32%	94.02
Male	3	8	220	231	68%	225.52
<b>Age</b>						
15-24	3	0	3	6	2%	3.80
25-34	0	6	67	73	22%	70.83
35-44	0	18	103	121	36%	113.60
45-54	0	10	65	75	22%	71.69
55-64	0	8	52	60	18%	53.82
65+	0	1	3	4	1%	3.80
<b>Total</b>	<b>3</b>	<b>43</b>	<b>293</b>	<b>339</b>	<b>100%</b>	<b>319.54</b>

### Notes

Excludes external contractors/consultants and temporary staff employed by employment agencies.  
Includes eight (8) State Government appointed Board Directors 0.5 FTE as at June 30, 2016.  
FTE means full-time employee equivalent.

### ANZSCO – 2017

ANZSCO Occupation Classification	Headcount
Managers	25
Professionals	137
Technicians and Trade Workers	48
Clerical and Administrative Workers	77
Machinery Operators and Drivers	46
Labourers	0
<b>Total</b>	<b>333</b>

### ANZSCO – 2016

ANZSCO Occupation Classification	Headcount
Managers	26
Professionals	133
Technicians and trade workers	81
Clerical and administrative workers	83
Machinery operators and drivers	46
<b>TOTAL</b>	<b>339</b>

### Notes

The Australian Bureau of Statistics (ABS) develops and maintains standard occupation coding structures for labour market analysis.

The primary ABS occupation coding structure is known as ANZSCO (Australian and New Zealand Standard Classification of Occupations).

Barwon Water utilises ANZSCO as its occupational reporting model.

# Safety, Quality and Environment

## Health, Safety and Wellbeing (HSW)

### HSW management system

The HSW team maintained system improvements under the 2016-17 HSW management plan. Key components delivered included:

- benchmarking of HSW performance against other water authorities across Australia
- introduction of an online training system
- review of manual handling risk assessments and associated controls
- introduction of an online chemical management system
- delivery of a mental health management program aligned with the Mental Health First Aiders model.

A HSW cultural program was launched in late 2016. The “Start Safe, Be Safe, Home Safe” campaign included leadership training and workshops with all people leaders. Further workshops were held with employees to embed the message across the business.

### Health and Wellbeing program

The Health and Wellbeing program continued throughout the 2016-17 reporting period and included the following activities:

- brain health – Alzheimer’s awareness
- flu vaccinations
- men’s and women’s health awareness sessions
- mental health focus – introduction of mental health first aiders

- 10,000 steps challenge
- health checks
- active my way – steps challenge coordinated through City of Greater Geelong (CoGG)
- mindful eating
- get up, get active sessions
- your health, take control sessions.

### HSW performance

While the number of injuries that resulted in a claim was relatively static on the previous year, the cost per claim was significantly reduced. This was largely due to a focus on preventing any injuries becoming lost-time injuries and incurring additional costs. The result is a 16 per cent reduction in the WorkCover premium for 2017-18.

## Occupational Health and Safety performance

Measure	KPI	2016-17	2015-16	2014-15	2013-14	2012-13
Injuries	First aid injuries	6	7	7	7	8
	Medical treatment only injuries	16	6	13	15	15
	Lost time injuries	5	0	6	6	4
	<b>Total injuries</b>	<b>26</b>	<b>13</b>	<b>26</b>	<b>28</b>	<b>27</b>
Incidents	Number of incidents	102	89	68	54	34
	Rate per 100 FTE	31.8	27.8	23	18	9
Claims	Number of standard claims	2	2	3	8	5
	Number of time lost claims	2	0	3	3	1
	Rate per 100 FTE	0.62	0.00	1.01	1.00	0.25
	Average cost per standard claim*	\$7,488	\$37,603	\$11,498	\$24,738	\$10,341

\* Information correct as per CGU end of year data.

## Part 4: Corporate information

### HSW training

Ongoing efficiencies in HSW training delivery were implemented during the year. Improvements included combining confined space entry with first aid, CPR and breathing apparatus. Barwon Water also worked with other industries to share training and knowledge on Barwon Water sites.

The following two classes had the highest volume of training hours during 2016-17:

- confined space entry: 34 per cent of all

training hours

- first aid/CPR: 11 per cent of all training hours.

Barwon Water focused on a number of new training areas to address key risk areas and cultural indicators in 2016-17. This included training 17 mental health first aiders and mental health awareness sessions for the executive team and people leaders. Environmental management and wildlife

awareness sessions were also delivered to relevant employees.

Total HSW class employee training hours 2016-17	2982
Total number of HSW courses offered at Barwon Water in 2016-17	26
Total number of HSW class sessions offered at Barwon Water in 2016-17	75
Total number of attendees at HSW classes in 2016-17	589

### Environmental performance

#### Highlights

Barwon Water's certification of its Environmental Management System under ISO 14001:2004 continued following the successful completion of a surveillance audit in 2016-17.

Some major highlights in the environmental management space included:

- Development of an internal environmental handbook to provide employees practical advice to avoid and reduce environmental impacts. The handbook

specifies minimum environmental control requirements when undertaking Barwon Water activities.

- Development and implementation of an environmental management training course for employees. The training coincided with the release of the handbook and provides staff with knowledge to minimise environmental impacts and meet compliance requirements.
- Barwon Water trialled a waste

management tracking tool to improve the management of its waste generating activities.

- Continued implementation of waste management action plans.
- Obtained planning and environmental approvals for the capital works program.

During 2016-17, Barwon Water made great progress in improving its Environmental Management System through strengthening compliance actions and the development of innovative new processes.

### Safety, Quality, Environment (SQE) information

#### SQE integrated management system

Barwon Water continued to develop and enhance its integrated management system achieving recertification under a new external auditing body to AS/NZS 4801 Occupational Health and Safety, ISO 9001 Quality, ISO 14001 Environmental and HACCP food safety management systems standards.

#### Emergency management

2016-17 saw an increased focus on developing key capabilities for emergency management and further enhancing interaction with industry partners, local government and emergency management agencies and committees across the region. Highlights for this period included:

- Participation in joint industry Exercise VITAL as part of the Melbourne metropolitan water industry response. Barwon Water now forms part of the

broader industry response network with Western Water, Melbourne Water and the metro retailers.

- Training in crisis management for Barwon Water's Executive Leadership Team implemented as an online training unit followed by a scenario session to validate training. Crisis management was identified in the risk management training and exercise plan as one of three core competency areas to be focused on over the next three years.
- Exercise MURPHY: Barwon Water's crisis response exercise was based on a catastrophic bushfire scenario. The newly trained crisis management team responded to a 4-day scenario based on training provided and using the crisis management plan.
- Exercise ABEL: dam safety emergency training and exercise day for Barwon Water's dam operators. This was the

second year that the exercise ABEL training unit was provided to operators and coordinators providing briefings on dam safety management and emergency response processes before involving operators in three syndicated scenarios to practice using dam safety response tools.

- Increased involvement in emergency and fire risk management committees across the region to enhance cooperation between Barwon Water and its committee members, including Emergency Management Victoria, emergency services, regulators, infrastructure operators and local government.

## Access to information

### Victorian Privacy and Data Protection Act 2014

Barwon Water complies with the information privacy and data protection principles set out under the *Victorian Privacy and Data Act 2014*.

Barwon Water’s Customer Charter and Personal Privacy Charter refer to its commitment to protect the privacy of customers. Barwon Water ensures the information it holds is protected and it actively prevents any unauthorised access to, and improper use of, customer information.

A copy of Barwon Water’s Personal Privacy Charter can be viewed at [www.barwonwater.vic.gov.au](http://www.barwonwater.vic.gov.au).

### Freedom of Information Act

Barwon Water has a comprehensive website that satisfies the information needs of many individuals. Barwon Water is also committed to ensuring information is accessible to customers in compliance with the *Freedom of Information Act 1982*.

Access to documents held by Barwon Water can be obtained by writing to the Freedom of Information Manager (PO Box 659, Geelong VIC 3220) and including payment of the \$27.90 (\$28.40 from July 1, 2017) application fee.

More information or a FoI application form is available at: [www.barwonwater.vic.gov.au/foi](http://www.barwonwater.vic.gov.au/foi).

Thirteen Freedom of Information requests were received during the year. The table below outlines the outcome of each of the requests.

Full access granted	5
Partial access granted	1
Withdrawn	2
Not proceeded with	2
No documents	1
Outside the Act	1
Not yet finalised	1

### Other information

The following information is available from Barwon Water on request, 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 the entity about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the entity
- details of any major external reviews carried out on the entity
- details of major research and development activities undertaken by the entity
- 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 the entity to develop community awareness of the entity and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including:
  - consultants/contractors engaged
  - services provided
  - expenditure committed to for each engagement.

This information is available on request from:

**Barwon Water Freedom of Information Manager**  
 Mail: PO Box 659, Geelong VIC 3220  
 Phone: 1300 656 007  
 Email: [foi@barwonwater.vic.gov.au](mailto:foi@barwonwater.vic.gov.au)

### Financial Management Act 1994

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

This information includes: pecuniary interests of relevant officers; shares held by a senior officer; details of Barwon Water publications; changes to fees and charges; major external reviews carried out on Barwon Water; research and development activities; overseas visits; major promotional, public relations and marketing activities; assessments and measures to improve the occupational health and safety of employees; and major sponsorships.

## Part 4: Corporate information

### Building Act 1993

Barwon Water complies with the Building Act 1993, the Building Regulations 2006 and associated statutory requirements and amendments. Either an Occupancy Certificate or a Certificate of Final Inspection, endorsed by a registered building surveyor practitioner, is obtained for new facilities or upgrades to existing facilities.

#### Mechanisms to ensure conformance with the building standards:

- planned maintenance schedules to maintain building assets in accordance with the relevant Australian Standards
- independent Essential Safety Measure quarterly audits and issue of annual report
- regular inspections for safety or building

non-conformances

- experienced and accredited facility management provider engaged to assist maintain standards.

#### Major works projects (greater than \$50,000): Nil

#### Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by the department or entity:

- one occupancy permit and no building permits were issued for Barwon Water owned or controlled Government Buildings in 2016-17
- no emergency or building orders were issued in relation to these buildings.

#### Mechanisms for inspection, reporting, scheduling and carrying out of rectification and maintenance works on existing buildings:

- intranet based work order request system for staff to identify and notify maintenance issues
- routine site inspections and safety audits
- security alerts from reed switches, alarms, tamper switches or failures.

#### Number of emergency orders and building orders issued in relation to buildings: Nil

#### Number of buildings that have been brought into conformity during the reporting period: Nil

## Other Acts

### Protected Disclosures Act 2012

#### Compliance with the Protected Disclosures Act 2012

The Protected Disclosures Act 2012 (PD Act) 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.

Barwon 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 Barwon Water or its Board members, officers or employees by contacting IBAC on the

contact details provided below.

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

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

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

#### Contacts

##### Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne VIC 3001

Mail: IBAC, GPO Box 24234, Melbourne VIC 3001

Website: [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.

### Local Jobs First - Victorian Industry Participation Policy

The Victorian Industry Participation Policy Act 2003 requires departments and public sector bodies to report on implementation of the Local Jobs First - Victorian Industry

Participation Policy (Local Jobs First - VIPP).

Departments and public sector bodies are required to apply Local Jobs First - VIPP in all procurement activities valued at \$3 million or more for metropolitan Melbourne and for state-wide projects, or \$1 million or more for procurement activities in regional Victoria.

During 2016-17, Barwon Water commenced 8 Local Jobs First - VIPP or Local Industry Development Plan (LIDP) applicable procurements totalling \$27.8 million. All projects were located in regional Victoria.

The outcomes expected from the implementation of the Local Jobs First - VIPP to these projects where information was provided are as follows:

- an average of 73 per cent of local content commitment was made;
- a total of 150 jobs (Annualised Employee Equivalent (AEE)) were committed, including creation of 8 new jobs and retention of 142 existing jobs (AEE); and
- a total of 14 positions for apprentices/trainees were committed, including 3 new apprenticeships/traineeships and retention of the remaining 11 existing apprenticeships/traineeships.

During the 2016-17, Barwon Water completed 3 Local Jobs First - VIPP applicable projects collectively valued at about \$14.7 million. All projects were located in regional Victoria.

The outcomes reported from the implementation of the policy where information was provided were as follows:

- an average of 77 per cent of local content outcome was recorded;
- a total of 3 (AEE) positions were created; and
- 1 new apprenticeship/traineeship was created and 3 existing apprenticeships/traineeships retained.

During 2016-17, there were 8 small to medium sized businesses that prepared a VIPP Plan or LIDP for contracts, with none prepared by large businesses.

During 2016-17, 6 projects, which commenced after September 1, 2016, had the minimum formal weighting of 10 per cent applied for local content in the tender evaluation of the VIPP Plan or LIDP.

Barwon Water commenced 1 contract with a total of 100 per cent estimated to be local content to which a VIPP Plan or LIDP was not required as the procurement activity was local by nature.

There were no design contracts or grants provided during 2016-17.

### National Competition Policy

Under the National Competition Policy (NCP), the guiding principle is that legislation, including future legislative

proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweighs the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

Barwon Water continues to comply with the requirements of the NCP.

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

Barwon Water is working to ensure that Victoria fulfils its requirements on competitive neutrality reporting for technological based businesses against the enhanced principles as required under the Competition and Infrastructure Reform Agreement.

### Consultancy and contract expenditure

#### Details of consultancies (valued at more than \$10,000)

In 2016-17, there were 73 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2016-17 in relation to these consultancies was \$5,256,548 (excluding GST).

Details of individual consultancies are outlined on Barwon Water's website: [www.barwonwater.vic.gov.au](http://www.barwonwater.vic.gov.au).

#### Details of consultancies (valued at less than \$10,000)

In 2016-17, there were 95 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2016-17 in relation to these consultancies was \$257,284 (excluding GST).

#### Contracts entered into greater than \$10 million:

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

### Government advertising expenditure

Barwon Water's expenditure in the 2016-17 reporting period on government campaign expenditure did not exceed \$100,000.

### Information and Communications Technology (ICT) expenditure

For the 2016-17 reporting period, Barwon Water had a total ICT expenditure of \$9,645,833.65, with the details shown below.

All operational ICT expenditure	ICT expenditure relating to projects to create or enhance ICT capabilities			
	Business As Usual (BAU) ICT expenditure	Non Business As Usual (non BAU) ICT expenditure	Operational expenditure (OPEX)	Capital expenditure (CAPEX)
\$6,431,892.09 (Total)	(Total = Operational expenditure and capital expenditure)		1,547,518.04	1,666,423.52

"ICT expenditure" refers to Barwon Water's costs in providing business enabling ICT services within the current reporting period. 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 Barwon 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.



Part 5:

# Performance report



**Barwon Region Water Corporation**  
(Barwon Water)

# Performance Report

## 2016-17

### 1. Financial Performance Indicators

KPI No.	Key Performance indicator	2015-16 Result	2016-17 Result	2016-17 Target	Variance to prior year	Notes	Variance to Target	Notes
F1	<b>Cash Interest Cover</b> - Net operating cash flows before net interest and tax / net interest payments	3.36 times	2.42 times	2.68 times	-28.0%	1a	-9.7%	
F2	<b>Gearing Ratio</b> - Total Debt (including finance leases) / total assets * 100	21.7%	22.5%	23.0%	3.7%		-2.2%	
F3	<b>Internal Financing Ratio</b> - Net operating cash flow less dividends / net capital expenditure * 100	102.8%	60.3%	56.5%	-41.3%	2a	6.7%	
F4	<b>Current Ratio</b> - Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.86 times	0.96 times	0.74 times	11.6%	3a	29.7%	1b
F5	<b>Return on Assets</b> - Earnings before net interest and tax / average assets * 100	2.57%	1.61%	0.87%	-37.4%	4a	85.1%	2b
F6	<b>Return on Equity</b> - Net profit after tax / average total equity * 100	1.12%	0.22%	-1.30%	-80.4%	5a	116.9%	3b
F7	<b>EBITDA Margin</b> - Earnings before interest, tax, depreciation and amortization / total revenue * 100	60.6%	55.4%	51.5%	-8.6%		7.6%	

#### Notes:

- 1a** The unfavourable cash interest coverage ratio in comparison to prior year is an outcome of reduced net cash provided from operating activities as a consequence of increased supplier payments. This is due to the payment to Melbourne Water for the Greater Yarra System Thompson River Water Entitlement. This is a one-off payment covering four years, with three years recognised as a prepayment which will result in additional cash from operating activities being available during those periods to improve this ratio.
- 2a** The unfavourable result in the internal financing ratio compared to the previous year is due to the impacts of the payment to Melbourne Water, referred to at Note (1a), reducing the net cash provided from operating activities. It is expected this ratio will significantly improve in 2017-18 due to the Melbourne Water payment having been paid this year and a reduction in the net cash outlay from investing activities resulting from a reduced capital works program.
- 3a** The favourable result in the current ratio compared to the previous year is a direct result of the recognition of the three year prepayment for the Greater Yarra System Thompson River Water Entitlement paid to Melbourne Water as noted at Note (1a). This recognition has significantly increased the balance of prepayments at 30 June 2017 compared to 30 June 2016 resulting in the favourable result.

## Part 5: Performance report

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- 4a The unfavourable result in the return on assets ratio compared to the previous year is due to the reduced earnings result. Three key items have impacted the result; (i) reduced water consumption for last year due to wetter weather conditions caused a reduction in water usage revenue, (ii) this year services and supplies expenditure included the first annual payment to Melbourne Water for the service charge noted at Note (1a), and (iii) a significant increase in depreciation expense resulting from the recognition of the asset revaluation at 30 June 2016 with a full year of depreciation based on the revalued asset base being recognised at 30 June 2017. Forward planning indicates this ratio will reduce however stabilise given consistent weather patterns.
- 5a The unfavourable result in the return on equity ratio compared to the previous year is due to the reduced earnings result. The three key items as noted at Note (4a) all have an impact on this result with an unfavourable result the outcome; while forward planning indicates this ratio will reduce however stabilise given consistent weather patterns.
- 1b The favourable result in the current ratio compared to target is a direct result of the recognition of the three year prepayment for the Greater Yarra System Thompson River Water Entitlement paid to Melbourne Water as noted at Note (1a). This recognition has significantly increased the balance of prepayments at 30 June 2017 compared to target resulting in the favourable result. A reduced level of payables compared to target has also contributed to this favourable result.
- 2b While the average asset base was below target, proportionally the impact of reduced operational expenditure compared to target resulted in a favourable result for the return on asset ratio compared to target. The average asset base is lower than target due to the 30 June 2016 revaluation uplift being less than anticipated. Actual operational expenditure is below target due to the flow on depreciation impacts of the revaluation results and longer useful lives applied to some revalued assets than budgeted. Also, contributing to the reduced operational expenditure was the ability to source bulk water from Barwon Water's more cost effective headworks resulting in reduced energy and material costs.
- 3b The favourable result to target for the return on equity ratio is related to the less than anticipated uplift in the 30 June 2016 asset revaluation impacting the asset revaluation reserve adversely compared to target. The same earnings impact as noted in Note (2b) have contributed to the favourable return on equity result to target, with the operational expenditure impact having a greater proportional impact than the impact from the reduced asset revaluation reserve compared to target.

2. Water and Sewerage Service Performance Indicators

KPI No.	Key Performance indicator	2015-16 Result	2016-17 Result	2016-17 Target	Variance to prior year	Notes	Variance to Target	Notes
WS1	<b>Unplanned water supply interruptions</b> - No. of customers receiving five unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100	0.00%	0.11%	0.12%	110.0%	6a	-8.3%	4b
WS2	<b>Interruption time</b> - Average duration of unplanned water supply interruptions	97.5 minutes	101.1 minutes	125.0 minutes	3.7%		-19.1%	5b
WS3	<b>Restoration of unplanned water supply</b> - Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions *100	98.0%	97.1%	96.5%	-0.9%		0.6%	
SS1	<b>Containment of sewer spills</b> - Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers	100%	100%	98.0%	0.0%		2.0%	
SS2	<b>Sewer spills interruptions</b> - No. of residential sewerage customers affected by sewerage interruptions restored within five hours	93.4%	93.6%	91.0%	0.2%		2.9%	

Notes:

- 6a Performance improvements have been achieved through continued capital investment in asset upgrade and maintenance programs such as Minor Reticulation Improvements which has contributed to reducing shutdown size and impacts on customers. Historical and continued capital investment in the Water Mains Replacement program has also contributed to improving asset performance and serviceability, therefore helping to minimise unplanned interruptions and impacts on customers.
- 4b Performance improvements have been achieved through continued capital investment in asset upgrade and maintenance programs such as Minor Reticulation Improvements which has contributed to reducing shutdown size and impacts on customers. Historical and continued capital investment in the Water Mains Replacement program has also contributed to improving asset performance and serviceability, therefore helping to minimise unplanned interruptions and impacts on customers.
- 5b The favourable variance to target is due to poor performance of the maintenance provider in the first quarter leading to the maintenance provider making their operational processes around interruption time a key focus area for the remainder of the year.

## Part 5: Performance report

### 3. Customer Responsiveness Performance Indicators

KPI NO.	Key Performance indicator	2015-16 Result	2016-17 Result	2016-17 Target	Variance to prior year	Notes	Variance to Target	Notes
CR1	<b>Water quality complaints</b> No. of complaints per 100 customers	0.2	0.2	0.3	0.0%		-33.3%	6b
CR2	<b>Sewerage service quality complaints</b> No. of complaints per 100 customers	0.04	0.03	0.06	-25.0%	7a	-50.0%	7b
CR3	<b>Sewage odour complaints</b> No. of complaints per 100 customers	0.03	0.02	0.05	-33.3%	8a	-60.0%	8b
CR4	<b>Billing Complaints</b> No. of complaints per 100 customers	0.02	0.02	0.12	0.0%		-83.3%	9b

#### Notes:

- 7a** Ongoing commitment to mitigate nuisance odour issues from the sewerage system through the effective operation and optimisation of odour control systems.
- 8a** Ongoing commitment to mitigate nuisance odour issues from the sewerage system through the effective operation and optimisation of odour control systems.
- 6b** The favourable variance to the target follows the general long-term trend in water quality complaint statistics. This performance is attributed to operating a closed supply system, optimised water treatment processes with focus on continuous improvement.
- 7b** Increased rainfall and increases to the planned maintenance program improved collection system performance, resulting in a reduced number of complaints.
- 8b** Ongoing commitment to mitigate nuisance odour issues from the sewerage system through the effective operation and optimisation of odour control systems.
- 9b** Enhancements made to the billing system and change in bill print provider has improved the efficiency and effectiveness of customer bill delivery. This, along with enhanced customer communications on the bill has led to a reduction in billing complaints.

4. Environmental Performance Indicators

KPI NO.	Key Performance indicator	2015-16 Result	2016-17 Result	2016-17 Target	Variance to prior year	Notes	Variance to Target	Notes
E1	Effluent re-use volume (end use)	23%	21%	25%	-8.7%	9a	-16.0%	10b
E2	Total net CO <sub>2</sub> emissions Net tonnes CO <sub>2</sub> equivalent	40,504	40,604	53,909	0.2%		-24.7%	11b

Notes:

- 9a A significant component of Class C recycled water use is for summer irrigation of agriculture, viticulture, horticulture and golf courses. The actual volume of class C water used for these activities is very sensitive to the actual climate experienced during the summer months and decisions made by these customers on the areas to be irrigated - this varies from year to year and is the reason for the inherent variability of actual volume of class C water use in comparison to target.
- 10b A significant component of Class C recycled water use is for summer irrigation of agriculture, viticulture, horticulture and golf courses. The actual volume of class C water used for these activities is very sensitive to the actual climate experienced during the summer months and decisions made by these customers on the areas to be irrigated - this varies from year to year and is the reason for the inherent variability of actual volume of class C water use in comparison to target.
- 11b Target is based on utilising a range of water sources. Availability of low-emission water sources helped minimise emissions from the water supply system, resulting in overall emissions being well below target. New targets have been developed for future years to reflect progress toward Barwon Water's 2025 emissions reduction pledge.

## Part 5: Performance report

---

### Certification of Performance Report for 2016-2017

We certify that the accompanying Performance Report of Barwon Region Water Corporation in respect of the 2016-17 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 as set out in the 2016-17 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 Plummer**  
Chair



**T Slatter**  
Managing Director  
(Accountable Officer)



**M Watson**  
Chief Financial Officer

Dated this 17th day of August 2017



## Independent Auditor’s Report

### To the Board of the Barwon Region Water Corporation

**Opinion**

I have audited the accompanying performance report for the year ended 30 June 2017 of the Barwon Region Water Corporation (the corporation) which comprises the:

- financial performance indicators
- water and sewerage service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- certification of performance report for 2016–2017.

In my opinion, the performance report of the Barwon Region Water Corporation in respect of the year ended 30 June 2017 presents fairly, in all material respects, in accordance with the performance reporting requirements of the *Financial Management Act 1994*.

**Basis for Opinion**

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. My responsibilities under the Act are further described in the *Auditor’s responsibilities for the audit of the performance report* section of my report.

My independence is established by the *Constitution Act 1975*. I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance report in Australia and have also fulfilled our other ethical responsibilities in accordance with the Code.

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

**Board’s responsibilities for the performance report**

The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994* and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

## Part 5: Performance report

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

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

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

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

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

---

MELBOURNE  
22 August 2017



Roberta Skliros  
*as delegate for the Auditor-General of Victoria*





Part 6:

# Financial statements

### Barwon Region Water Corporation (Barwon Water)

# General Purpose Financial Report

For the Year Ended 30 June 2017

Barwon Water has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2017. It is presented in the following structure:

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## Part 6 : Financial statements

### Comprehensive Operating Statement

For the financial year ended 30 June 2017

		2017	2016
	Notes	\$'000	\$'000
<b>Revenue from operating activities</b>			
Service charges	2.2.1	88,369	88,495
Usage charges	2.2.1	77,099	81,441
Tradewaste charges	2.2.1	6,393	6,606
Government contributions		362	170
Non-Government contributions	2.2.2	33,066	32,886
Other		7,219	7,831
Interest		271	507
		<b>212,779</b>	<b>217,936</b>
<b>Revenue from non-operating activities</b>			
Net gain/(loss) on disposal of non-financial assets	4.1.4	(82)	(644)
Rental revenue		751	742
		<b>669</b>	<b>98</b>
<b>Total revenue</b>		<b>213,448</b>	<b>218,034</b>
<b>Expenses from operating activities</b>			
Services and supplies	3.3	52,764	45,325
Borrowing costs	6.1.2	39,347	39,913
Depreciation, amortisation and impairment	4.1.3, 4.2	74,281	67,126
Employee benefits	3.2.1	35,515	33,726
Environmental contribution	8.2	6,651	6,651
Other operating		219	269
<b>Total expenses</b>		<b>208,777</b>	<b>193,010</b>
<b>Net result before tax</b>		<b>4,671</b>	<b>25,024</b>
<b>Income tax expense</b>	8.1.1	829	7,267
<b>Net result for the period</b>		<b>3,842</b>	<b>17,757</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase/(decrease) in revaluation of property, plant & equipment	9.1.2	(620)	344,938
Income tax relating to components of other comprehensive income	8.1.1	186	(102,702)
<b>Total other comprehensive income</b>		<b>(434)</b>	<b>242,236</b>
<b>Comprehensive result</b>		<b>3,408</b>	<b>259,993</b>

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

### Balance Sheet as at 30 June 2017

		2017	2016
	Notes	\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.2	21,853	29,557
Receivables	5.1	27,920	29,042
Inventories		1,181	1,204
Prepayments	5.3	17,163	1,403
<b>Total current assets</b>		<b>68,117</b>	<b>61,206</b>
<b>Non-current assets</b>			
Receivables	5.1	54	148
Property, plant and equipment	4.1	2,648,864	2,621,343
Intangible assets	4.2	13,216	14,525
<b>Total non-current assets</b>		<b>2,662,134</b>	<b>2,636,016</b>
<b>Total assets</b>		<b>2,730,251</b>	<b>2,697,222</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5.2	32,970	33,547
Interest bearing liabilities	6.1	36,601	34,410
Employee benefits - Provisions	3.2.2	9,157	9,159
<b>Total current liabilities</b>		<b>78,728</b>	<b>77,116</b>
<b>Non-current liabilities</b>			
Payables	5.2	200	155
Interest bearing liabilities	6.1	578,526	551,126
Employee benefits - Provisions	3.2.2	542	621
Net Deferred tax liabilities	8.1.2	354,184	353,541
<b>Total non-current liabilities</b>		<b>933,452</b>	<b>905,443</b>
<b>Total liabilities</b>		<b>1,012,180</b>	<b>982,559</b>
<b>Net assets</b>		<b>1,718,071</b>	<b>1,714,663</b>
<b>EQUITY</b>			
Reserves	9.1.2	619,613	620,047
Contributed Capital	9.1.1	459,098	459,098
Accumulated funds	9.1.3	639,360	635,518
<b>Total equity</b>		<b>1,718,071</b>	<b>1,714,663</b>

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

## Part 6 : Financial statements

### Statement of changes in equity for the financial year ended 30 June 2017

		Contributed Capital	Reserves	Accumulated Funds	Total
	Notes	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Balance at 1 July 2015</b>		<b>458,940</b>	<b>377,811</b>	<b>617,761</b>	<b>1,454,512</b>
<b>Comprehensive income for the year</b>					
Net result for the year	9.1.3	0	0	17,757	17,757
Increase/(decrease) in infrastructure, property, plant and equipment as a result of revaluation, net of income tax	9.1.2	0	242,236	0	242,236
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>242,236</b>	<b>17,757</b>	<b>259,993</b>
<b>Transactions with the State in its capacity as owner:</b>					
Contributions by owners	9.1.1	158	0	0	158
<b>Balance at 30 June 2016</b>		<b>459,098</b>	<b>620,047</b>	<b>635,518</b>	<b>1,714,663</b>
<b>Balance at 1 July 2016</b>		<b>459,098</b>	<b>620,047</b>	<b>635,518</b>	<b>1,714,663</b>
<b>Comprehensive income for the year</b>					
Net result for the year	9.1.3	0	0	3,842	3,842
Increase/(decrease) in infrastructure, property, plant and equipment as a result of revaluation, net of income tax	9.1.2	0	(434)	0	(434)
<b>Total comprehensive income for the year</b>		<b>0</b>	<b>(434)</b>	<b>3,842</b>	<b>3,408</b>
<b>Transactions with the State in its capacity as owner:</b>					
Contributions by owners	9.1.1	0	0	0	0
<b>Balance at 30 June 2017</b>		<b>459,098</b>	<b>619,613</b>	<b>639,360</b>	<b>1,718,071</b>

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

Cash flow statement for the financial year ended 30 June 2017

	Notes	2017	2016
		\$'000	\$'000
		<i>Inflows</i>	<i>Inflows</i>
		<i>(Outflows)</i>	<i>(Outflows)</i>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service, usage and tradewaste charges		174,572	172,506
Interest		289	517
Non-government contributions		13,568	15,619
Government contributions		435	96
GST received from the ATO		12,171	11,759
Other		8,035	9,145
<b>Payments</b>			
Employees		(36,088)	(32,120)
Suppliers		(83,515)	(54,844)
Interest and other costs of finance		(34,342)	(34,875)
Environmental contribution		(6,651)	(6,651)
<b>Net cash (outflow)/inflow from operating activities</b>	6.2.1	<b>48,474</b>	<b>81,152</b>
<b>Cash flows from investing activities</b>			
Payments for intangible assets		(337)	(370)
Payments for purchase of property, plant and equipment		(84,177)	(80,968)
Proceeds from sale of property, plant and equipment	4.1.4	3,850	2,055
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(80,664)</b>	<b>(79,283)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new and paid down and refinanced borrowings		64,000	33,500
Payment of maturing borrowings paid down and refinanced		(34,000)	(33,500)
Repayment of finance lease liability		(5,513)	(5,373)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>24,487</b>	<b>(5,373)</b>
Net increase/(decrease) in cash held		(7,704)	(3,504)
Cash and cash equivalents at the beginning of the financial year		29,557	33,061
<b>Cash and cash equivalents at the end of the financial year</b>	6.2	<b>21,853</b>	<b>29,557</b>

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

## Part 6 : Financial statements

### 1. About this report

#### Basis of Accounting

The financial report includes separate financial statements for Barwon Region Water Corporation (Barwon Water) 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 and notes accompanying these statements for the period ended 30 June 2017. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the Financial Management Act 1994 and applicable Ministerial Directions. Barwon Water is a not-for-profit entity for the purpose of preparing the financial statements.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. The accrual basis of accounting has been applied in the preparation of 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 17 day August 2017.

#### The principal address is:

Barwon Region Water Corporation  
55-67 Ryrie Street  
Geelong VIC 3220

#### 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 in line with the requirements of AASB 101 *Presentation of Financial Statements*.

#### Functional and presentation currency

Items included in this financial report are

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

#### Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being Barwon Water's operational cycle, with the exception of employee benefits (refer note 3.2.2).

#### Rounding

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

#### Historical cost convention

The financial statements have been prepared on a historical cost basis, with the exception of certain non-current assets which, as noted, are measured at fair value.

#### Accounting estimates

The preparation of financial statements in conformity with AASs requires the use of certain critical accounting estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to employee benefit provisions, assumptions in estimating fair value of infrastructure assets, assessment of asset useful lives and impairment, recognition of deferred tax assets, and provisions and accruals.

These assumptions and their related carrying amounts are discussed in Notes:

- the fair value of land, buildings, infrastructure, plant and equipment (Note 7.3);
- Estimation of useful life (Note 4.1)
- Impairment of assets (Note 4.1)
- Employee benefit provisions (Note 3.2)
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to (Note 3.2);
- Revaluation of non-current physical assets (Note 4.1)
- Deferred tax (Note 8.1.2)
- Receivables (Note 5.1)

### 2. Funding Delivery Of Our Services

#### Introduction

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

While continuing to deliver high quality water and sewerage services, Barwon Water's objectives were to continue its commitment to financial sustainability and customer affordability. In achieving this, Barwon Water customers received an increased Government Water Rebate while the significant capital works program continued, driven by the need to respond to strong rates of urban growth in the region and the need to continue to invest in asset renewal programs to maintain service levels to customers.

Barwon Water levies rates, tariffs and charges for water, sewerage and related activities under the authority of the Water Act 1989 and in accordance with other regulatory requirements as applicable. The dominating revenue stream is from water and sewerage service and usage charges, allowing Barwon Water to fulfil its obligations and provide the outputs in support of the objectives.

#### Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Income from operating activities
  - 2.2.1 Service, usage and trade waste charges
  - 2.2.2 Non- Government contributions



### 2.1 Summary of income that funds the delivery of our services:

		2017	2016
	Notes	\$'000	\$'000
<b>Revenue from operating activities</b>			
Service Charges	2.2.1	88,369	88,495
Usage Charges	2.2.1	77,099	81,441
Tradewaste charges	2.2.1	6,393	6,606
Non Government contributions	2.2.2	33,066	32,886
Other income		7,852	8,606
<b>Total revenue from operating activities</b>		<b>212,779</b>	<b>218,034</b>

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

### 2.2 Income from operating activities

#### 2.2.1 Service, usage and trade waste charges

		2017	2016
		\$'000	\$'000
<b>Service Charges</b>			
- Water service charges		26,412	25,925
- Sewerage service charges		73,484	72,169
- Recycled water service charges		1,102	1,095
- Government Water Rebate		(12,629)	(10,694)
		<b>88,369</b>	<b>88,495</b>
<b>Usage Charges</b>			
- Water usage charges		71,069	75,255
- Sewage disposal charges		5,232	5,394
- Recycled water usage charges		798	792
		<b>77,099</b>	<b>81,441</b>
<b>Tradewaste charges</b>			
- Trade waste usage charges		3,732	3,850
- Trade waste other fees and charges		2,661	2,756
		<b>6,393</b>	<b>6,606</b>
<b>Total service, usage and trade waste charges</b>		<b>171,861</b>	<b>176,542</b>

Service and usage charges are recognised as revenue when levied or determined.

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

Water usage and sewer disposal charges are recognised as revenue when the services are provided. Meter reading is undertaken progressively during the year. An estimation of service, usage and disposal charges, is made at the end of each accounting period

for connections where meters were not read at balance date. This is calculated by determining the level of billable service provided multiplied by the cost of each service.

The Government Water Rebate is an initiative to deliver more than \$1 billion of savings across Victoria's urban water sector over four years commencing 2014/15. As part of this initiative Barwon Water residential customers are entitled to a bill reduction of \$50 in their first quarter bill starting from 2014/15, increasing to \$80 in 2015/16, \$90 in 2016/17 and is \$80 in 2017/18.

## Part 6 : Financial statements

### 2.2.2 Non-Government contributions

	2017	2016
	\$'000	\$'000
<b>Non Government contributions</b>		
- Assets received from developers	20,521	17,103
- Fees paid by developers	12,122	13,086
- Customer capital contributions	423	2,697
<b>Total Non Government contributions</b>	<b>33,066</b>	<b>32,886</b>

Assets received from developers are infrastructure assets built by developers in new land subdivisions that on completion are provided to Barwon Water or fees paid by developers to connect new developments to Barwon Water's existing water supply and sewerage systems are recognised as revenue when the contributions are received.

Developer contributed assets are recognised on the issue by Barwon Water of the relevant declaration of serviced areas. The value of these assets is based on fair value. Fair value

is determined based on a replacement cost matrix that allows for various asset types, locations and depths. The fair value of these assets is recognised as revenue in the accounts when Barwon Water gains control of the assets.

Customer capital contributions are cash contributions received from developers towards the construction of water and sewerage infrastructure assets, recognised as revenue when the contributions are received.

## 3. The cost of delivering services

### Introduction

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

### Structure

- 3.1 Summary of expenses from operating activities
- 3.2 Our people
  - 3.2.1 Employee benefits – comprehensive operating statement
  - 3.2.2 Employee benefits - balance sheet
  - 3.2.3 Superannuation
- 3.3 Supplies and services

### 3.1 Summary of expenses from operating activities:

	2017	2016
	\$'000	\$'000
Employee benefits expense	35,515	33,726
Supplies and services	52,764	45,325
<b>Total expenses from operating activities</b>	<b>88,279</b>	<b>79,051</b>

3.2 Our people

3.2.1 Employee benefits – comprehensive operating statement

	2017	2016
	\$'000	\$'000
<b>Employee benefits</b>		
- Salaries and wages	27,104	25,384
- Annual Leave	2,422	2,269
- Long service leave	648	914
- Employer superannuation contributions	3,032	2,918
- Other	2,309	2,241
<b>Total employee benefit costs</b>	<b>35,515</b>	<b>33,726</b>

Employee 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 Barwon Water to the relevant superannuation plans in respect to the services of Barwon Water’s staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Barwon Water is required to comply with.

3.2.2 Employee benefits - balance sheet

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

	2017	2016
	\$'000	\$'000
<b>Current provisions</b>		
<b>Employee benefits</b>		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	2,048	2,081
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	878	854
Unconditional and expected to settle after 12 months	4,937	4,811
<i>Provision for on-costs</i>		
Unconditional and expected to settle within 12 months	488	546
Unconditional and expected to settle after 12 months	806	867
<b>Total current provisions for employee benefits</b>	<b>9,157</b>	<b>9,159</b>
<b>Non-current provisions</b>		
Employee benefits - Long service leave	466	526
On-costs	76	95
<b>Total non-current provisions for employee benefits</b>	<b>542</b>	<b>621</b>
<b>Total provisions for employee benefits</b>	<b>9,699</b>	<b>9,780</b>

## Part 6 : Financial statements

### Annual leave

Employee benefits relating to annual leave are expected to be settled wholly within twelve months of the reporting date, are recognised in employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values.

Regardless of the expected timing of settlements, liabilities in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date, in which case it would be classified as a non-current liability.

### On-costs

Provision for employee benefit on-costs, such as payroll tax, worker's compensation and superannuation, are recognised separately from the employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

### Long service leave

Current Liability – unconditional LSL (representing seven\* or more years of continuous service) is disclosed as a current liability even where Barwon Water does not expect to settle the liability within 12 months because it does 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:

- present value – component that Barwon Water does not expect to settle wholly within 12 months; and
- undiscounted value – component that Barwon Water expects to settle wholly within 12 months.

Non-Current Liability – conditional LSL (representing less than seven\* years of continuous service) 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. Conditional LSL is required to be measured at present value.

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

\*In accordance with Barwon Region Water Corporation Enterprise Agreement 2015

### 3.2.3 Superannuation

Barwon Water makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This 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 Comprehensive Operating Statement when they are made or due.

### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis.

Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2017, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

### Defined Benefit

Barwon Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

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 Barwon Water in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between

employers for the purposes of AASB 119.

### Funding arrangements

Barwon 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 2016, 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 Barwon Water is a contributing employer was 102.0%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 7.0% pa
- Salary information 4.25% pa
- Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 31 March 2017 was 106.6%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 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 2016 interim actuarial investigation conducted by the Fund Actuary, Barwon 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 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the SG contribution rate.

In addition, Barwon 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 SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund’s participating employers (including Barwon 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.

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 million.

The VBI surplus means that the market value of the fund’s assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2016.

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.

Barwon Water was notified of the 30 June 2016 VBI during August 2016.

**The 2016 interim actuarial investigation surplus amounts**

The Fund’s interim actuarial investigation as at 30 June 2016 identified the following in the Defined Benefit category of which Barwon Water is a contributing employer:

**The 2017 full triennial actuarial investigation**

A full actuarial investigation is being conducted for the Fund’s position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

**3.2.3.1 Superannuation contributions**

Contributions by Barwon Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2017 are detailed below:

Scheme	Type of scheme	Rate	2017	2016
			\$'000	\$'000
Vision Super	Defined Benefits	9.50% - 19.56%	823	883
Vision Super	Accumulation Plan	9.50%	1,656	1,467
Other Funds	Accumulation Plan	9.50%	629	518

There were no contributions outstanding or loans issued from or to either of the above schemes at 30 June 2017 (2016 \$0).

The expected contributions to be paid to the defined benefits category of Vision Super for the year ending 30 June 2018 is estimated to be \$754,681.

**3.3 Supplies and services**

Supplies and services expenses represent the day-to-day running costs incurred in the normal operations of the business. They are recognised as an expense in the reporting period in which they are incurred.

Direct operating expenses are recognised as an expense when incurred. These costs are directly incurred in relation to the harvesting, storage, treatment and transfer of water, the production and delivery of

recycled water and the collection, treatment and disposal of sewage; including the costs directly attributable to the maintenance and upkeep of the associated infrastructure.

Administration expenses are recognised as an expense when incurred. These cost are incurred by support service departments and management in support of the operational functions of the business. These costs where not directly identifiable as an operating expense include such functions as information technology, finance and procurement and includes all related salary and on-costs.

Bulk water supplies are service and usage charges incurred for the supply and delivery of bulk water sourced from the Melbourne Water Yarra Thompson bulk water supply, recognised as an expense when incurred.

## Part 6 : Financial statements

	2017	2016
	\$'000	\$'000
<b>Supplies and services</b>		
- Direct operating expenses	35,823	36,558
- Administration expenses	11,296	8,237
- Bulk water supplies	5,645	530
<b>Total Supplies and services</b>	<b>52,764</b>	<b>45,325</b>

### 4. Key Assets Available To Support Output Delivery

#### Introduction

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

#### Structure

- 4.1 Total infrastructure, property, plant and equipment
  - 4.1.1 Carrying amount by asset class
  - 4.1.2 Depreciation and impairment
  - 4.1.3 Reconciliation of movements in carrying values of Infrastructure, property, plant and equipment
  - 4.1.4 Net gain/(loss) on disposal of non-current assets
  - 4.1.5 Capital commitments
- 4.2 Intangible assets

#### 4.1 Total infrastructure, property, plant and equipment

##### 4.1.1 Carrying amount by asset class

Asset class	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land at fair value	118,257	119,282	0	0	118,257	119,282
Buildings at fair value	50,960	14,124	(650)	0	50,310	14,124
Infrastructure - Water Distribution at fair value	989,386	964,913	(22,957)	0	966,429	964,913
Infrastructure - Water Harvesting & Major Transfer at fair value	361,850	359,523	(3,863)	0	357,987	359,523
Infrastructure - Water Quality at fair value	93,805	89,024	(3,732)	0	90,073	89,024
Infrastructure - Sewer Collection at fair value	731,303	708,562	(19,176)	0	712,127	708,562
Infrastructure - Sewer Treatment & Disposal at fair value	263,935	263,680	(18,242)	0	245,693	263,680
Assets Under Finance Lease at fair value	42,351	42,351	(2,617)	0	39,734	42,351
Plant, Equipment & Other at fair value	44,248	42,874	(35,064)	(34,521)	9,184	8,353
Capital Works in Progress at cost	59,070	51,531	0	0	59,070	51,531
<b>Total infrastructure, property, plant and equipment</b>	<b>2,755,165</b>	<b>2,655,864</b>	<b>(106,301)</b>	<b>(34,521)</b>	<b>2,648,864</b>	<b>2,621,343</b>

### Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment, assets under finance lease, works in progress and motor vehicles, used by Barwon Water in its operations. Items with a cost or value in excess of \$1,000 (2015/16 \$1,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Where assets are constructed by Barwon Water, the cost at which they are recorded includes an appropriate share of fixed and variable overheads.

Assets acquired at no cost or for nominal consideration by Barwon Water are recognised at fair value at the date of acquisition.

Barwon Water has entered into contractual arrangements with a third party to build, own and operate a biosolids drying facility at the Black Rock water reclamation plant. The contractor leases land from Barwon Water and has built a thermal drying plant and will operate the facility for twenty years in exchange for a stream of payments. At the end of the contract period, the assets will be decommissioned and removed by the contractor and the site returned to Barwon Water at no cost to Barwon Water.

While ownership of the asset does not transfer to Barwon Water at the end of the contractual term, it is designated to be demolished and the site reinstated to original condition, as the term is for the major part of the economic life of the asset (in this case the full period of the asset's useful life), Barwon Water accounts for the asset under the BOO (Build Own Operate) scheme as a finance lease. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

For the infrastructure, plant, equipment and vehicles asset class, where Barwon Water is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exist for these assets, depreciated replacement cost is used to represent a reasonable approximation of fair value.

### Subsequent measurement

All non-current physical assets are recognised initially at cost, except for developer contributions which are valued at fair value, and subsequently recorded at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction (FRD) 103F Non-current Physical Assets.

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

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent per asset class, 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.

Water and sewer infrastructure assets, at both the entity reporting level and whole of government reporting level, are therefore measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewerage and drainage systems, facilitating the collection, treatment and disposal of sewage.

The latest fair value assessment for water and sewer infrastructure occurred as at 30 June 2016 and was undertaken with involvement from the Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water and sewer infrastructures. Further details of the valuation exercise are provided in Note 7.3.

Revaluation increments are credited directly to equity in the asset revaluation reserve net of the tax effect, 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 property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Asset revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

### Revaluation date

Infrastructure, land and building were valued at 30 June 2016 with either the depreciated replacement cost methodology or market approach being applied to determine the fair value. Where market based evidence of fair values is not available due to the specialised nature of an asset an allowance for community service obligations is made. Where properties have appropriate zoning and are capable of being readily sold, the sale history and other information in relation to similar properties in the area has been used to determine an active and liquid market valuation.

The valuations were performed under contract from the Valuer-General of Victoria:

- Infrastructure was valued by Massimo Gozzo AAPI, CPV (P&M), ASA from KPMG, and
- Land and building was valued by Malcolm Ashby FAPI, Certified Practising Valuer, Egan National Valuers (Vic).

The plant, equipment & other asset class has been assessed for fair value and, concluded that book value approximates fair value.

## Part 6 : Financial statements

### 4.1.2 Depreciation and impairment

#### Charge for the period

For a breakdown of the depreciation and impairment charge for the period by class of property plant and equipment refer to note 4.1.3, reconciliation of movements in carrying values of infrastructure, property, plant and equipment.

	2017	2016
	\$'000	\$'000
Depreciation	72,635	65,186
Impairment	0	162
<b>Total Depreciation and impairment</b>	<b>72,635</b>	<b>65,348</b>

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 not recognised in respect of land assets because service potential has not, in any material sense, been consumed during the reporting period. Depreciation on other assets 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. The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The asset revaluation process undertaken at 30 June 2016 has resulted in a change to accounting estimates. The estimated total useful lives of all items of land, buildings and infrastructure used in the operations of Barwon Water were reassessed resulting in various changes in depreciation rates being applied. Having regard to the revaluation process, whereby both asset values and depreciation rates were reassessed and changed, the net financial effect of the reassessment of depreciation rates in the current financial year is immaterial. The effects in future periods is not disclosed as estimating it is impracticable.

Depreciation rates within each asset class are listed within the following ranges:

Property, Plant & Equipment Class	Depreciation Ranges (%)
Buildings	1.33 - 4.00
Infrastructure - distribution	1.25 - 4.00
Infrastructure - harvesting and major transfer	0.29 - 1.33
Infrastructure - quality	1.67 - 1.25
Infrastructure - collection	1.25 - 4.00
Computer Hardware	27.27
Infrastructure - treatment and disposal	0.83 - 4.00
Finance lease	5.00
Plant, equipment and other	6.67 - 27.27

#### Impairment

Non-financial assets, including items of infrastructure, property, plant and equipment, are assessed annually for indicators of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable

amount, the difference is written-off by a charge to the Comprehensive Operating Statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs



of disposal. 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 of disposal. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading asset revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement, a reversal of that impairment loss is also recognised in the Comprehensive Operating Statement.

### 4.1.3 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment

	Carrying amount at 1 July \$'000	Additions \$'000	Disposals \$'000	Adjustments \$'000	Impairments \$'000	Transfers between Asset Classes \$'000	* Fair values of assets received free of charge	Depreciation / Amortisation \$'000	Closing WDV at 30 June \$'000
<b>2016/17</b>									
Land	119,282	0	(1,795)	130	0	640	0	0	118,257
Buildings	14,124	0	(55)	(9)	0	36,906	0	(656)	50,310
Water distribution	964,913	0	(284)	(308)	0	16,705	7,939	(22,536)	966,429
Water harvesting and major transfer	359,523	0	(5)	0	0	2,319	0	(3,850)	357,987
Water quality	89,024	0	(363)	(270)	0	4,944	0	(3,262)	90,073
Sewer collection	708,562	0	(153)	0	0	10,211	12,582	(19,075)	712,127
Sewer treatment and disposal	263,680	0	(290)	(163)	0	883	0	(18,417)	245,693
Assets under Finance Lease	42,351	0	0	0	0	0	0	(2,617)	39,734
Plant, equipment and other	8,353	0	(986)	0	0	4,039	0	(2,222)	9,184
Capital works in progress	51,531	104,707	0	0	0	(76,647)	(20,521)	0	59,070
	<b>2,621,343</b>	<b>104,707</b>	<b>(3,932)</b>	<b>(620)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(72,635)</b>	<b>2,648,864</b>
<b>2015/16</b>									
Land	114,710	0	(588)	2,894	0	2,266	0	0	119,282
Buildings	18,772	0	(340)	514	0	(4,066)	0	(756)	14,124
Water distribution	740,320	0	(96)	211,778	0	26,876	6,552	(20,517)	964,913
Water harvesting and major transfer	301,791	0	(30)	61,357	0	2,548	0	(6,143)	359,523
Water quality	79,772	0	(144)	4,830	0	10,520	0	(5,954)	89,024
Sewer collection	636,732	0	(143)	48,390	0	29,940	10,551	(16,908)	708,562
Sewer treatment and disposal	241,213	0	(518)	12,710	(162)	20,740	0	(10,303)	263,680
Assets under Finance Lease	42,351	0	0	2,466	0	0	0	(2,466)	42,351
Plant, equipment and other	8,649	0	(839)	0	0	2,682	0	(2,139)	8,353
Capital works in progress	61,913	98,227	0	0	0	(91,506)	(17,103)	0	51,531
	<b>2,246,223</b>	<b>98,227</b>	<b>(2,696)</b>	<b>344,939</b>	<b>(162)</b>	<b>(0)</b>	<b>0</b>	<b>(65,186)</b>	<b>2,621,343</b>

\* Developer contributions

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

The net result for the period from ordinary activities includes the following specific net gains and expenses:

	2017	2016
	\$'000	\$'000
Proceeds on sale of infrastructure, property, plant and equipment	3,850	2,054
Less written down value	(3,932)	2,698
<b>Net profit/(loss) on disposal</b>	<b>(82)</b>	<b>(644)</b>

### 4.1.5 Capital commitments

Commitments for future expenditure include operating and capital commitments arising from non-cancellable contractual sources. Please refer to Note 6.3 and Note 8.2.1 for details on operational and environmental commitments, respectively.

Capital 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.

	2017	2016
	\$'000	\$'000
<b>Capital expenditure commitments payable</b>		
Infrastructure, property, plant and equipment		
Less than 1 year	21,896	35,512
Longer than 1 year but not longer than 5 years	399	4,290
<b>Total commitments (inclusive of GST)</b>	<b>22,295</b>	<b>39,802</b>
Less GST recoverable	2,027	3,618
<b>Total commitments (exclusive of GST)</b>	<b>20,268</b>	<b>36,184</b>

### 4.2 Intangible assets

	2017	2016
	\$'000	\$'000
At cost	30,459	30,122
Less: accumulated amortisation	(17,243)	(15,597)
<b>Total intangible assets</b>	<b>13,216</b>	<b>14,525</b>

	Software	Bulk Water Entitlement	Total
	\$'000	\$'000	\$'000
<b>Year ended 30 June 2017</b>			
Opening WDV at 1 July 2016	8,603	5,922	14,525
Additions	337	0	337
Amortisation	(1,646)	0	(1,646)
<b>Closing WDV at 30 June 2017</b>	<b>7,294</b>	<b>5,922</b>	<b>13,216</b>
<b>Year ended 30 June 2016</b>			
Opening WDV at 1 July 2015	10,011	5,922	15,933
Additions	370	0	370
Amortisation	(1,778)	0	(1,778)
<b>Closing WDV at 30 June 2016</b>	<b>8,603</b>	<b>5,922</b>	<b>14,525</b>

Notes:

(i) The consumption of intangible assets is included in the 'depreciation, amortisation and impairment' line item on the comprehensive operating statement.

**Recognition**

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impaired losses. Intangible assets with indefinite useful lives are carried at cost

less accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to Barwon Water.

A summary of the policies applied to Barwon Water’s intangible assets is as follows:

	Software	Bulk Water Entitlement
Useful lives	Finite	Indefinite
Amortisation method used	3.6 - 10 years straight line	Not amortised or revalued.
Internally generated/acquired	Acquired and internally generated	Acquired
Impairment test/Recoverable amount testing	Assessed annually and where an indicator of impairment exists.	Tested and assessed annually.

**Bulk Permanent Water Entitlements**

Bulk permanent water entitlements purchased are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 Intangible Assets and FRD 109A Intangible Assets), and will

not be subject to amortisation, as the bulk permanent water entitlements have an indefinite life. These entitlements will be tested annually for impairment.

**5. Other Assets And Liabilities**

This section sets out those assets and liabilities that arose from Barwon Water’s controlled operations

**Structure**

- 5.1 Receivables
  - 5.1.1 Past due but not impaired receivables
- 5.2 Payables
- 5.3 Other non-financial assets

**5.1 Receivables**

	2017	2016
	\$'000	\$'000
<b>Current</b>		
<b>Contractual</b>		
Tariff and sundry	13,338	15,033
Accrued charges	10,936	10,148
Provision for impaired receivables	(180)	(170)
Other receivables	756	729
<b>Statutory</b>		
Amount owing from Victorian Government	1,124	1,604
GST input tax credit receivables	1,946	1,698
<b>Total current receivables</b>	<b>27,920</b>	<b>29,042</b>

## Part 6 : Financial statements

Receivables consist of:

- contractual receivables, such as debtors in relation to tariff and sundry debtors (including for water, sewerage and tradewaste services), accrued charges (including investment income) and other receivables; and
- statutory receivables, such as Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables.

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

Contractual receivables are recognised initially at fair value (which equates to cost) and subsequently measured at amortised cost, less provision for impairment. Contractual receivables are due for settlement no more than 30 days from the date of recognition for tariff and sundry debtors.

Payments received from customers in advance have been separated out from debtors and disclosed as a liability within note 5.2 Payables - Other creditors.

The amounts recognised as owing from the Victorian Government are in the nature of grants for water saving incentives, concessional and pensioner rebates applied to water and sewerage tariffs, and tariff charges applicable to the Department of Justice and Regulation.

### 5.1.1 Past due but not impaired receivables

As at 30 June 2017, trade receivables of \$4,105,632 (2015/16 \$4,518,013) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

The ageing of these receivables is as follows:

	2017	2016
	\$'000	\$'000
<b>Ageing analysis</b>		
30 to 90 days	1,604	1,852
90 to 150 days	746	1,070
Over 150 days	1,755	1,596
<b>Total</b>	<b>4,105</b>	<b>4,518</b>

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.

### 5.2 Payables

	2017	2016
	\$'000	\$'000
<b>Current</b>		
<b>Contractual</b>		
Trade creditors	7,650	6,953
Accrued expenses	17,799	21,120
Other creditors	7,404	5,361
<b>Statutory</b>		
Payroll tax payable	117	113
<b>Total current payables</b>	<b>32,970</b>	<b>33,547</b>

Payables consist of:

- contractual payables, such as trade and other creditors and accrued expenses. These represent liabilities for goods and services provided to the Barwon Water prior to the end of the financial year that are unpaid, and arise when Barwon Water becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as payroll tax payable.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables,

but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

The contractual payables are unsecured and are usually paid within 30 days of recognition.

### 5.3 Other non-financial assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period. 2017 prepayments include a payment towards the Greater Yarra System Thompson River Entitlement charge to the year ending 2019/20.

## 6. How we financed our operations

### Introduction

This section provides information on the sources of finance utilised by Barwon Water during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of Barwon Water.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional financial instrument disclosures.

### Structure

- 6.1 Interest bearing liabilities
  - 6.1.1 Maturity analysis
  - 6.1.2 Borrowing costs
- 6.2 Cash flow information
  - 6.2.1 Reconciliation of net result to cash flow from operating activities
- 6.3 Commitments for expenditure
  - 6.3.1 Total commitments payable
  - 6.3.2 Operating commitments
  - 6.3.3 Build own operate (BOO) expenditure commitments
  - 6.3.4 BOO related Finance lease commitments

## Part 6 : Financial statements

### 6.1 Interest bearing liabilities

	2017	2016
	\$'000	\$'000
<b>Current interest bearing liabilities</b>		
Borrowings*	36,000	34,000
Finance lease (refer Note 6.3.4)	601	410
<b>Total current interest bearing liabilities</b>	<b>36,601</b>	<b>34,410</b>
<b>Non-Current interest bearing liabilities</b>		
Borrowings*	530,400	502,400
Finance lease (refer Note 6.3.4)	48,126	48,726
<b>Total non-current interest bearing liabilities</b>	<b>578,526</b>	<b>551,126</b>
<b>Total interest bearing liabilities</b>	<b>615,126</b>	<b>585,536</b>

\* All borrowings have been transacted with the approval of the Treasurer of Victoria and hence are subject to Statutory Guarantee by the State of Victoria in accordance with the Borrowing and Investment Powers Act 1987. As a result all borrowings are classified as secured; that is, all borrowings are secured by a State of Victoria guarantee which reduces the risk associated with lending.

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost.

Interest bearing liabilities in the Balance Sheet are classified as current liabilities

unless Barwon Water has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

None of Barwon Water's interest bearing liabilities are readily traded on organised markets in standardised form.

#### 6.1.1 Maturity analysis of interest bearing liabilities

	Maturity dates						
	Carrying Amount \$'000	Nominal Amount \$'000	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	5+ years \$'000
<b>2017</b>							
Finance lease liability	48,727	48,727	44	88	469	4,839	43,287
Borrowings	566,400	566,400	0	26,000	10,000	147,000	383,400
<b>Total</b>	<b>615,127</b>	<b>615,127</b>	<b>44</b>	<b>26,088</b>	<b>10,469</b>	<b>151,839</b>	<b>426,687</b>
<b>2016</b>							
Finance lease liability	49,136	49,136	28	58	324	3,804	44,924
Borrowings	536,400	536,400	0	19,000	15,000	143,000	359,400
<b>Total</b>	<b>585,536</b>	<b>585,536</b>	<b>28</b>	<b>19,058</b>	<b>15,324</b>	<b>146,804</b>	<b>404,324</b>

#### 6.1.2 Borrowing costs

	2017	2016
	\$'000	\$'000
Interest on fixed government borrowings	27,522	28,310
Financial accommodation levy	6,700	6,444
Finance lease interest charges	5,125	5,159
<b>Total borrowing costs</b>	<b>39,347</b>	<b>39,913</b>

Borrowing costs include interest on fixed government borrowings, Financial Accommodation Levy costs and finance lease charges.

Borrowing costs are recognised as expenses in the period in which they are incurred.

### 6.2 Cash flow information

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and those highly liquid investments with original maturity of three months or less.

	2017	2016
	\$'000	\$'000
Cash on hand	2	5
Cash at bank (non-interest bearing)	1,851	652
Investments at call - Treasury Corporation of Victoria (These investments are bearing floating interest rates between 1.45% and 1.7% (2015/16: 1.7% and 2.1%))	20,000	28,900
<b>Balance as per cash flow statement</b>	<b>21,853</b>	<b>29,557</b>

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

	2017	2016
	\$'000	\$'000
<b>Net result for the period after income tax</b>	<b>3,842</b>	<b>17,757</b>
<b>Add/(less) non-cash flows in net profit</b>		
Depreciation, amortisation and impairment	74,281	67,126
(Profit)/Loss on disposal of infrastructure, property, plant and equipment	82	644
Non-cash capital contributions	(20,521)	(17,103)
Non-cash interest expense on finance lease	5,125	5,159
Increase/(decrease) in net deferred tax liability	829	7,267
<b>Changes in assets and liabilities</b>		
Increase/(decrease) in employee benefits provisions	(81)	769
Increase/(decrease) in other provisions	0	(163)
Decrease/(increase) in receivables	1,216	(3,375)
Decrease/(increase) in inventories	23	87
Decrease/(increase) in prepayments	(15,760)	(317)
Increase/(decrease) in payables	(532)	3,328
Changes in amounts payable for the BOO	(31)	(27)
<b>Net cash provided by operating activities</b>	<b>48,474</b>	<b>81,152</b>

### 6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from non-cancellable contractual sources. Please refer to note 4.1.5, 6.3.2 and note 8.2.1 for details on capital, operating and environmental commitments, respectively.

Operating commitments are recorded below at their nominal value and inclusive of

GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

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### 6.3.1 Total commitments payable

	2017		2016	
	\$'000	\$'000	\$'000	\$'000
	Nominal value	Present value	Nominal value	Present value
<b>Total commitments payable</b>				
Operating commitments	10,787		19,053	
Build own operate (BOO) expenditure commitments				
- Biosolids drying facility	103,757	63,880	109,896	65,549
BOO related Finance lease commitments	<b>101,064</b>	<b>48,727</b>	<b>106,600</b>	<b>49,136</b>
<b>Total commitments (inclusive of GST)</b>	<b>215,608</b>		<b>235,549</b>	
Less GST recoverable	19,601		21,414	
<b>Total commitments (exclusive of GST)</b>	<b>196,007</b>		<b>214,135</b>	

### 6.3.2 Operating commitments

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000
<b>Nominal \$ - 2017</b>				
<b>Operating commitments payable</b>				
Annual licence fees and software maintenance	894	1,810	0	2,704
External consultants	130	0	0	130
Maintenance and meter services	3,279	1,970	0	5,249
Laboratory services	0	0	0	0
Waste management	633	1,581	0	2,214
Other operating expenditure	346	144	0	490
<b>Total operating commitments payable (inclusive of GST)</b>	<b>5,282</b>	<b>5,505</b>	<b>0</b>	<b>10,787</b>
Less GST recoverable	480	500	0	981
<b>Total operating commitments payable (exclusive of GST)</b>	<b>4,802</b>	<b>5,005</b>	<b>0</b>	<b>9,806</b>
<b>Nominal \$ - 2016</b>				
<b>Operating commitments payable</b>				
Annual licence fees and software maintenance	739	1,174	0	1,913
External consultants	314	12	0	326
Maintenance and meter services	3,884	7,085	0	10,969
Laboratory services	2,200	0	0	2,200
Waste management	663	2,317	0	2,980
Other operating expenditure	526	139	0	665
<b>Total operating commitments payable (inclusive of GST)</b>	<b>8,326</b>	<b>10,727</b>	<b>0</b>	<b>19,053</b>
Less GST recoverable	757	975	0	1,732
<b>Total operating commitments payable (exclusive of GST)</b>	<b>7,569</b>	<b>9,752</b>	<b>0</b>	<b>17,321</b>



6.3.3 Build own operate (Boo) expenditure commitments

	2017	2016
	\$'000	\$'000
<b>BOO expenditure commitments payable</b>		
Property, plant and equipment		
Less than 1 year	5,820	5,702
Longer than 1 year but not longer than 5 years	24,772	24,271
Longer than 5 years	73,165	79,923
<b>Total commitments (inclusive of GST)</b>	<b>103,757</b>	<b>109,896</b>
Less GST recoverable	9,432	9,991
<b>Total commitments (exclusive of GST)</b>	<b>94,325</b>	<b>99,905</b>

The finance lease was capitalised at inception while the corresponding rental obligations, net of finance charges, are included in payables. Each stream of lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the comprehensive operating statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired in a BOO scheme that meets the classification of finance lease is depreciated over the asset's useful life.

The thermal drying plant was commissioned on 3 September 2012, at which time a leased asset and leased liability were recognised in

the balance sheet at \$49,316,314 respectively, while payments to the contractor for the operation of the facility also commenced at that time.

The terms and conditions of the finance lease consist of monthly repayments comprising a service charge associated with the throughput of the plant, recognised in the Comprehensive Operating Statement, and a finance lease component incorporating both interest and principle repayments based on an implicit interest rate of 10.99% (2015-16 10.99%).

Refer to the table in note 6.3.3 for operating commitments relating to this arrangement and the table in note 6.3.4 for the finance lease commitment associated with this arrangement.

6.3.4 BOO related Finance lease commitments

	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
	Minimum future lease payments		Present value of minimum future lease payments	
<b>Commissioned BOO related finance lease liabilities payable</b>				
Less than 1 year	601	410	601	410
Longer than 1 year but not longer than 5 years	26,562	23,562	17,657	17,226
5 years or more	73,901	82,628	30,469	31,500
<b>Minimum future lease payments</b>	<b>101,064</b>	<b>106,600</b>	<b>48,727</b>	<b>49,136</b>
less future finance charges	(52,337)	(57,464)	0	0
<b>Present value of minimum lease payments</b>	<b>48,727</b>	<b>49,136</b>	<b>48,727</b>	<b>49,136</b>
<b>Included in the financial statements as:</b>				
Current finance lease liabilities (Note 6.1)			601	410
Non-current finance lease liabilities (Note 6.1)			48,126	48,726
			<b>48,727</b>	<b>49,136</b>

### 7. Risks, Contingencies And Valuation Judgements

#### Introduction

Barwon Water is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. 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 Barwon Water related mainly to fair value determination.

#### 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 Fair value determination
  - 7.3.1 Fair value determination of financial assets and liabilities
  - 7.3.2 Fair value determination: Non-financial physical assets
  - 7.3.3 Reconciliation of Level 3 fair value movements

#### 7.1 Financial instruments specific disclosures

##### Introduction

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

#### Categories of financial instruments

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

- Cash and cash equivalents, and
- Receivables (excluding statutory receivables)

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost. Barwon Water recognises the following liabilities in this category:

- Payables (excluding statutory receivables), and
- Interest bearing liabilities (including finance lease liabilities)

#### Derecognition of financial assets

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

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

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

#### Impairment of financial assets

At each reporting date, Barwon Water assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Comprehensive Operating Statement.

### 7.1.1 Financial instruments: Categorisation

Contractual financial assets - Contractual financial liabilities at amortised cost	Total
<b>2017</b>	<b>\$'000</b>
Cash and deposits	1,853
Receivables	24,905
Investments and other financial assets	20,000
<b>Total contractual financial assets</b>	<b>46,758</b>
Payables	33,053
Borrowings	566,400
Finance lease	48,727
<b>Total contractual financial liabilities</b>	<b>648,180</b>
<b>2016</b>	
Cash and deposits	657
Receivables	25,888
Investments and other financial assets	28,900
<b>Total contractual financial assets</b>	<b>55,445</b>
Payables	33,589
Borrowings	536,400
Finance lease	49,136
<b>Total contractual financial liabilities</b>	<b>619,125</b>

### 7.1.2 Financial risk management objectives and policies

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

Barwon Water's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Barwon Water. Barwon Water uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, other price risks and ageing analysis.

Risk management is carried out under policies approved by the Risk Management/ Audit Committees and ratified by the Board of Directors. Financial risks are identified and evaluated against with close co-operation with Barwon Water's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as, interest

rate risk, credit risk, non-derivative financial instruments and investment of excess liquidity.

The main risks Barwon Water is exposed to through its financial instruments are as follows.

#### Credit risk

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

Barwon Water's exposure to credit risk is influenced by the individual characteristics of each customer. The other receivables balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Other receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. Barwon Water has in place a Billing and Collection Policy for the collection of overdue receivables.

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

	Financial institutions (A-1+ credit rating) <sup>(a)</sup>	Government agencies (A-1+ credit rating) <sup>(a)</sup>	Other	Total
<b>2017</b>				
Cash and deposits	1,851		2	1,853
Receivables <sup>(b)</sup>			24,905	24,905
Investments and other financial assets		20,000		20,000
<b>Total contractual financial assets</b>	<b>1,851</b>	<b>20,000</b>	<b>24,907</b>	<b>46,758</b>
<b>2016</b>				
Cash and deposits	652		5	657
Receivables <sup>(b)</sup>			25,888	25,888
Investments and other financial assets		28,900		28,900
<b>Total contractual financial assets</b>	<b>652</b>	<b>28,900</b>	<b>25,893</b>	<b>55,445</b>

(a) Credit ratings sourced from Standard & Poor's.

(b) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

### Liquidity risk

Liquidity risk is the risk that Barwon Water will not be able to meet its financial obligations as they fall due. Barwon Water's policy is to settle financial obligations within 30 days and, in the event of dispute, make payments within 30 days from the date of resolution.

Barwon Water manages liquidity risk by maintaining adequate reserves, banking

facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The following tables analyse Barwon Water's financial liabilities measured at book value into relevant maturity groupings based on their contractual maturities at 30 June 2017 and 2016.

	Less than 1 year	2-5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2017</b>					
<b>Liabilities</b>					
Payables	33,053	0	0	33,053	33,053
Finance Lease	601	4,839	43,287	48,727	48,727
Borrowings	36,000	147,000	383,400	566,400	566,400
<b>Total</b>	<b>69,653</b>	<b>151,839</b>	<b>426,687</b>	<b>648,180</b>	<b>648,180</b>
<b>At 30 June 2016</b>					
<b>Liabilities</b>					
Payables	33,589	0	0	33,589	33,589
Finance Lease	410	3,804	44,922	49,136	49,136
Borrowings	34,000	143,000	359,400	536,400	536,400
<b>Total</b>	<b>67,999</b>	<b>146,804</b>	<b>404,322</b>	<b>619,125</b>	<b>619,125</b>

### Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of Barwon Water's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. Barwon Water's exposure to market risk is primarily through interest rate risk, there is no exposure to foreign exchange risk and insignificant exposure to other price risks.

Objectives, policies and process used to manage these risks are disclosed in the paragraphs below:

#### a. Interest Rate Risk

Barwon Water's exposure to market interest rates relates primarily to Barwon Water's long-term borrowings and funds invested on the money market.

Barwon Water minimises its exposure to interest rate changes on borrowings by holding fixed rate debt with an even spread of maturity profiles, at Board approved limits.

Barwon Water has exposure to interest rate risk through its holding of cash assets and other financial assets.

#### b. Foreign Exchange Risk

Barwon Water has no exposure to changes in the foreign exchange rate.

#### c. Other Price Risk

Barwon Water has no significant exposure to Other Price Risk.

### Interest rate exposure of financial instruments

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

Refer to note 7.3 for accounting policy relating to disclosure of fair value measurement hierarchy.

*Fair value of financial assets and liabilities not carried at fair value*

Cash and cash equivalents, receivables, payables and finance lease payables carrying values approximate their fair values.

The fair value of borrowings is \$643,044,887 (\$646,908,752 in 2015/16) and is based on discounting the expected future cash flows at current market interest rates for liabilities with similar risk profiles. Borrowings are recorded in the financial report in accordance with the policy at note 6.1.

The following table sets out Barwon Water's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as Barwon Water intends to hold fixed rate liabilities to maturity.

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	Fixed interest maturing In								Total \$
	Floating interest rate \$	1 year or less \$	Over 1 to 2 years \$	Over 2 to 3 years \$	Over 3 to 4 years \$	Over 4 to 5 years \$	Over 5 years \$	Non interest bearing \$	
<b>30 June 2017</b>									
<b>Financial assets</b>									
Cash and cash equivalents	21,853	0	0	0	0	0	0	0	21,853
Receivables	0	0	0	0	0	0	0	24,905	24,905
<b>Total financial assets</b>	<b>21,853</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,905</b>	<b>46,758</b>
<b>Financial liabilities</b>									
Payables	0	0	0	0	0	0	0	(33,053)	(33,053)
Borrowings	0	(36,000)	(36,000)	(36,000)	(35,000)	(40,000)	(383,400)	0	(566,400)
Finance lease	0	0	(815)	(1,058)	(1,330)	(1,636)	(43,888)	0	(48,727)
<b>Total financial liabilities</b>	<b>0</b>	<b>(36,000)</b>	<b>(36,815)</b>	<b>(37,058)</b>	<b>(36,330)</b>	<b>(41,636)</b>	<b>(427,288)</b>	<b>(33,053)</b>	<b>(648,180)</b>
<b>Net financial assets /liabilities</b>	<b>21,853</b>	<b>(36,000)</b>	<b>(36,815)</b>	<b>(37,058)</b>	<b>(36,330)</b>	<b>(41,636)</b>	<b>(427,288)</b>	<b>(8,147)</b>	<b>(601,422)</b>
Weighted average interest rate	0.00%	5.09%	5.14%	5.14%	5.38%	5.08%	4.86%		
<b>30 June 2016</b>									
<b>Financial assets</b>									
Cash and cash equivalents	14,557	15,000	0	0	0	0	0	0	29,557
Receivables	0	0	0	0	0	0	0	25,888	25,888
<b>Total financial assets</b>	<b>14,557</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,888</b>	<b>55,445</b>
<b>Financial liabilities</b>									
Payables	0	0	0	0	0	0	0	(33,589)	(33,589)
Borrowings	0	(34,000)	(36,000)	(36,000)	(36,000)	(35,000)	(359,400)	0	(536,400)
Finance lease	0	(410)	(601)	(815)	(1,058)	(1,330)	(44,922)	0	(49,136)
<b>Total financial liabilities</b>	<b>0</b>	<b>(34,410)</b>	<b>(36,601)</b>	<b>(36,815)</b>	<b>(37,058)</b>	<b>(36,330)</b>	<b>(404,322)</b>	<b>(33,589)</b>	<b>(619,125)</b>
<b>Net financial assets /liabilities</b>	<b>14,557</b>	<b>(19,410)</b>	<b>(36,601)</b>	<b>(36,815)</b>	<b>(37,058)</b>	<b>(36,330)</b>	<b>(404,322)</b>	<b>(7,701)</b>	<b>(563,680)</b>
Weighted average interest rate	0.00%	5.04%	5.09%	5.14%	5.14%	5.38%	5.26%		

### Interest rate risk sensitivity

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets. Barwon Water believes that a movement of 1% in interest rates is reasonable over the next 12 months.

Barwon Water's exposure to interest rate

movements has been calculated as outlined below:

- cash and cash equivalents – average monthly balance of cash and cash equivalents held during year at 1% interest rate movement, and
- interest bearing liabilities – total known maturing borrowings for following year at 1% interest rate movement.

	Carrying Amount @ \$'000	Interest Rate Risk			
		-1%		1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>30 June 2017</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	21,853	(146)	(146)	146	146
Receivables	24,905	0	0	0	0
<b>Financial liabilities</b>					
Payables	33,053	0	0	0	0
Borrowings	566,400	360	360	(360)	(360)
Finance Lease	48,727	0	0	0	0
<b>Total increase/(decrease)</b>		<b>214</b>	<b>214</b>	<b>(214)</b>	<b>(214)</b>
<b>30 June 2016</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	29,557	(235)	(235)	235	235
Receivables	25,888	0	0	0	0
<b>Financial liabilities</b>					
Payables	33,589	0	0	0	0
Borrowings	536,400	340	340	(340)	(340)
Finance Lease	49,136	0	0	0	0
<b>Total increase/(decrease)</b>		<b>105</b>	<b>105</b>	<b>(105)</b>	<b>(105)</b>

### 7.2 Contingent assets and contingent liabilities

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

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

#### Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or

non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Barwon Water had no contingent assets at 30 June 2017 (2015-16 \$0)

#### Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence

or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

	2017 \$'000	2016 \$'000
<b>Contingent liabilities</b>		
Details and estimates of maximum amounts of contingent liabilities for which no provision is included in the financial report, are as follows:		
Claims or possible claims in relation to a rainwater tank rebates scheme in a subdivision in the Geelong region.	1,193	1,168
<b>Total Contingent liabilities</b>	<b>1,193</b>	<b>1,168</b>

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### 7.3 Fair value determination

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

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

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

Consistent with AASB 13 Fair Value Measurement and Financial Reporting Directions, Barwon Water determines the policies and procedures for recurring fair value measurements such as infrastructure, property, plant and equipment and financial instruments.

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

#### 7.3.1 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.

Barwon Water currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term

nature or with the expectation that they will be paid in full by the end of the 2017-18 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables:
Receivables:	• Trade creditors
• Tariffs and sundry	• Other payables
• Other receivables	Interest bearing liabilities:
	• Borrowings
	• Finance lease



**7.3.2 Fair value determination: Non-financial physical assets**

The fair value measurement hierarchy for non-financial assets at 30 June 2017 is presented below. Please note this does not reconcile to the tables presented in note

4.1.1 and note 4.1.3 as this only includes those assets measured at fair value, which excludes capital works in progress.

Classification	Fair value measurement at end of reporting period using:		
	Level 1 <sup>(i)</sup> \$'000	Level 2 <sup>(i)</sup> \$'000	Level 3 \$'000
<b>30 June 2017</b>			
Specialised Land	-	-	118,257
Specialised Buildings	-	-	50,310
Infrastructure – water distribution	-	-	966,429
Infrastructure – water harvesting	-	-	357,987
Infrastructure – water quality	-	-	90,073
Infrastructure – sewer collection	-	-	712,127
Infrastructure – sewer treatment <sup>(ii)</sup>	-	-	285,427
Plant and Equipment	-	-	9,184
<b>Total</b>			<b>2,589,794</b>
<b>30 June 2016</b>			
Specialised Land	-	-	119,282
Specialised Buildings	-	-	14,124
Infrastructure – water distribution	-	-	964,913
Infrastructure – water harvesting	-	-	359,523
Infrastructure – water quality	-	-	89,024
Infrastructure – sewer collection	-	-	708,562
Infrastructure – sewer treatment <sup>(ii)</sup>	-	-	306,031
Plant and Equipment	-	-	8,353
<b>Total</b>			<b>2,569,812</b>

Notes:

- (i) Classified in accordance with the fair value hierarchy, see Note 7.3,
- (ii) Includes the assets under finance lease.

There have been no transfers between levels during the period.

Barwon Water determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

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

Barwon Water’s assets are subject to a revaluation model, as directed by the State’s

financial reporting directions. Barwon Water records non-current assets at fair value, with revaluations completed every five years as required by FRD 103F. The most recent revaluation was completed at 30 June 2016.

During the interim years, an annual impairment assessment is conducted which aligns with the financial year-end.

A fair value review is also conducted for the land and building assets and a similar review is also conducted for the infrastructure classes to assist the assessment for impairment of these classes of assets.

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### Specialised land and specialised buildings

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

Land assets have been valued using a market based direct comparison approach by comparing properties to recent land sales and adjusting for points of difference to establish the fair value. A community service allowance (CSO) is applied to reflect the difference between unrestricted freehold land and assets held with constraints/restrictions.

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.

An independent valuation of Barwon Water's specialised land and specialised buildings was performed by Egan National Valuers (VIC) on behalf of the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016. Barwon Water conducted

an assessment at 30 June 2017 with no material movement identified since the 2016 valuation. There were no changes in valuation techniques throughout the period to 30 June 2017.

### 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 depreciation adjustments are considered as significant unobservable inputs in nature, specialised plant and equipment are classified as Level 3 fair value measurements.

There were no changes in valuation techniques throughout the period to 30 June 2017. Barwon Water conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

### Water and sewer infrastructure

Water and wastewater infrastructure 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. 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. Functional obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as underground water

and sewerage pipes and fittings, 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 surface reinstatement works as applicable.

Due to the nature of the finance lease asset (biosolids treatment plant), Barwon Water classifies this asset within the wastewater infrastructure asset category.

An independent valuation of Barwon Water's water and wastewater infrastructure was carried out by KPMG on behalf of the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable. There were no changes in valuation techniques throughout the period to 30 June 2017.

Barwon Water conducted an assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

### 7.3.3 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	Specialised buildings	Water Distribution	Water Harvesting	Water quality	Sewer Collection	Sewer Treatment	Plant, Equipment & Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2017</b>								
<b>Opening balance</b>	119,282	14,124	964,913	359,523	89,024	708,562	306,031	8,353
Purchases (sales)/Adjustments	(1,025)	36,842	24,052	2,314	4,311	22,640	430	3,053
Transfers in (out) of Level 3	0	0	0	0	0	0	0	0
Gains or losses recognised in net result	0	0	0	0	0	0	0	0
Depreciation	0	(656)	(22,536)	(3,850)	(3,262)	(19,075)	(21,034)	(2,222)
Impairment loss	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>(1,025)</b>	<b>36,186</b>	<b>1,516</b>	<b>(1,536)</b>	<b>1,049</b>	<b>3,565</b>	<b>(20,604)</b>	<b>831</b>
Revaluation	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing balance</b>	<b>118,257</b>	<b>50,310</b>	<b>966,429</b>	<b>357,987</b>	<b>90,073</b>	<b>712,127</b>	<b>285,427</b>	<b>9,184</b>
<b>2016</b>								
<b>Opening balance</b>	114,710	18,772	740,320	301,791	79,772	636,732	283,564	8,649
Purchases (sales)	1,678	(4,406)	33,332	2,518	10,376	40,348	20,222	1,843
Transfers in (out) of Level 3	0	0	0	0	0	0	0	0
Gains or losses recognised in net result	0	0	0	0	0	0	0	0
Depreciation	0	(756)	(20,517)	(6,143)	(5,954)	(16,908)	(12,769)	(2,139)
Impairment loss	0	0	0	0	0	0	(162)	0
<b>Subtotal</b>	<b>1,678</b>	<b>(5,162)</b>	<b>12,815</b>	<b>(3,625)</b>	<b>4,422</b>	<b>23,440</b>	<b>7,291</b>	<b>(296)</b>
Revaluation	2,894	514	211,778	61,357	4,830	48,390	15,176	0
<b>Subtotal</b>	<b>2,894</b>	<b>514</b>	<b>211,778</b>	<b>61,357</b>	<b>4,830</b>	<b>48,390</b>	<b>15,176</b>	<b>0</b>
<b>Closing balance</b>	<b>119,282</b>	<b>14,124</b>	<b>964,913</b>	<b>359,523</b>	<b>89,024</b>	<b>708,562</b>	<b>306,031</b>	<b>8,353</b>

## Part 6 : Financial statements

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

2017 and 2016	Valuation technique	Significant unobservable inputs
Specialised land	Market/Direct comparison approach	Average cost per square metre adjusted for community service obligations
Specialised buildings	Depreciated replacement cost	Average cost per asset Useful life of specialised buildings
<b>Infrastructure - Sewer Collection</b>		
Sewer Retic Mains	Depreciated replacement cost	Average cost per square metre Useful life of the infrastructure
Sewer Rising Mains	Depreciated replacement cost	Average cost per square metre Useful life of the infrastructure
Sewer Pump Station	Depreciated replacement cost	Average cost per facility Number of pump stations Useful life of the infrastructure
<b>Infrastructure - Sewer Treatment</b>		
Wastewater Treatment Plants	Depreciated replacement cost	Average cost per facility Number of treatment plants Useful life of the infrastructure
Wastewater Treatment Plants Mechanical/Electrical	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure
Specialised Buildings	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure
<b>Infrastructure - Water Distribution</b>		
Reticulation Mains	Depreciated replacement cost	Average cost per square metre Useful life of the infrastructure
Service Basins & Tanks	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
<b>Infrastructure - Water Harvesting</b>		
Channels	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
Reservoirs	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
Groundwater	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
<b>Infrastructure - Water Quality</b>		
Specialised Buildings	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure
Water Treatment Plants	Depreciated replacement cost	Average cost per facility Number of facilities Useful life of the infrastructure
Water Treatment Plants Mechanical/Electrical	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure
<b>Plant &amp; Equipment</b>		
Computer Hardware	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure
Vehicles	Depreciated replacement cost	Average cost per asset Useful life of the infrastructure

## 8. Statutory Obligations

### Introduction

This section includes disclosures in relation to Barwon Water's statutory obligations

### Structure

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

### 8.1 Tax

#### 8.1.1 Income tax

Barwon Water is subject to the National Tax Equivalent Regime (NTER), which is

administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national corporate income tax rate of 30% adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

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

	2017	2016
	\$'000	\$'000
<b>Income statement</b>		
Current income tax expense	(1,004)	1,143
Deferred income tax expense		
Temporary differences	1,812	6,113
Adjustments to prior years	0	11
Under/(over) provided in current year	21	0
<b>Income tax reported in the Comprehensive Operating Statement</b>	<b>829</b>	<b>7,267</b>
<b>State of changes in Equity</b>		
Net deferred tax - debited/(credited) directly to Equity (refer Note 8.1.2)	(186)	0
Gain/(loss) on revaluation of infrastructure, property, plant and equipment (Note 7.3.2)	0	102,702
<b>Income tax reported in Equity</b>	<b>(186)</b>	<b>102,702</b>
<b>Tax reconciliation</b>		
Net result before income tax expense	4,671	25,024
Tax at the Australian tax rate of 30% (2016: 30%)	1,401	7,507
Adjustment in respect of income tax of previous year	0	11
Under/(over) provided in current year	21	0
Non deductible items	(593)	(251)
<b>Income tax on profit before tax</b>	<b>829</b>	<b>7,267</b>

## Part 6 : Financial statements

### 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, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those

temporary differences and losses.

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.

Barwon Water'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.

The recoverability of the deferred tax asset has been assessed based on long term corporate planning cash flow projections. This assessment includes a consideration of the NTER taxation provisions.

#### Deferred tax assets

	2017	2016
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in operating statement		
Provisions and accrued expenditure not deductible	18,268	18,090
Tax losses	74,188	73,184
<b>Deferred Tax Assets</b>	<b>92,456</b>	<b>91,274</b>
<b>Movements</b>		
Opening balance at 1 July	91,274	92,642
Credited/(charged) to the operating statement	178	(225)
Tax losses	1,004	(1,143)
<b>Closing balance at 30 June</b>	<b>92,456</b>	<b>91,274</b>
Deferred tax asset to be recovered after more than 12 months	92,402	91,223
Deferred tax asset to be recovered within 12 months	54	51
	<b>92,456</b>	<b>91,274</b>

**Deferred tax liabilities**

	2017	2016
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in operating statement		
Depreciation	138,425	139,438
Expenditure capitalised	31,529	28,486
Other	5	24
Amounts recognised in equity:		
Asset revaluations	276,681	276,867
<b>Deferred Tax Liabilities</b>	<b>446,640</b>	<b>444,815</b>
<b>Movements</b>		
Opening balance at 1 July	444,815	336,213
Credited/(charged) to the operating statement	1,990	5,888
Under/(over) provided in prior years	0	11
Under/(over) provided in current year	21	0
Other adjustment to asset revaluation	(186)	0
Asset revaluation recognised in equity	0	102,702
<b>Closing balance at 30 June</b>	<b>446,640</b>	<b>444,815</b>
Deferred tax liability to be recovered after more than 12 months	446,635	444,791
Deferred tax liability to be recovered within 12 months	5	24
	446,640	444,815
Deferred Tax Assets at 30 June	92,456	91,274
Deferred Tax Liabilities at 30 June	(446,640)	(444,815)
<b>Net Deferred Tax Liability</b>	<b>(354,184)</b>	<b>(353,541)</b>

**8.2 Environmental contribution**

	2017	2016
	\$'000	\$'000
<b>Environmental contribution levy</b>	<b>6,651</b>	<b>6,651</b>

The Water Industry (Environmental Contributions) Act 2004 amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the 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 Victorian Government has committed to a fourth round or ('tranche') of the environmental contribution. The four-year tranche commenced on 1 July 2016.

The purpose for the environmental contribution is set out in the Act and the funding may be used for the purpose of financing initiatives that seek to promote the sustainable management of water or address water-related initiatives. The environmental contributions are disclosed separately within expenses.

Barwon Water 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

## Part 6 : Financial statements

### 8.2.1 Environmental commitments

At 30 June 2017, Barwon Water's outstanding environmental contribution commitments are as follows:

		Less than one year	Between 1 and 5 years	Over 5 years	Total
2017					
Environmental Contribution expenditure commitments	(i)	6,651	16,820	0	23,471
2016					
Environmental Contribution expenditure commitments	(i)	6,651	23,471	0	30,122

(i) note: the environmental contribution does not attract GST.

## 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 funds

#### 9.2 Events occurring after balance date

#### 9.3 Remuneration of executives

#### 9.4 Responsible persons

#### 9.5 Remuneration of auditors

#### 9.6 Related parties

#### 9.7 Ex-gratia expense

#### 9.8 Goods and services tax

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

### 9.1 Equity

#### 9.1.1 Contributed capital

	2017	2016
	\$'000	\$'000
Contributed capital at 1 July	459,098	458,940
Capital transactions with the State in its capacity as owner arising from:		
- Transfer of Crown Land	0	158
Closing balance at 30 June	459,098	459,098

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of Barwon Water.

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



### 9.1.2 Reserves

	2017	2016
	\$'000	\$'000
Balance at 1 July	620,047	377,811
Revaluation increment / (decrement) on non-current assets	(620)	344,938
Tax effect of revaluation of assets	186	(102,702)
Balance at 30 June	619,613	620,047

### 9.1.3 Accumulated funds

	2017	2016
	\$'000	\$'000
Opening balance at 30 June	635,518	617,761
Net result for the period	3,842	17,757
Closing balance at 30 June	639,360	635,518

## 9.2 Events occurring after the 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 Barwon Water, the results of those operations, or the state of affairs of Barwon Water in future financial years.

## 9.3 Remuneration of executives

The number of executive officers, other than the Minister 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

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

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

**Post-employment benefits** includes superannuation contributions where the benefit is realised post-employment.

**Other long-term benefits** includes long service leave paid.

**Termination benefits** include coaching support benefits paid or payable on a discrete basis when employment had ceased.

	2017
Remuneration	\$'000
Short-term employee benefits	3,277
Post-employment benefits	306
Other long-term benefits	100
Termination Benefits	4
<b>Total remuneration <sup>(a)</sup></b>	<b>3,687</b>
<b>Number of executive officers <sup>(b)</sup></b>	<b>19</b>
<b>Total annualised employee equivalent (AEE) <sup>(c)</sup></b>	<b>16.7</b>

## Part 6 : Financial statements

### Notes:

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

(b) No executive officers met the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and therefore not reported within the related parties note disclosure (Note 9.6).

(c) Annualised employee equivalent is based on the time fraction worked over the reporting period. This is based on paid working hours of 38 ordinary per week over the 52 weeks for a reporting period.

### 9.4 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period.

The persons who held the positions of Minister, Directors and Accountable Officers in Barwon Water are as follows:

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2016 to 30 June 2017
J E Plummer	Director - Chair	1 July 2016 to 30 June 2017
C J Lovell	Director - Deputy Chair	1 July 2016 to 30 June 2017
J N Heath	Director	1 July 2016 to 30 June 2017
R M Leonard	Director	1 July 2016 to 30 June 2017
E C Carbines	Director	1 July 2016 to 30 June 2017
J J Gavens	Director	1 July 2016 to 30 June 2017
J M Mifsud	Director	1 July 2016 to 30 June 2017
B C Walsh	Director	1 July 2016 to 30 June 2017
T A Slatter	Managing Director (Accountable Officer)	16 January 2017 to 30 June 2017
J J Adamski	Managing Director (Accountable Officer)	1 July 2016 to 30 December 2016

### Remuneration

		Total Remuneration
\$	\$	2017
30,000 -	39,999	7
70,000 -	79,999	1
210,000 -	219,999	1
530,000 -	539,999	1
<b>Total Numbers</b>		<b>10</b>
<b>Total Amount</b>		<b>\$1,074,097</b>

Remuneration received or receivable by the Accountable Officers in connection with the management of Barwon Water during the reporting period was in the range: \$210,000 – \$219,999 and \$530,000 – \$539,999

(\$380,000 – \$389,999 in 2015-16). Note, there was a change in Accountable Officers during 2016-17 resulting in two remuneration ranges as noted above.

9.5 Remuneration of auditors

Amounts received, or due and receivable, by the Victorian Auditor-General for auditing the financial report.

	2017	2016
	\$	\$
	88,400	86,220

9.6 Related parties

Related parties of Barwon Water include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm’s length basis.

**Significant transactions with government-related entities**

Barwon Water received funding and made payments of \$53.74 million and \$72.37 million respectively to government related entities.

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

**Entities with significant influence**

**Department of Environment, Land, Water and Planning (DELWP)**

DELWP leads and directs Barwon Water in the implementation of the framework for achieving the Victorian Government’s responsibilities for sustainability of the natural and built environment.

**Payments**

	2017
Environmental Contribution Levy	\$’000
	6,651

**Department of Treasury and Finance (DTF)**

DTF administers the Water Act 1989 and the Financial Management Act 1994 for which Barwon Water is required to comply. In that role the department collects from Barwon Water the financial accommodation levy and an annual water license fee which are recognised as expenses.

**Payments**

	2017
Financial Accommodation Levy	\$’000
License fee	6,604
	113

**Entities with significant transactions**

**Department of Health and Human Services (DHHS)**

Barwon Water provides a number of services to the community including the administration of the pension rebate and Health Care Card schemes on behalf of DHHS. DHHS administers and levies fees under the Safe Drinking Water Act 2003.

**Receipts**

	2017
Customer rebate reimbursements – water, sewerage and dialysis	\$’000
	9,820

**Receivables**

Customer rebate reimbursements – water, sewerage and dialysis	982
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## Part 6 : Financial statements

### Department of Justice and Regulation (DJR)

The DJR provides a number of correctional facilities in the region requiring operations and maintenance associated with the water reclamation plants. Barwon Water receives payments from DJR recognising it as revenue. DJR constructed sewerage infrastructure assets on DJR land and gifted them to Barwon Water; recognising both revenue and infrastructure assets.

	2017
	\$'000
<b>Receipts</b>	
Gifted assets received	4,922
Operations and maintenance of water reclamation plants	554

### Treasury Corporation of Victoria (TCV)

As required by the State Government pursuant to the Borrowings and Investment Powers Act 1987, Barwon Water's borrowings are sourced and investments made solely with TCV. TCV also provides an advisory and administrative service under normal commercial terms.

	2017
	\$'000
<b>Receipts</b>	
Net borrowings during the year	30,000
Interest received	253
Net investments redeemed	8,900
<b>Payments</b>	
Finance costs	27,736
<b>Receivables</b>	
Interest receivable	18
<b>Payables</b>	
Finance costs	6,875

### Melbourne Water Corporation (MWC)

Barwon Water and MWC have the same controlling entity and therefore are considered to be related parties.

Barwon Water has a bulk water entitlement to water from the Yarra Thompson bulk water supply controlled by MWC extending over a number of years which consists of annual bulk water charges and usage fees with the payments being recognised as expenses. The bulk water charges being paid in-advance are recognised as prepayments.

Barwon Water collects waterways and drainage charges on behalf of MWC recognising them as liabilities prior to the transfer of receipts payment being made.

	2017
	\$'000
<b>Payments</b>	
Bulk water charge	5,400
Bulk water usage fees	245
Bulk water charge (prepaid)	15,807
Other	45

### Western Water Corporation (WWC)

Barwon Water and WWC have the same controlling entity and therefore are considered to be related parties.

Fund received from the sale of 5,000ML of Barwon Water's Greater Yarra System Thomson River water allocation to WWC is recognised as revenue.

	2017
	\$'000
<b>Receipts</b>	
Water allocation sale	1,600

**Key management personnel**

Key management personnel of Barwon Water includes:

Name	Title	Period of appointment
The Hon. Lisa Neville MP	Minister for Water	1 July 2016 to 30 June 2017
J E Plummer	Chair	1 July 2016 to 30 June 2017
C J Lovell	Deputy Chair	1 July 2016 to 30 June 2017
J N Heath	Director	1 July 2016 to 30 June 2017
R M Leonard	Director	1 July 2016 to 30 June 2017
E C Carbines	Director	1 July 2016 to 30 June 2017
J J Gavens	Director	1 July 2016 to 30 June 2017
J M Mifsud	Director	1 July 2016 to 30 June 2017
B C Walsh	Director	1 July 2016 to 30 June 2017
T A Slatter	Managing Director (Accountable Officer)	16 January 2017 to 30 June 2017
J J Adamski	Managing Director (Accountable Officer)	1 July 2016 to 30 December 2016

	2017
<b>Compensation of KMPs</b>	<b>\$'000</b>
Short-term employee benefits	786
Post-employment benefits	58
Other long-term benefits	230
<b>Total</b>	<b>1,074</b>

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

Given the breadth and depth of Barwon Water activities, related parties transact with Barwon Water in a manner consistent with other members of the public e.g. water and sewerage fees and charges. Further employment of processes within Barwon Water 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.

Outside of normal citizen type transactions with Barwon Water, the only related party transactions that involved key management personnel and their close family members are as follows:

	2017
<b>Jo Plummer</b> - Barwon Water Director is a non-executive director of the Victorian Water Industry Association during 2016-17.	
Victorian Water Industry Association (VicWater)	\$'000
At year end funding is receivable from VicWater, the peak industry association for water businesses in Victoria, for the reimbursement of costs for works undertaken in relation to the Intelligent Water Networks (IWN) Program; a collaboration of the Victorian water corporations, VicWater and the State Government to trial new and emerging technologies.	89
Barwon Water payments to VicWater during the year included membership fees and other transactions being minor or commercial in nature.	138

All other transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluation

decisions about the allocation of scarce resources.

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

## Part 6 : Financial statements

### 9.7 Ex gratia expense

	2017	2016
	\$'000	\$'000
Barwon Water made the following ex-gratia payments:		
Forgiveness or waiver of debt <sup>(i)</sup>	91	95
Other <sup>(ii)</sup>	209	246
<b>Total ex-gratia expenses</b>	<b>300</b>	<b>341</b>

#### Notes:

(i) Forgiveness of debt under Barwon Water's 'Arrange & Save' program. This program assists customers who are in financial hardship by offering a payment plan where the customer is provided a 'credit' of one instalment payment if they meet their instalment arrangements for several consecutive periods.

(ii) Other ex-gratia expenses. Reductions of charges due to leaks or unexplained high consumption events experienced by customers who satisfy the requirements of Barwon

Water's write-off policy - \$201k during 2016/17 (\$186k 2015/16). Rebates offered to customers undertaking dialysis or suffering severe medical conditions that require higher than usual water consumption \$8k during 2016/17 (\$9k 2015/16) offered over and above government funded rebates. Waiver of debt due to uneconomical to pursue \$0 during 2016/17 (2015/16 \$51k).

Ex-gratia expenses are recorded in the Services and Supplies expenditure line within the Comprehensive Operating Statement.

### 9.8 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows arising from operating activities are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from,

or payable to, the ATO, are classified as operating cash flows.

### 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 2017 reporting period. As at 30 June 2017, the following applicable standards and interpretations had been issued but were not mandatory for financial year ended 30 June 2017. Barwon Water has not and does not intend to adopt these standards early.

## Part 6 : Financial statements

Standard/Interpretation	Summary	Effective date	Effective date for Barwon Water	Estimated impact on Barwon Water
AASB 15 Revenue from <i>Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2018	1 July 2019	Barwon Water's preliminary assessment suggests a potential change in the timing and amount of revenue recognised in the financial statements as a result of this standard. Further analysis will be undertaken to gauge the financial impacts and disclosure requirements.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends.  Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.  Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> <li>the entity's right to receive payment of the dividend is established;</li> <li>it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>the amount can be measured reliably.</li> </ul>	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (Dec 2010) apply from 1 January 2018	1 July 2019	Barwon Water's assessment indicates there will be no significant impacts.
AASB 2016-3 Amendments to Australian Accounting Standards – <i>Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> <li>A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;</li> <li>For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and</li> </ul> For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 January 2018	1 July 2019	Barwon Water's assessment indicates there will be no significant impacts other than the impact identified for AASB 15 above.
AASB 2016-7 Amendments to Australian Accounting Standards – <i>Deferral of AASB 15 for Not-for-Profit Entities</i>	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	1 July 2019	Defers the effective date applicable to Barwon Water to the 2019-20 reporting period.

## Part 6 : Financial statements

Standard/Interpretation	Summary	Effective date	Effective date for Barwon Water	Estimated impact on Barwon Water
AASB 2016-4 Amendments to Australian Accounting Standards – <i>Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017	1 July 2017	Barwon Water's assessment indicates there is minimal impact. Given the specialised nature and restrictions of Barwon Water's assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	1 July 2019	Barwon Water's operations have not changed significantly during 2016-17, as such the preliminary assessment findings remain; being no material impact to Barwon Water identified arising from AASB 16. Monitoring and assessment of impacts is ongoing.
AASB 1058 Income of Not-for-Profit Entities	This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019	1 July 2019	Barwon Water's preliminary assessment suggests a potential impacts to revenue recognition as a result of this standard. Further analysis will be undertaken to gauge the impacts.
AASB 2016-8 Amendments to Australian Accounting Standards – <i>Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 January 2019	1 July 2019	Barwon Water's preliminary assessment indicates there will be no significant impacts other than the impacts identified for AASB 9 and AASB 15 above.

The AASB has also issued a number of other amending standards that are not effective for the 2017-18 reporting period, however preliminary assessment suggests these will not impact Barwon Water.



**Barwon Region Water Corporation**  
(Barwon Water)

**Directors and chief finance and  
accounting officer's declaration**

The attached financial statements for the Barwon 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 2017 and financial position of Barwon Water at 30 June 2017.

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 17 August 2017.



**J Plummer**  
Chair  
Barwon Region Water Corporation



**T Slatter**  
Managing Director  
Barwon Region Water Corporation



**M Watson**  
Chief Finance and Accounting Officer  
Barwon Region Water Corporation

Dated this 17th day of August 2017

### Independent Auditor's Report

#### *To the Board of the Barwon Region Water Corporation*

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<b>Opinion</b>	<p>I have audited the financial report of the Barwon Region Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2017</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</li><li>• directors and chief finance and accounting officer's declaration.</li></ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described 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 Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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  
22 August 2017



Roberta Skliros  
*as delegate for the Auditor-General of Victoria*



Part 7:

# Disclosure Index

## Disclosure Index

The 2016-2017 Annual Report of the Barwon Region Water Corporation is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of Barwon Water's compliance with statutory disclosure requirements.

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