



Annual Report

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2018 – 2019



Barwon Water has a proud history supporting regional prosperity by providing excellence in water, sewerage and recycled water services to our customers and the community for more than 110 years.



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PART 1.

Year in review

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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, 2019.



Jo Plummer
Chair

About us

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

Barwon Water was constituted in February, 1994. For the 2018-19 reporting period, Barwon Water operated as a statutory corporation under the *Water Act 1989*.

Barwon Water has a proud history supporting regional prosperity by providing excellence in water, sewerage and recycled water services to our customers and the community for more than 110 years.

We service a population of more than 320,000 permanent residents over 8,100 square kilometres. Over the holiday period, the serviced population can reach up to 545,000 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.

Our vision

Barwon Water's vision, as shared in our Strategy 2030, is to be an enabler of regional prosperity – economically, environmentally, culturally and socially. We recognise that as a trusted water authority in our region, we need to continue to deliver our core service – high quality water and sewerage services and customer and community value. However, we want to do more to help our region prosper and we are doing this by being more innovative and entrepreneurial, striving towards zero waste and zero emissions, creating strategic partnerships with our customers and community, and building a high performing workforce with a strong connection to our region. 2018-19 has seen Barwon Water boldly deliver upon this vision in many ways and examples of this are detailed throughout this report.

Our region

Barwon Water's 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 – including raw water, 191 sewerage)
- 20 water basins
- 40 water tanks
- 6,866 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, the East Moorabool River and the West Moorabool River. Groundwater can also be accessed via the Anglesea borefield.

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

In times where surface water supplies are low, Barwon Water is able to access standby sources including a bulk entitlement from the Greater Yarra system – Thomson River pool through the Melbourne to Geelong (MGP) pipeline and Anglesea Borefield. Where previously we had access to Barwon Downs borefield as a critical standby source (last used January, 2016, when Geelong storages were low), we made a decision in March, 2019, not to reapply for the licence until the remediation of the historical impacts of groundwater pumping is complete.

The MGP began supplying water in March, 2019, to supplement surface water supplies due to dry climate conditions resulting in lower than average inflows. Also in 2018-19, we commenced construction to extend the reach of the MGP from Montpellier to Lovely Banks. Expected to be completed late 2019, this will enable us to service even more customers at no extra cost in the current price period.

Supplies in the Colac and Otway regions are drawn primarily from five separate sources, all located in forested catchments of the Otway Ranges. The Colac system provides water to urban and rural districts extending as far north as Cressy. A new pipeline interconnecting the Colac system to the Geelong system was completed in late 2017-18, with some initial water transfers to Colac occurring during pipeline commissioning, which assisted in alleviating lower storage levels in that region.

Gellibrand, Apollo Bay/Skenes Creek and Lorne all have their own water supply systems. In 2018-19 we completed a \$4.2 million upgrade of Allen Reservoir designed to help secure Lorne's water supply in the future. The 186 million litre reservoir, built in 1958, is Lorne's sole water source of drinking water. The upgrade increases the reservoir's flood level capacity, strengthened the dam wall and reduces the risk of infrastructure failures.

Water customers

Domestic bill paying customers comprise 92 per cent of the 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.

Our community is anyone who has a relationship, or comes in contact with Barwon Water whether they pay a bill or not.

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, Portarlington, 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, so it does not trigger EPA licensing requirements.

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 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 21.1 per cent water recycling in 2018-19.

Biosolids

During 2018-19, 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 2018-19, Barwon Water received 50,886 tonnes of wet biosolids and produced 7,165 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 \$410 million to capital works to improve or maintain our \$2.8 billion asset base on behalf of our customers and community. 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, 2018, to June 30, 2019, 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.

Our values

Barwon Water continues to uphold its core values of respect, relationships, innovation, high performance and leadership in delivering its mission.

At a glance

| | 2018-19 | Change (%) | 2017-18 | Change (%) | 2016-17 | Change (%) | 2015-16 | Change (%) | 2014-15 | Change (%) |
|---|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|
| Population served (water) | 321,562 | 3.0 | 312,235 | 2.8 | 303,858 | 1.7 | 298,769 | 2.2 | 292,347 | 1.6 |
| Population served (sewerage) | 296,262 | 4.0 | 284,905 | 2.7 | 277,290 | 1.8 | 272,372 | 2.4 | 265,892 | 1.3 |
| Connected properties (water) | 161,695 | 2.3 | 158,109 | 2.5 | 154,266 | 1.9 | 151,418 | 2.2 | 148,214 | 1.8 |
| Connected properties (sewerage) | 146,272 | 4.2 | 140,319 | 1.8 | 137,852 | 1.7 | 135,561 | 2.0 | 132,877 | 1.7 |
| Water treatment plant volumes (megalitres) | 38,822 | 6.0 | 36,608 | 9.0 | 33,600 | -6.1 | 35,797 | 10.4 | 32,424 | 1.8 |
| Water reclamation plant volumes (megalitres) | 28,278 | -7.3 | 30,500 | 8.8 | 28,042 | -0.8 | 28,267 | 3.8 | 27,224 | -0.5 |
| Employee numbers ^{1,2} | 314 | -0.2 | 314 | 0.0 | 314 | -1.9 | 320 | 6.7 | 300 | -1.0 |
| Number of days lost to injury | 1 | -88.9 | 9 | -67.9 | 28 | 100.0 | 0 | -100.0 | 34 | -78.3 |
| Total revenue (\$'000) | 240,078 | 2.4 | 234,470 | 9.7 | 213,448 | -2.1 | 218,034 | 5.6 | 206,548 | 4.3 |
| Net operating result (before income tax) (\$'000) | 25,692 | 42.9 | 17,975 | 278.0 | 4,671 | -81.3 | 25,024 | 48.1 | 16,899 | 49.6 |
| Total assets (\$'000) | 2,797,204 | 2.6 | 2,725,452 | -0.2 | 2,730,251 | 1.2 | 2,697,222 | 16.1 | 2,323,409 | 1.1 |
| Capital expenditure (\$'000) | 81,025 | 22.6 | 66,104 | -20.06 | 83,290 | 4.2 | 79,895 | 25.8 | 63,496 | -28.0 |

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.

Message from the Chair and Managing Director

*On behalf of Barwon Water,
we are pleased to present
our annual report for the
2018–19 financial year.*



We wish to acknowledge the Traditional Owners of the land on which we live and work and pay respect to Elders, past, present and emerging. We recognise Aboriginal and Torres Strait Islander peoples as the First Peoples of this nation who have managed water and the environment for at least 80,000 years. It is indeed a privilege to share in the knowledge and experiences from the oldest living culture in the world.

It's been an exciting and positive year for Barwon Water, focussed strongly upon delivering our Strategy 2030 vision to be an enabler of regional prosperity.

***We have continued our
commitment to disciplined
financial management,
customer service excellence,
ongoing planning for the
future water needs of our
region, protecting the
environment, partnering
with our community to
improve livability and having
a diverse and highly skilled
workforce who care about
the region they work in.***

Our entrepreneurial and innovative mindset is helping us harness opportunities that keep customer prices low, grow the local economy and respond to critical issues such as climate change, population growth and community expectations about water use, protecting environment and helping vulnerable customers.

Examples of this in 2018–19 included:

- Partnering with 12 other Victorian water corporations on a large scale renewable solar farm to reduce greenhouse gas emissions, helping to keep water bills down with expected operational cost savings of up to \$1.7 million over the life of the project.
- Barwon Asset Solutions, our dedicated maintenance services subsidiary, providing high quality, smart, asset maintenance and project management services to over 320,000 customers after a record breaking year for new customer connections across the region.
- Implementing our 'property realisation' program to maximise value to our customers for unused assets, for example Salt Torquay; a 52-lot sustainable development with household solar and battery storage, electric car charging points and smart water meters.

- Increasing the use of recycled water to achieve zero waste and optimal use of our resources through initiatives such as supplying Class C recycled water to Winchelsea Golf Club to keep their water costs down and greens looking lush, as well as irrigating sports grounds, vineyards and flower farms.
- Transforming the way we deliver customer experience. In June, 2019, Barwon Water's customer service team was ranked number 1 in Victoria and number 2 in Australia for call handling skills in a national customer service benchmark.
- Continuing to deepen our values of diversity and inclusion. We achieved extremely positive results in the 2019 Victorian public sector's People Matter survey, demonstrating our positive culture towards employees who identify LGBTIQ, Aboriginal and/or Torres Strait Islander and employees with a disability.

In 2018–19, we delivered an \$81 million capital works program to maintain and improve our infrastructure and delivered on our year 1 price period commitment towards achieving a five year target of \$32 million in efficiency and cost savings through innovative and efficient business practices and asset management without reducing employee numbers.

Barwon Water also responded proactively to the challenges of a hotter drier climate in 2018-19 by continually monitoring and taking action to ensure a secure water supply for our region. This included:

- Switching on the Melbourne to Geelong pipeline (MGP) in early March, servicing Geelong's northern suburbs and boosting water storages by up to 20 million litres a day;
- Commencing construction to extend the MGP from Lovely Banks to Montpellier to service even more customers in the north of Geelong;
- Continuing to supply recycled water from the Northern Water Plant and gearing up to provide Class A recycled water to Armstrong Creek and Torquay North;
- Preparing the Anglesea borefield for possible use in October, 2019; and
- Engaging with our customers and community to follow permanent water saving rules.

We are also very pleased to share that in early 2019, Barwon Water commenced planning for a new and exciting program to co-design with our community for our next Urban Water Strategy to meet the region's long-term water security needs. Called 'Water for our Future', we are aiming to launch the program on in late August, 2019. As part of this we want to shine a light on the role of water in enabling regional prosperity and how everyone can play a part in shaping our water future.

Certainly a challenge for Barwon Water – but the right thing to do – was making the decision in February, 2019, to put the Barwon Downs licence renewal application on hold until the remediation of Boundary Creek and Big Swamp is complete. The withdrawal of this licence application means that this vital water source, which was a crucial back-up supply for the greater Geelong region during the millennium drought, is not available in the near future.

An area of great pride for Barwon Water was commencing year 1 of our Reconciliation Action Plan in which

we have committed ourselves to learning from and developing strong relationships with all Traditional Owners. This included signing a new partnership agreement with Wadawurrung, setting our commitment to work together on key projects over the next three years. Another example was groups of staff visiting key sites around the region with Traditional Owners from Wadawurrung, Guli Gad and Kuuyang Maar to learn more about Caring for Country principles. The project seeks to embed indigenous approaches to land and water management into our business, so we can protect the natural assets upon which we all depend.

Another highlight of 2018-19 was working collaboratively with local support agencies and local government to co-design a new Customer Support Strategy. This responded to a commitment we made in our price submission to allocate an additional \$2.5 million over five years to helping customers experiencing hardship. Year 1 of this strategy has seen an increase in the number of customers accessing our 'Arrange and Save' program and in the approval rate for the Commonwealth Utility Relief Grant Scheme. We've also commenced a cross referral program with some local councils and facilitated greater awareness and program reach through promotion and education of hardship services on our website, bills, through shopping centre information stands and on social media.

And finally, 2018-19 was the year in which Barwon Water was recognised through a number of awards. The design of our Geelong head office won two 2018 National Architecture Awards in the commercial and sustainable architecture categories. We were also recognised with an Innovative HR Team Award by the Human Resources Director Magazine, named a national finalist in Best Customer Centre Excellence awards, and a Highly Commended in the 2018 IAP2 Australasia Core Business Awards for our price submission engagement. Closer to home, Barwon Water won the Clever and Creative Sustainable Business category in the 2018 Geelong Business Awards.

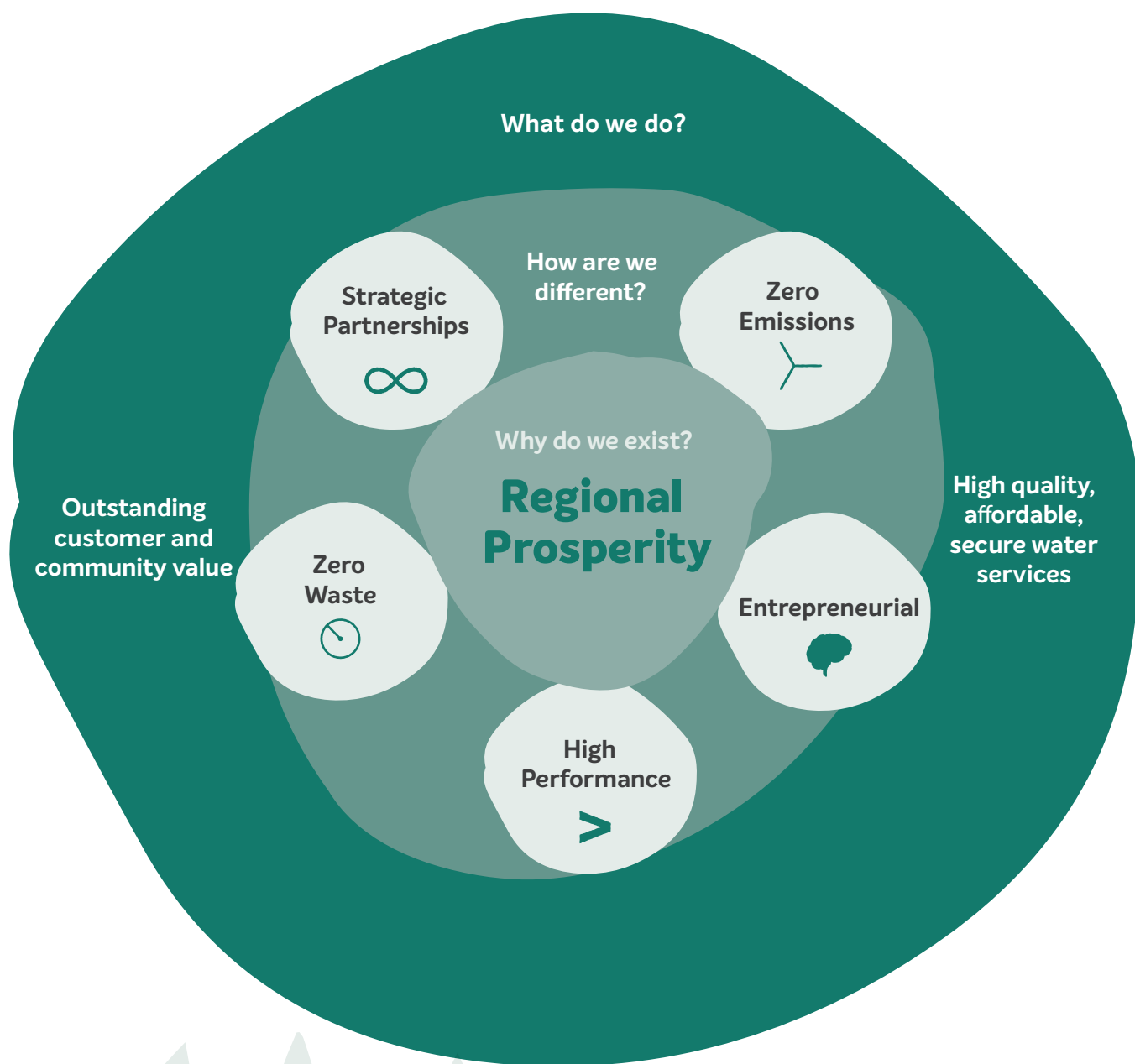
2018-19 has been a big year for Barwon Water and our people are central to all of these achievements. On behalf of the Board, we would like to thank all of our employees for their ongoing commitment to strengthening our region's economy, liveability and sustainability through the delivery of high quality and affordable water and sewerage services.

It is through them that we are achieving our organisational vision of providing outstanding value to our customers and community, while contributing to greater regional prosperity, a more sustainable future and lower customer prices.

Jo Plummer
Chair

Tracey Slatter
Managing Director

Strategy 2030



Why we exist:

to be an enabler of regional prosperity.

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What we do:

deliver outstanding value to our customers and the community by delivering high quality, affordable and reliable water services.

In 2018-19, Barwon Water delivered the following key outcomes:

- *continued to keep prices low with no price rises (excluding inflation) across average residential and business water bills for 2018-19*
- *continued 100 per cent compliance with water quality targets*
- *improved customer experience and access to services through a new website, expanded*

e-billing and SMS programs, a new 'Voice of Customer' program and deep and genuine engagement through advisory committees, customer focus groups and planned consultations.

In relation to the five key 'How' strategies, 2018-19 has seen a great deal of progress in all five areas, including:

Strategic partnerships with customers, industry, the community, agencies and internally across the organisation to identify, plan and deliver outcomes from high value opportunities and initiatives. 2018-19 has seen continued work with strategic partners in the region, including:



Strategy 2030 Highlights

- Signing a partnership agreement with Wadawurrung, which covers a range of services and projects that Barwon Water and Wadawurrung are committed to working on together across the next three years; and
- Continued to work with partner organisations Surf Coast Shire, City of Greater Geelong (CoGG), Deakin University and The Gordon on a range of initiatives, including working collaboratively with CoGG and DELWP on an Integrated Water Management plan for the proposed Northern and Western Geelong Growth Area;
- Actively supporting the work of regional bodies G21, Committee for Geelong and Geelong Manufacturing Council.

Zero emissions through action on climate change. In 2018–19, Barwon Water built the foundations required to achieve zero emissions by 2030. Key actions included:

- Establishment of Zero Emissions Water (ZEW) Ltd via a power purchase agreement in conjunction with 12 other Victorian water corporations. The initiative will deliver a solar farm in the north west of Victoria and contribute significantly towards zero emissions targets, helping to keep water bills down with expected operational cost savings of up to \$1.7 million over the life of the project;
- Expansion of Black Rock solar farm to 3 megawatts capacity, with the additional 2MW commencing operation in late June. The solar farm is expected to meet 35 per cent of the plant's annual energy needs;

- A separate project to install a 300 kilowatt solar array at the Wurdee Boluc Water Treatment Plant will also feature a 200 kilowatt-hour battery to store renewable energy – the first battery storage project for the organisation.
- The three projects will dramatically reduce grid electricity consumption and help achieve Barwon Water's goal of using 100 per cent renewable electricity by 2025, as well as keeping customers' bills low.

Improved productivity through a goal of **zero waste**, driving the organisation to optimise the benefits of its resources to help grow the regional economy and continuously improve organisational processes and practices. Works in 2018–19 included:

- Working with interested customers to pursue opportunities to use recycled water from Bannockburn and Winchelsea water reclamation plants and on the Bellarine Peninsula for more productive uses. The identified uses for the recycled water include agricultural, horticultural and recreational uses.
- Successful implementation of a customer e-billing program has improved customer experience and will help to save more than 700,000 pieces of paper and almost \$1 million in production costs over five years.

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. Progress in this area has included:

- Delivering on Customer Affordability Pipeline savings and efficiency targets for Year 1 of the price submission period. This helps ensure customer bills are kept low and within the agreed pricing path, set out in the 2018–2023 price submission; and
- Continued training and roll out of continuous improvement tools and methodologies, including the FLOW model (Find, Learn, Optimise, Watch) and piloting Agile ways of working in several work groups.

High performance by building a more diverse and accountable organisation where leadership is shared and inclusive to deliver outstanding value to customers and the community. 2018–19 saw a continued focus on a range of elements in the Barwon Water High Performance Plan, including:

- Roll out of a Capability and Competency program for all staff;
- Continued work on the Lead 2030 leadership development program, which has now been rolled out to all senior leaders across the business; and
- Development and roll out of an internal facilitator team to support business wide team development works.

Summary of financial results

I, Jo Plummer, on behalf of Barwon Region Water Corporation, certify that the Barwon Regional Water Corporation and its wholly owned subsidiary Barwon Asset Solutions have complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



Jo Plummer

Chair

August 15, 2019

Financial summary

The 2018–19 financial year saw Barwon Water continue its focus on customer affordability, innovation and sustainable investment in infrastructure renewal and growth activities. The organisation remained focused on keeping prices low by improving operational efficiencies in a period of strong regional growth, challenging climatic conditions and met all service performance and customer responsiveness targets.

Barwon Water's operations made a significant positive contribution to our region's economy and liveability. During 2018–19, the organisation had a \$240.1 million turnover supported by \$2.8 billion in assets and spent \$81 million in capital and related infrastructure works.

The organisation continued to deliver strong and financially sustainable results. 2018–19 was the first year of the 2018 Price Submission, where Barwon Water continued its commitment to keeping prices low and delivering affordable water services to our customers.

Debt increased marginally by \$1 million, but remained \$17.5 million below the budgeted peak debt target, reflecting the continued financial sustainability of the business. Barwon Water remains committed to managing debt levels, while continuing to fund capital that provides tangible and long-term benefits to the community.

Challenges overcome

With extensive community consultation and customer engagement, Barwon Water's prices for the next five years were approved by the Essential Services Commission through the 2018 Price Submission.

To keep customers' bills stable and low, the organisation will have started delivering savings of \$32 million over five years by identifying operational efficiencies, implementing improved processes and adopting new ways of working. This will result in customers' bills increasing by less than 1 per cent per annum, excluding inflation.

Major changes or factors affecting performance

Barwon Water's net result before tax was a surplus of \$25.7 million, which was \$7.7 million higher than the prior year. A combination of factors contributed to achieving this result, including the continuation of strong regional development and growth resulting in higher revenues and customer connections and increased demand for water due to the dry climate conditions.

Significant changes in financial position

Investment in infrastructure was funded through \$87.3 million in funds from operations. Barwon water repaid \$36 million of matured borrowings and refinanced \$37 million with new borrowings, net of repayments the total debt increased by \$1 million. This outcome was achieved through a commitment and continued focus on disciplined capital and cash management.

Barwon Water's ongoing commitment to long-term service delivery through prudent and efficient infrastructure planning resulted in \$81 million of capital works expenditure being delivered.

Key capital works focus areas have been the replacement of more than 11 kilometres of below ground water pipelines, 19 kilometres of sewerage pipelines and investment in innovative and cost

Events subsequent to balance date

No material events occurred after balance date.

Summary of financial results

| Financial Result | 2018-19 (\$'000) | 2017-18 (\$'000) | 2016-17 (\$'000) | 2015-16 (\$'000) | 2014-15 (\$'000) |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Tariff revenue | 193,222 | 181,199 | 171,861 | 176,542 | 172,139 |
| Capital revenue | 36,989 | 44,018 | 33,066 | 32,886 | 29,217 |
| Government contributions | 511 | 386 | 362 | 170 | 128 |
| Other revenue | 9,356 | 8,548 | 8,159 | 8,436 | 5,064 |
| Total revenue | 240,078 | 234,470 | 213,448 | 218,034 | 206,548 |
| Operating expenditure | 99,651 | 94,157 | 88,279 | 79,051 | 78,143 |
| Depreciation expenditure | 68,424 | 75,969 | 74,281 | 67,126 | 64,863 |
| Finance costs | 37,712 | 39,436 | 39,347 | 39,913 | 39,737 |
| Other expenditure | 8,599 | 6,933 | 6,870 | 6,920 | 6,906 |
| Total expenditure | 214,386 | 216,495 | 208,777 | 193,010 | 189,649 |
| Net result before tax | 25,692 | 17,975 | 4,671 | 25,024 | 16,899 |
| Current assets | 70,444 | 52,211 | 68,117 | 61,206 | 60,813 |
| Non-current assets | 2,726,760 | 2,673,241 | 2,662,134 | 2,636,016 | 2,262,596 |
| Total assets | 2,797,204 | 2,725,452 | 2,730,251 | 2,697,222 | 2,323,409 |
| Current liabilities | 112,003 | 94,547 | 78,728 | 77,116 | 72,473 |
| Non-current liabilities | 910,514 | 900,877 | 933,452 | 905,443 | 796,424 |
| Total liabilities | 1,022,517 | 995,424 | 1,012,180 | 982,559 | 868,897 |
| Net cash flows from operations | 87,317 | 71,679 | 48,474 | 81,152 | 74,295 |
| Payments for property, plant and equipment (including infrastructure) | 82,408 | 67,858 | 84,514 | 81,338 | 64,629 |

Barwon Water's financial performance to June 30, 2019

| Performance indicator | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 |
|--------------------------|------------|------------|------------|------------|------------|
| Internal Financing Ratio | 107.0% | 118.7% | 60.3% | 102.8% | 118.8% |
| Gearing Ratio | 21.2% | 21.8% | 22.5% | 21.7% | 25.2% |
| Interest Cover (EBIT) | 1.68 times | 1.45 times | 1.12 times | 1.63 times | 1.43 times |
| Interest Cover (Cash) | 3.65 times | 3.09 times | 2.42 times | 3.36 times | 3.18 times |
| Return on Assets | 2.29% | 2.09% | 1.61% | 2.57% | 2.44% |
| Return on Equity | 1.03% | 0.74% | 0.22% | 1.12% | 0.84% |

Capital expenditure

Barwon Water's operations have a significant impact on the region's economy and liveability. The organisation had a turn-over of \$240 million, \$2.8 billion in assets and spent \$81 million in capital and related infrastructure works during 2018-19.

The \$5.9 million spent on water headworks projects included:

- \$3.7 million for the Wurdee Boluc Inlet Channel renewal – Driscolls piping and embankment
- \$0.7 million for minor project improvements
- \$0.3 million for the Ballan Channel upgrade.

The \$7.1 million spent on major water transfer and distribution projects included:

- \$0.9 million for new, replaced and converted meters
- \$0.9 million for the Lovely Banks to Montpellier Pump Station
- \$0.9 million for the Colac HL feeder main replacement stage 2.

Other major water infrastructure projects included:

- \$4.4 million for water mains replacements
- \$3.5 million for the Colac Water Treatment Plant clear water storage upgrade
- \$0.8 million for Wurdee Boluc renewable energy.

The \$0.9 million spent on recycled water infrastructure included

- \$0.4 million for Armstrong Creek Batten Road recycled water mains
- \$0.1 million for the Bannockburn south irrigation site infrastructure
- \$0.1 million for the Armstrong Creek Barwon Heads Road recycled water mains

The \$28.2 million spent on investment in sewerage infrastructure included:

- \$5.1 million for the Black Rock renewable energy project stage 2
- \$4.5 million for the Black Rock Water Reclamation Plant sludge dewatering
- \$2.5 million for mains replacement and rehabilitation.

| Item | 2018-19 \$'000 | Change % | 2017-18 \$'000 | Change % | 2016-17 \$'000 | Change % | 2015-16 \$'000 | Change % | 2014-15 \$'000 | Change % |
|---------------------------------|-------------------|-------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| Water supply | | | | | | | | | | |
| Headworks | 5,897 | -6.1 | 6,282 | -54.3 | 13,736 | 240.2 | 4,038 | -31.2 | 5,866 | -38.4 |
| Water treatment and quality | 5,960 | 263.4 | 1,640 | 53.5 | 1,068 | -40.8 | 1,804 | -36.5 | 2,839 | -74.1 |
| Major transfer and distribution | 7,050 | -14.3 | 8,231 | 47.0 | 5,598 | -42.2 | 9,680 | 11.5 | 8,678 | -60.6 |
| Reticulation | 6,870 | 8.9 | 6,311 | -31.7 | 9,240 | 34.4 | 6,875 | 25.7 | 5,470 | -34.7 |
| Total water | 25,777 | 14.7 | 22,465 | -24.2 | 29,642 | 32.4 | 22,396 | -2.0 | 22,853 | -55.1 |
| Sewerage | | | | | | | | | | |
| Water reclamation and disposal | 18,729 | 97.3 | 9,495 | 80.2 | 5,269 | -74.8 | 20,883 | 133.2 | 8,954 | 135.3 |
| Main sewers | 4,860 | -47.4 | 9,239 | 170.1 | 3,421 | -43.6 | 6,065 | -49.3 | 11,975 | 30.0 |
| Reticulation and other | 4,587 | -10.3 | 5,115 | -2.5 | 5,245 | -43.6 | 9,300 | 44.5 | 6,438 | 41.5 |
| Total sewerage | 28,176 | 18.1 | 23,849 | 71.2 | 13,934 | -61.6 | 36,248 | 32.5 | 27,367 | 55.8 |
| Recycled water | | | | | | | | | | |
| Total recycled water | 871 | -9.7 | 965 | -69.4 | 3,151 | 404.1 | 625 | -83.2 | 3,714 | -76.6 |
| Other works and services | | | | | | | | | | |
| Building | 2,099 | -1.5 | 2,131 | -91.0 | 23,618 | 97.7 | 11,946 | 213.1 | 3,815 | 2857.4 |
| Corporate information | 3,775 | 9.6 | 3,443 | 127.0 | 1,517 | 55.4 | 976 | -14.5 | 1,141 | -43.1 |
| Other corporate | 20,328 | 53.4 | 13,251 | 16.0 | 11,428 | 48.4 | 7,703 | 67.2 | 4,606 | 163.8 |
| Total other works | 26,201 | 39.2 | 18,825 | -48.5 | 36,563 | 77.3 | 20,626 | 115.7 | 9,562 | 146.4 |
| Total | 81,025 | 22.6 | 66,104 | -20.6 | 83,290 | 4.2 | 79,895 | 25.8 | 63,496 | -28.0 |

Capital projects

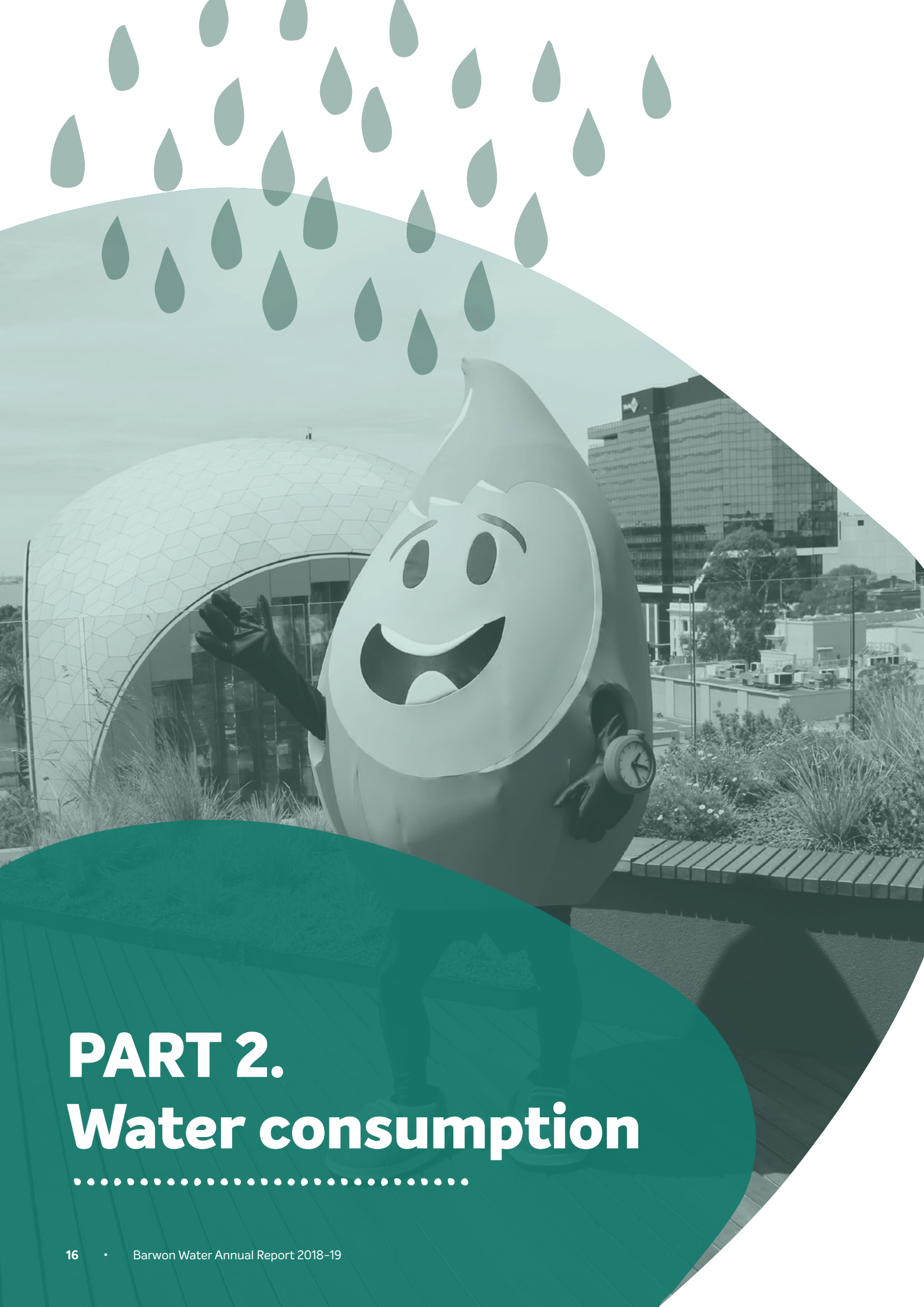
Barwon Water managed 170 capital projects during 2018-19.

No projects completed during the reporting period exceeded the disclosure threshold of \$10 million.

For information on recent capital projects managed by Barwon Water and the broader Victorian public sector,

please refer to the most recent Budget Paper No. 4 State Capital Program (BP4) available on the Department of Treasury and Finance's website at this link:

www.budget.vic.gov.au/budget-papers.



PART 2.

Water consumption

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2018-19 Weekly household water consumption (kilolitres)

| Month | Week 1 | Week 2 | Week 3 | Week 4 |
|--------------|--------------|--------------|--------------|--------------|
| January | 4.36 | 4.36 | 4.36 | 4.36 |
| February | 4.36 | 4.36 | 4.36 | 4.36 |
| March | 4.36 | 4.36 | 4.36 | 4.36 |
| April | 4.07 | 4.07 | 4.07 | 4.07 |
| May | 4.07 | 4.07 | 4.07 | 4.07 |
| June | 4.07 | 4.07 | 4.07 | 4.07 |
| July | 2.75 | 2.75 | 2.75 | 2.75 |
| August | 2.75 | 2.75 | 2.75 | 2.75 |
| September | 2.75 | 2.75 | 2.75 | 2.75 |
| October | 3.09 | 3.09 | 3.09 | 3.09 |
| November | 3.09 | 3.09 | 3.09 | 3.09 |
| December | 3.09 | 3.09 | 3.09 | 3.09 |
| Total | 42.78 | 42.78 | 42.78 | 42.78 |

Regional metered water consumption (megalitres)

| | 2018-19 | Change % | 2017-18 | Change % | 2016-17 | Change % | 2015-16 | Change % | 2014-15 | Change % |
|----------------------------|---------------|------------|---------------|------------|---------------|-------------|---------------|-------------|---------------|------------|
| Apollo Bay | 271 | 1.6 | 266 | 10.0 | 242 | -8.4 | 264 | 6.6 | 248 | 5.5 |
| Aireys Inlet | 133 | 7.5 | 123 | 7.5 | 115 | -10.4 | 128 | 17.1 | 109 | 9. |
| Anglesea | 372 | 6.2 | 350 | 5.3 | 332 | -12.3 | 379 | 10.9 | 342 | 1.6 |
| Bellarine Peninsula | 5,318 | 11.3 | 4,779 | 8.2 | 4,418 | -6.3 | 4,715 | 13.9 | 4,140 | 4.0 |
| Colac and district | 2,829 | 2.0 | 2,774 | 9.2 | 2,541 | -10.8 | 2,847 | 6.3 | 2,679 | -1.0 |
| Geelong urban | 24,740 | 7.6 | 23,001 | 4.1 | 22,102 | -5.3 | 23,341 | 9.9 | 21,236 | 4.1 |
| Lorne | 324 | -0.1 | 325 | 6.4 | 305 | -9.9 | 339 | 7.5 | 315 | 2.9 |
| Skenes Creek | 34 | 12.6 | 30 | 2.5 | 29 | -7.3 | 31 | 21.1 | 26 | -2.5 |
| Torquay | 2,038 | 11.0 | 1,836 | 11.6 | 1,645 | 1.2 | 1,625 | 13.1 | 1,437 | 7.5 |
| TOTAL | 36,057 | 7.7 | 33,486 | 5.5 | 31,729 | -5.8 | 33,670 | 10.3 | 30,533 | 3.8 |

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) ³ |
|-------------------------|--|-----------------------------------|---------------------------------|--|-----------------------------------|------------------------|--|--|
| | Number of water customers ¹ | Volume consumed (ML) ² | Weekly potable consumption (kL) | Number of water customers ¹ | Volume consumed (ML) ² | | | |
| Geelong and district | 136,384 | 23,452 | 450,996 | 10,824 | 8,930 | 32,382 | 213 | 30,236 |
| Colac and district | 6,798 | 1,474 | 28,337 | 1,205 | 1,356 | 2,829 | 281 | 2,715 |
| Apollo Bay/Skenes Creek | 2,216 | 214 | 4,106 | 170 | 129 | 342 | 295 | 321 |
| Lorne | 2,270 | 239 | 4,589 | 161 | 86 | 324 | 371 | 318 |
| Aireys Inlet/Fairhaven | 1,620 | 168 | 3,232 | 47 | 12 | 180 | 420 | 168 |
| Total | 149,288 | 25,546 | 491,260 | 12,407 | 10,512 | 36,057 | 218 | 33,757 |

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 | 31 | 1,741 | 17 | 1,013* | 6,138 | N/A** | 2,754 | 2,845 |
| Colac and district | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Apollo Bay/Skenes Creek | 1 | 0.3 | N/A | N/A | N/A | N/A | 0.3 | 0.2 |
| 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 |
| Total | 32 | 1,741 | 17 | 1,013 | 6,138 | N/A | 2,754 | 2,845 |

* 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 2018-19 because the commissioned Class A recycled water plant was not brought into operation due to insufficient demand.

Non-revenue water (ML) 2018-19

| | Leakage | Firefighting* | Other** | Total |
|-----------------------------|---------|---------------|---------|-------|
| Barwon Water service region | 2,266 | - | 498 | 2,765 |

*Water used for firefighting 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.

Corporate water consumption

This is the 14th 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 | 2018-19 | | | | |
|------------------------------|--------------------------------------|--------------------------------|------------------------|-------------|---|
| | Total full-time equivalent employees | Office space (m ²) | Water consumption (kL) | kL/FTE | Water consumption by office space (l/m ²) |
| 55-67 Ryrie Street (Geelong) | 296 | 6,071 | 1,865 | 6.31 | 307.20 |
| 33 Bromfield Street (Colac) | 2 | 190 | 21 | 10.50 | 110.53 |
| Total | 298 | 6,261 | 1,886 | 6.34 | 301.23 |

Major non-residential water users

Customer by volume range

| Volumetric range – ML per year | No. customers |
|--|---------------|
| Equal to or greater than 100 ML and less than 200 ML | 10 |
| Equal to or greater than 200 ML and less than 300 ML | 3 |
| Equal to or greater than 300 ML and less than 400 ML | 0 |
| Equal to or greater than 400 ML and less than 500 ML | 3 |
| Equal to or greater than 500 ML and less than 750 ML | 1 |
| Equal to or greater than 750 ML and less than 1,000 ML | 1 |
| Greater than 1,000 ML | 1 |
| Total no. of customers | 19 |

Water efficiency

Barwon Water continued to promote its Target Your Water Use initiative, a collaborative water industry approach to water efficiency that encourages both residential and business customers in regional Victoria to use their water wisely. The organisation partners with Smart Approved Water Mark to provide support to business customers through consistent advice and resources on water efficiency available on its website.

During the reporting period, Barwon Water encouraged business customers to reduce their potable water consumption through conservation campaigns, leak detection programs, system optimisation and use of recycled water. While industrial growth contributes to an increase in water consumption, Barwon Water supports growth as vital to the region's prosperity.

Barwon Water provides more than 20 commercial, agricultural and industrial customers with Class C recycled water. The water is not suitable for drinking or residential use, but is often used to irrigate golf courses, agriculture, sporting grounds, vineyards and flower farms.

Golf courses at Anglesea, Barwon Heads, Portarlington, Bannockburn and Winchelsea are all connected to recycled water supplies, meaning the courses can be maintained at a fraction of the cost while also operating more sustainably.

Barwon Water also facilitates open space irrigation forums to support local councils and their water efficiency programs.

During 2018-19, Barwon Water engaged large accommodation providers such as caravan parks, hotels and motels to promote a summer awareness campaign around saving water and sustainable water use practices across the Bellarine and Surf Coast. Some accommodation providers were also provided with water efficient showerheads to help reduce water usage.

Data loggers have been installed at over 80 non-residential sites to encourage business customers to track their water use as well as detect and rectify leaks.

Barwon Water looks forward to working closely with large businesses to determine suitable programs to support them to be more water efficient throughout 2019-20.

Water management and recycling at Geelong Refinery

In recent years, Viva Energy has introduced a host of programs to improve the environmental performance of its operations. One of those is the highly successful water management and recycling program at the refinery, which saves the local community over a billion litres of water each year.

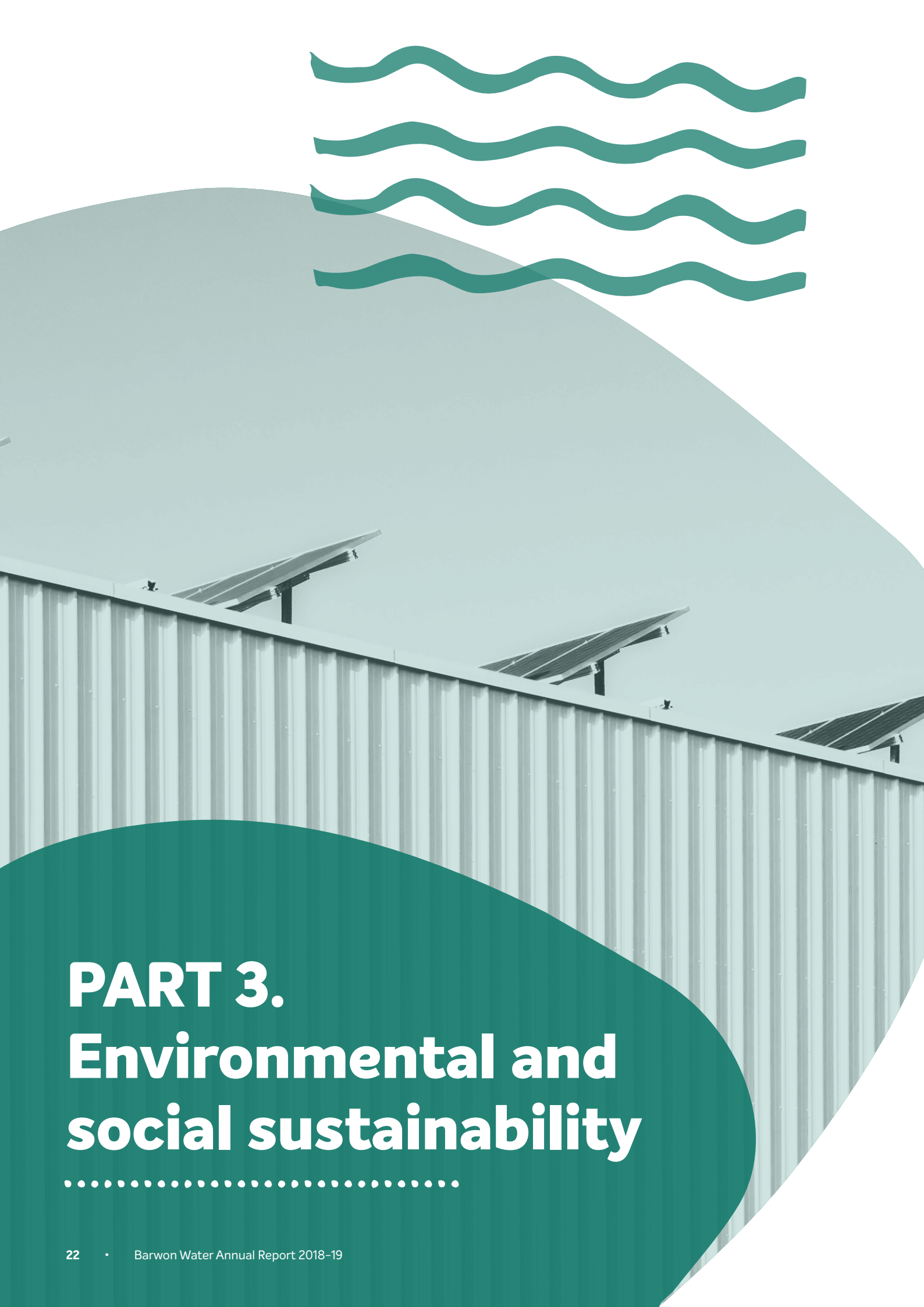
As with most manufacturing businesses, considerable amounts of water are used daily in production, maintenance and administration activities. However, waste management processes implemented at the Geelong Refinery since 2013 mean that 100 per cent of waste water from its operations is now recycled back to the refinery for re-use, which saves water and minimises the impact on the local environment.

Barwon Water's Northern Water Plant is a state-of-the-art water recycling facility that combines both domestic and industrial waste water treatment. Water used in refinery processes, or 'trade waste', is sent to the plant, where it is mixed with domestic sewage from the northern suburbs then run through a three-stage process consisting of biological reduction, ultra-filtration and reverse osmosis. Once the trade waste has been put through the treatment, it is returned to the refinery as clean water, for re-use.

Through this use of recycled water, the refinery has freed up more than 1.5 billion litres of water for community consumption each year, easing pressure on the local water supply.

Major customer participation in water conservation programs

| Name of customer | Information as to customers participation in water conservation program |
|--------------------------------------|---|
| Viva Energy Refining Pty Ltd | Water management and recycling program in use. |
| City Of Greater Geelong | Data logger installed, no specific water conservation program. |
| J R & C A Santospirito | Class C recycled water in use, data logger installed, no specific water conservation program. |
| Turi Foods Pty Ltd | Data logger installed, no specific water conservation program. |
| Malteurop Australia Pty Ltd | Data logger installed, no specific water conservation program. |
| Australian Lamb (Colac) Pty Ltd | Data logger installed, no specific water conservation program. |
| Anco Seed & Turf | Class C recycled water in use, data logger installed, no specific water conservation program. |
| Mc Herd Pty Ltd | Data logger installed, no specific water conservation program. |
| Thirteenth Beach Golf Links Ltd | Class C recycled water in use, data logger installed, no specific water conservation program. |
| Bulla Dairy Foods | Data logger installed, no specific water conservation program. |
| Deakin University | Data logger installed, no specific water conservation program. |
| Barrett Burston Ltd | Data logger installed, no specific water conservation program. |
| Barwon Health – The Geelong Hospital | Data logger installed, no specific water conservation program. |
| Bellarine Property Nominees Pty Ltd | Class C recycled water in use, data logger installed, no specific water conservation program. |
| Fremantle Harbour Properties Pty Ltd | Data logger installed, no specific water conservation program. |
| Jalna Nominees Pty Ltd | Data logger installed, no specific water conservation program. |
| Ep Robinson Pty Ltd | Data logger installed, no specific water conservation program. |
| Bulla Cream Co Pty Ltd | Data logger installed, no specific water conservation program. |
| Surf Coast Shire | Data logger installed, no specific water conservation program. |



PART 3.

Environmental and

social sustainability

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Environmental sustainability

Sustainable water use

Barwon Water understands 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.

The organisation's long-term ambition is to achieve optimal use of its resources to the fullest extent possible and achieve zero waste. This includes managing 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 the environment, it will help drive innovation to identify and deliver greater productivity. Internally, the organisation is engaging 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 all 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's 2017 Urban Water Strategy (UWS) sets out how the organisation 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.

Significant investment in new water supplies over the past decade has secured the water supply for the Greater Geelong region and Colac in the short to medium term.

However, in February 2018, Barwon Water withdrew its application to renew its Barwon Downs groundwater licence to wholly focus on remediation of the impacts of past management of this water source. Recent technical work confirmed that intermittent use of this critical supply over the past 30 years – combined with the effects of a dry climate – has led to a reduction in flows to Boundary Creek and the subsequent activation of acid sulphate soils in Yeodene peat swamp (Big Swamp). Remediation may take 5-10 years, during which time this ground water resource will not be available.

Once remediation is complete, Barwon Water is confident that in collaboration with the community, the organisation can sustainably manage this water resource going forward, subject to successfully applying for a new licence.

Without access to Barwon Downs, a major water supply upgrade may be required as early as 2029, 15 years earlier than with continued access to the groundwater resource. This is not withstanding that Barwon Water is already extending the Melbourne to Geelong pipeline to Montpellier by the end of 2019 to supply up to 50 per cent of Geelong's water supply needs.

Planning is now underway for Barwon Water's 2023 Urban Water Strategy. A 'Water for our Future' engagement program will be launched in 2019-20 to invite Barwon Water's customers and community to co-design the organisation's next UWS, shining a light on the role of water in enabling regional prosperity and how everyone can play a role in shaping our water future.

Barwon Water will engage with customers, community and stakeholders on future water supply and demand options to ensure plans are in place and implemented to provide water security beyond 2029.

The UWS also identifies that 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 50-year outlook of the Urban Water Strategy enables – and requires – Barwon Water to rise boldly to this challenge. The organisation is optimistic about its ability to respond, working together with the community to make the best use of the resources available to drive the region's continued prosperity and liveability.

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

Water conservation

Barwon Water's water conservation efforts continued to be centred around providing useful information to customers on how to use water wisely under the Target Your Water Use (TYWU) campaign.

Other key water efficiency initiatives include advertising and promotion of the permanent water saving rules, legacy showerhead exchange program, schools water efficiency program, community water rebate program, and advice and monitoring programs for key account customers.

Barwon Water also collaborated with Smart Approved Watermark and other Victorian water corporations to continue to develop educational material for the Smart Water Advice website. The website provides community and educational material for customers to improve water efficiency.

Water awareness campaign(s)

During 2018-19, Barwon Water continued to implement 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.

Barwon Water also delivered summer awareness and permanent water saving rules campaigns to remind both existing customers and holidaymakers in its coastal areas that saving water is permanent and to be mindful of their water-use habits.

The campaign, which featured new water mascots 'Drip' and 'Drop', utilised local newspaper advertising, social media, posters, pop-up activations, a media release and targeted communications (shower cards, posters and tent cards) to large accommodation providers throughout the region.

Colac on-farm leak detection

Barwon Water continued to support high water use agricultural customers connected to the drinking water supply network in Colac through the on-farm leak detection program.

On-farm leaks are a significant and ongoing issue for many high water using agricultural customers in the Colac district.

Approximately 9 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.

The on-farm leak detection program is expected to have saved over 100 million litres of drinking water since the program commenced in 2012.

Schools Water Efficiency Program (SWEP)

The Schools Water Efficiency Program (SWEP) enables schools to track their water usage using data logger technology. By monitoring water usage, schools can detect and rectify leaks, saving water and money. The program also provides students with an opportunity to learn about water efficiency through program specific curriculum resources.

SWEP requires a three year commitment from schools and the first year is covered by DELWP. To encourage schools to participate in SWEP, Barwon Water subsidises the data hosting and access fees for years 2 and 3 of the program (\$300).

In 2018-19, Barwon Water aimed to increase school participation and encourage existing schools to stay on the program. Since December, 2017, the number of schools participating in the program has increased from 35 to 71.

Since 2012, SWEP schools have saved a collective 658 ML of drinking water and \$2.097 million in water related charges. During 2018-19, SWEP schools saved a total of 246 ML water and \$790,000 in water related charges.

Integrated Water Management (IWM)

Barwon Water remains committed to helping transform the region into a more resilient and liveable area through IWM. Through increased collaboration, the organisation aims to include all elements of the urban water cycle in the way it plans and manages water so the community is resilient in all climates.

The water cycle system is complex and interrelated, with many stakeholders having a role to play in managing its various aspects. Due to its complexity, it is important Barwon Water continues to work closely with its stakeholders and take an integrated, cross-agency management approach to ensure the region continues to remain prosperous.

Barwon Water has been at the forefront of IWM through the coordination of the Barwon Region Integrated Water Cycle Management Network, a practitioner group focused on taking a collaborative approach to regional planning.

Barwon Water also continues to provide critical executive support the inter-agency Barwon IWM Forum, the role of which is to drive a collaborative and integrated approach to water management that enables sustainable environmental, social, cultural and community prosperity, in line with *Water for Victoria*.

In December, 2018, the Barwon IWM Forum released the Minister-endorsed Barwon Strategic Directions Statement, the preparation of which was coordinated by Barwon Water with the support of representatives on the Barwon IWM Forum.

During 2018-19, Barwon Water was focused on progressing IWM across the region. Some initiatives included:

- Commencing the Northern and Western Geelong Growth Area IWM Plan in partnership with the City of Greater Geelong and Department of Environment, Land, Water and Planning;
- Collaborating on specific IWM projects/plans, such as:

- Winchelsea IWM Plan: utilising recycled water, stormwater, improving access to the Barwon River, greening the town and enhancing urban liveability;
- Irrewillipe Stormwater Basin Functional Design: an upgrade of a poorly performing stormwater basin with an extensive upgrade of the surrounding landscape, creating a high amenity park and community asset; and
- Ongoing collaboration with Colac Otway Shire and the Forrest community, exploring opportunities for wastewater improvements in the township of Forrest.

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.

Showerhead exchange

In 2018–19, Barwon Water continued to offer a showerhead exchange program to encourage customers to replace old, inefficient units with a new water saving showerhead.

Community and Stakeholder Engagement

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

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

The organisation has dedicated community and stakeholder engagement strategies for planned major projects, which outline various processes and methods on engagement with customers, stakeholders and the community.

The Strategy references the IAP2 public participation spectrum and community engagement model.

During 2018–19, we also commenced a program to improve how we respond to, and communicate unplanned outages to customers. This has included improving SMS notifications, signage and general processes.

Environmental Advisory Committee

Barwon Water's community-based Environmental Advisory Committee (EAC), previously named the Environmental Consultative Committee (ECC), continues to provide critical advice to the organisation regarding the management of impacts associated with its operations.

Over 2018–19, the functioning of the EAC was reviewed and a series of reforms were implemented to increase and diversify membership and improve the effectiveness of the committee. Through this process, a

revised Terms of Reference was endorsed and the membership increased from seven to 15 members including the appointment of Peter McKinnon as independent Chairperson.

During 2018–19, the EAC met five times, including a tour of Barwon Water's assets on the Surf Coast in December. Topics discussed included:

- Barwon Downs Borefield licence and remediation of Boundary Creek and Big Swamp;
- Working with Traditional Owners on Caring for Country;
- Management of recycled water; and
- Barwon Water's Future Water Program.

Barwon Water would like to recognise and thank Susan Howells who retired from her role as independent Chairperson in 2018–19, which she had carried out since the committee's inception in 2000.

Education

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 health benefits of drinking water
- 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 recycled water re-use.

During 2018-19, the program reached 8,336 students and community members across the region. The most popular aspects of the program were interactive site tours and in-class sessions, with 130 tours conducted and 168 in-class sessions delivered over this period.

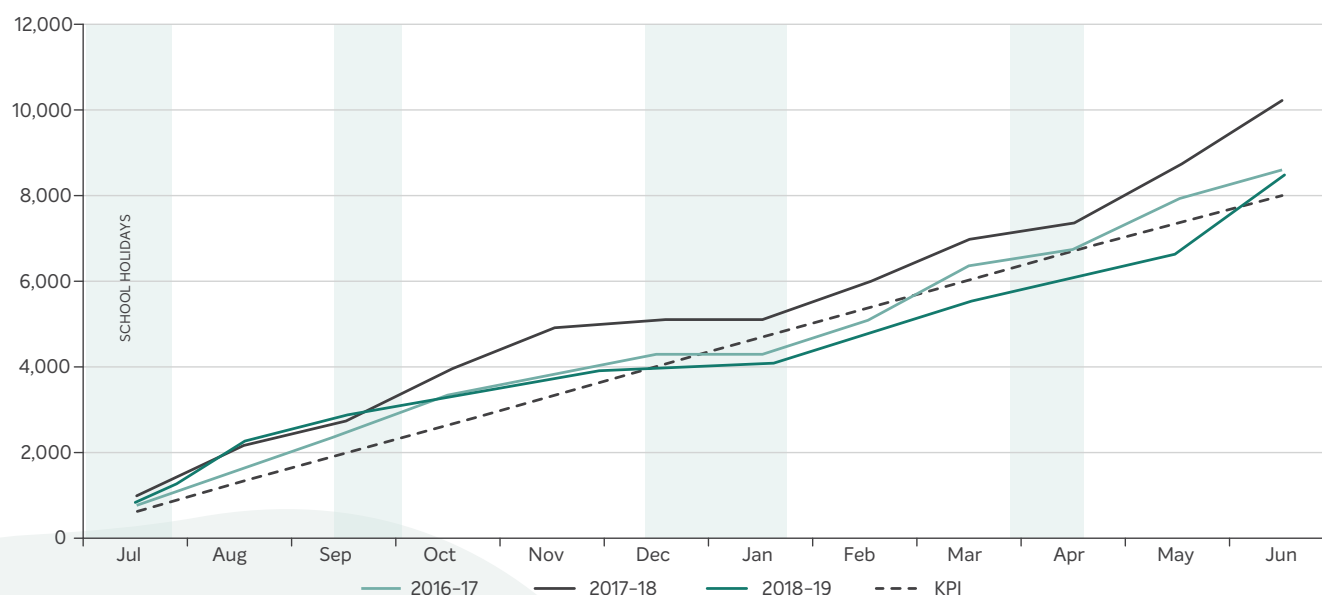
The program also encouraged students to consider and connect with the environment through tree planting days and the annual National Water Week poster competition. In 2018-19, 761 students from 14 schools submitted posters for the competition. More than 600 students were involved in

planting 1,550 native trees at schools and at other environmentally sensitive locations.

Barwon Water was also involved in five community events: Royal Geelong Show, Colac Agricultural Show, World Tree Day, GPAC Sustainability Festival and Geelong Big Play Day.

| | 2018-19 | 2017-18 |
|------------------------------------|---------|---------|
| Students reached | 8,336 | 8,486 |
| Tours conducted | 130 | 122 |
| In class sessions conducted | 168 | 182 |

Education program participation



Barwon Downs licence renewal withdrawal and section 78 Ministerial Notice

Barwon Water announced on March 14, 2019, the withdrawal of its Barwon Downs borefield licence renewal application to focus on remediation of historical impacts of groundwater pumping and meeting the requirements of a Ministerial Notice issued under section 78 of the *Water Act 1989*.

Barwon Water submitted a scope of works in December, 2018, that outlined

the area covered by the remediation plan, the environmental values and necessary environmental assessments and methodology proposed to develop the remediation plan.

Environmental assessments under the scope of works is well underway and will inform the development of the remediation plan, due by December 20, 2019.

A Boundary Creek and Big Swamp remediation working group was established in 2018 to support the design of the remediation plan.

The working group is made up of representatives from the Corangamite Catchment Management Authority (CCMA), Colac Otway Shire Council, Land and Water Resources Otway Catchment (LAWROC), PALM (People for a Living Moorabool), Upper Barwon Landcare Group, Boundary Creek landowners, Traditional Owners and other interested community members.

The remediation working group has benefitted from three acid sulfate soils and remediation experts who they nominated to seek independent technical advice.

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 to Geelong pipeline (MGP) was activated during 2018–19 in order to supplement surface water supplied in the Greater Geelong region. The MGP began supplying water in March, 2019, and will continue to be operated into 2019–20.

No water restrictions were applied during 2018–19. Permanent water saving rules remained in place.

Permanent water saving rules

The permanent water saving rules are a set of simple, common-sense rules to reduce demand and make sure we all use water wisely. Permanent water saving rules are always in place, and are uniform across Victoria. The rules apply to drinking water only; they do not apply to greywater, tank water (rainwater), bore water or recycled water. Key features of the rules include:

- hand water gardens and lawns with a hose fitted with a trigger nozzle at any time, on any day
- sprinklers and watering systems can be used after 6 pm or before 10 am
- fountains and water features must recirculate water
- using water to clean hard surfaces is restricted, use a broom instead.

For more information, please visit www.barwonwater.vic.gov.au.

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 EAC and the CAC
- advertising campaigns using print and radio media
- bill advertising
- media releases
- brochures and signage
- customer EDM or mail out
- 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 the point of supply at the meter.

In November, 2018, Barwon Water successfully passed its HACCP Recertification Audit. The successful outcome shows Barwon Water has a mature water quality risk management plan and provides confidence that we continually identify, assess and manage drinking water risks.

Throughout 2018–19, Barwon Water delivered drinking water to each water sampling locality in accordance with the required standards in the *Safe Drinking Water Regulations 2015*.

The number of water quality complaints received in 2018–19 was 1.10 per 1,000 properties. There was an increase in complaints of 0.25 per 1,000 properties on the previous year, which could be attributed to supply system changes made to balance water storage levels across our different reservoir catchments, due to a particularly dry year.

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

Environmental flows

Barwon Water works with the Corangamite Catchment Management Authority (CMA) and the Victorian Environment Water Holder to deliver environmental flows to both the Moorabool and Barwon River systems.

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.

Similarly, a new 1,000 million litre a year entitlement was created for the upper Barwon River by transferring part of Barwon Water's entitlements to an environmental entitlement in 2018. These entitlements are 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 2018–19 summer releases to the Barwon River were the first delivered under the new environmental entitlement.

Other statutory obligations

Barwon Water understands that managing and protecting water supply catchments is essential to maintaining high quality, safe drinking water for its customers and the community.

We understand we are just one of the many beneficiaries of healthy catchments and waterways. Catchments and waterways are a shared community asset, supporting a range of social, environmental and economic values across the community and natural environment. It is for this reason that catchments and waterways are best managed through both individual and collaborative efforts to protect and improve these values.

Catchment and Waterway Management

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 2018–19, 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 \$120,000 in partnership funds to:

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

Barwon Water contributes \$70,000 annually to on-ground work for river health projects in water supply catchments under the Barwon Water–Corangamite CMA River Health Partnership Agreement. The Corangamite CMA's 2016–2020 Waterway Frontage Protection Program has received over 98 expressions of

interest from landholders covering a total river frontage length of 167 kilometres and an area of 811 hectares. Of this, 44 sites were awarded contracts. In total, a river frontage length of 88 kilometres and area of 385 hectares will be under active management through this program to undertake works, including pest plant and animal control, fencing for stock exclusion and revegetation.

Additionally, Barwon Water has contributed \$130,000 towards year one of a four-year commitment to help fund The Living Moorabool project. This is one of 10 Flagship Waterways projects showcasing a large scale restoration approach. Partnerships established between the Corangamite CMA, Barwon Water, community groups and Traditional Owners are delivering activities that will include river back protection and riparian enhancement, removal of fish barriers, delivery of environmental flows and shared benefits for the community.

Barwon Water also provided \$28,782 toward ongoing operation of the Corangamite Citizen Science program. The program supports community groups to 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 | 2018–19 funding |
|------------------------------------|------------------------------------|-----------------------------------|-----------------|
| Landcare partnerships | Moorabool Catchment Landcare Group | Upper Moorabool River catchment | \$40,000 |
| Landcare partnerships | Southern Otway Landcare Network | Barham River catchment | \$40,000 |
| Landcare partnerships | Upper Barwon Landcare Network | Upper Barwon River catchment | \$40,000 |
| River health partnership | Corangamite CMA | Priority waterways and catchments | \$70,000 |
| Corangamite region Citizen Science | Corangamite CMA | Waterway health education | \$28,782 |
| The Living Moorabool | Corangamite CMA | Upper Moorabool River catchment | \$130,000 |

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 actively manages biodiversity assets on a wide range of Barwon Water sites.

Barwon Water delivers procedures, training and advice to support environmental planning and management of capital works projects. This contributes to avoidance and minimisation of impacts to biodiversity from the siting, design and construction of new infrastructure.

The Geelong Community Nursery, operated as a partnership between Barwon Water and genU, provides native plant propagation facilities for use in revegetation and landscaping on Barwon Water projects and by community groups. Native plants are produced for revegetation projects focusing on catchment and biodiversity restoration.

State Environment Protection Policy (Waters)

Barwon Water's 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 waterbodies and for re-use of treated wastewater.

The licence includes 113 licence conditions spread across the 10 premises. During 2018–19, Barwon Water achieved compliance against all 113 of the licence conditions.

Barwon Water has a separate EPA licence for an emergency biosolids storage and processing site located at Western Treatment Plant (Melbourne Water). During 2018–19, Barwon Water achieved compliance against all nine licence conditions in this licence.

Greenhouse gas emissions and energy consumption

As a major greenhouse gas emitter in our region, Barwon Water is committed to being a leader in reducing emissions. Around 74 per cent of our emissions come from the use of electricity sourced from the grid. To mitigate greenhouse impacts, Barwon Water has made the commitment to achieve 100 per cent renewable electricity by 2025 and zero net emissions by 2030. The organisation is implementing a comprehensive program of measures to achieve these targets in a timely and cost effective manner.

Barwon Water's greenhouse gas emissions include carbon dioxide, methane and nitrous oxide. These are reported in equivalent tonnes of carbon dioxide – tCO₂-e. Barwon Water reports only direct emissions (scope

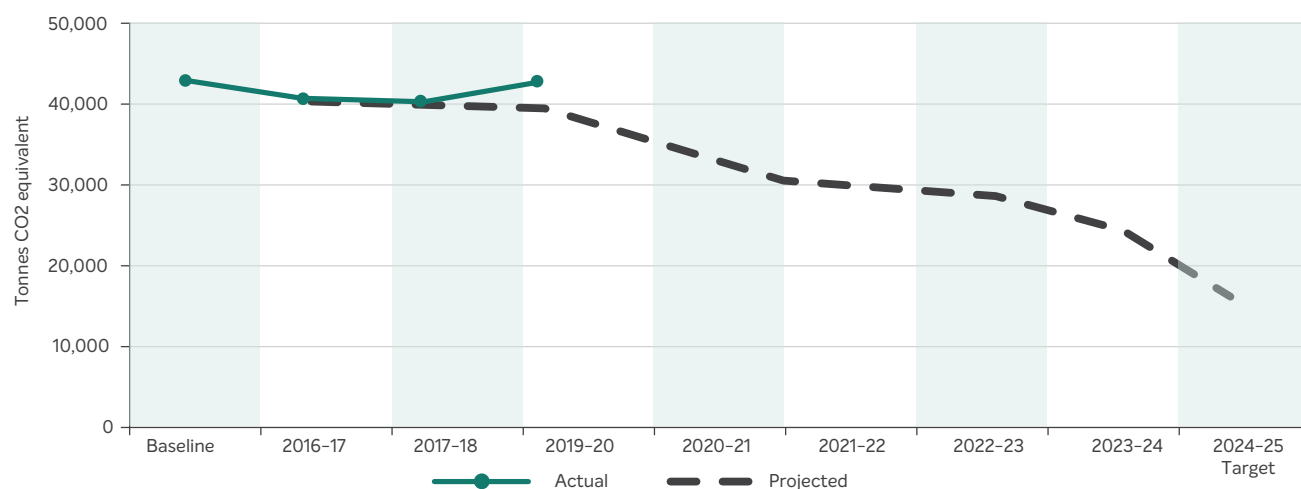
1) and indirect emissions from grid-supplied electricity (scope 2), calculated in accordance with the National Greenhouse and Energy Reporting (Measurement) Determination 2008 and the Statement of Obligations (Emissions Reduction). Projected emissions were developed in 2017 as part of Barwon Water's emissions reduction pledge. Scope 3 emissions are not included in any results presented in this section.

Barwon Water's calculated scope 1 and 2 emissions total for 2018–19 was 43,238 tCO₂-e, exceeding projected emissions of 39,811 tCO₂-e. Sewage collection, treatment and recycling continues to make up the largest portion of Barwon Water's greenhouse emissions and energy use. Key factors impacting Barwon Water's emissions performance included a 5.5 per cent increase in overall electricity consumption and an increase in fugitive emissions from sewage treatment. Reduced surface water availability resulted in additional pumping requirements and increased use of more energy intensive water resources such as the Melbourne to Geelong pipeline. At the time of developing Barwon Water's projected emissions in 2017, these impacts were not anticipated.

Barwon Water's renewable energy assets supplied 5.6 per cent of electricity use for the year, reducing scope 2 emissions by 1,888 tCO₂-e. Barwon Water now has renewable generation supplying the equivalent of around 15 per cent of electricity usage, with further projects underway to increase toward our 100 per cent target.

| Greenhouse gas emissions | Tonnes CO ₂ -e | | |
|--|---------------------------|-------------------|-------------|
| | 2018–19 Projected | 2018–19 Result | Variance |
| Water treatment and supply | – | 6,068 | – |
| Sewage collection, treatment and recycling | – | 34,771 | – |
| Transport | – | 1,249 | – |
| Other | – | 1,150 | – |
| Total emissions (tCO₂-e) | 39,811 | 43,238 | 8.6% |

Net greenhouse gas emissions



Note: Although Barwon Water did not meet its projected emissions total for the 2018-19 year, the organisation built the foundations required to achieve zero emissions by 2030 and expect to achieve its target next year.

| Total electricity use | MWh | |
|--|----------------|----------------|
| | 2017-18 result | 2018-19 result |
| Water treatment and supply | 4,728 | 5,666 |
| Sewage collection, treatment and recycling | 23,905 | 24,732 |
| Other | 1,192 | 1,073 |
| Total | 29,826 | 31,472 |

| Renewable electricity | MWh | |
|---|----------------|----------------|
| | 2017-18 result | 2018-19 result |
| Solar | 577 | 1,645* |
| Hydroelectric | - | 120 |
| Wind | - | - |
| Biogas | - | - |
| Greenpower | - | - |
| Other | 20 | - |
| Total | 597 | 1,765 |
| Percentage renewable electricity | 2.0% | 5.6% |

* A further 258 MWh was exported to the grid, however the associated LGCs were sold.

Greenhouse gas and energy 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 achieve its zero net emissions target 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.

Barwon Water's emissions reduction and renewable energy programs avoided at least 1,888 tonnes CO₂-e and achieved a number of milestones this year, including:

- **Expansion of Black Rock solar farm to 3 megawatts capacity** – supplying almost fifteen per cent of Barwon Water's electricity consumption.
- **Switching on the Torquay solar array** – adjacent Barwon Water's sustainable residential subdivision, Salt Torquay.
- **Launch of Zero Emissions Water and a Power Purchase Agreement involving 13 water corporations** – to supply up to 30 per cent of Barwon Water's renewable energy needs, commencing October, 2019.
- **Installation of a 300 kilowatt solar array at the Wurdee Boluc Water Treatment Plant** – coupled with Barwon Water's first battery storage installation, due for completion in August, 2019.

- **Continued transition to electric and hybrid vehicles** – hybrid trucks replaced seven existing diesel trucks. Barwon Water's two battery-electric passenger vehicles continued to be used extensively.

The forward outlook for Barwon Water's programs is evolving as new and exciting opportunities continue to be investigated. This includes the potential for collaborative projects in Barwon Water's region to further build regional prosperity.

Barwon Water continues to collaborate with the water industry via the Intelligent Water Networks (IWN) Energy Program, 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

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.

2018–19 overall surface water bulk entitlement performance

- An overall compliance of 100 per cent was achieved during 2018–19 for passing flows across the surface water bulk entitlements.
- An overall compliance of 100 per cent was achieved during 2018–19 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 2018–19

| Bulk Entitlement (Aireys Inlet) Conversion Order 1997 | | |
|---|---|--|
| 14.1 (d) | Painkalac Reservoir Level at 30/6/19 | 29.53 mAHD |
| | Painkalac Reservoir Storage Volume at 30/6/19 | 494 ML (93%) |
| 14.1 (e) | Volume taken 2018/19 | 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 |

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 2018/19 (West Barham diversion). | 0 ML |
| | Volume pumped 2018/19 (Barham River). | 537 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 30/6/19 | |
| | Olangolah Reservoir Level | 344.34 mAHD |
| | Olangolah Reservoir Volume | 152 ML (100%) |
| | West Gellibrand Reservoir Level | 342.02 mAHD |
| | West Gellibrand Reservoir Volume. | 1,855 ML (99%) |
| 12.1 (d) | Volume taken 2018/19. | 3645 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 |



| Bulk Entitlement (Gellibrand) Conversion Order 1997 | | |
|---|---|--|
| 11.1 (b) | Volume taken 2018/19. | 21.6 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 30/6/19. | 120.3 mAHD |
| | Allen Reservoir storage volume at 30/6/19. | 215 ML (100%) |
| 14.1 (e) | Volume taken 2018/19. | 432.3 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 Clause 10 – Metering Program | Ongoing management in accordance Barwon Water's Environment Strategy and Environmental Obligations Program. Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016. |
| 11.1 (e) | Volume taken 2018/19. | 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 |

Bulk Entitlement (She Oaks) Conversion Order 1995

| | | |
|------------|---|---|
| 13.1 (d) | Weir Pool Level at 30/6/19. | 0.54 m |
| | Weir Pool Storage Volume at 30/6/19. | 19 ML (100%) |
| 13.1 (e) | Volume taken under this entitlement 2018/19 (River Flow). | 0 ML |
| 13.1 (f) | Volume taken under this entitlement over the past 3 years (2016/17 to 2018/19). | 0 ML |
| 13.1 (g) | Approval, amendment and implementation of programs and proposals under clauses 11 and 12. Clause 11 – Environmental Obligations Clause 12 – Metering Program | Nil Ongoing management in accordance Barwon Water's Environment Strategy and Environmental Obligations 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 at 30/6/19. | 11,351 ML (67.6%) |
| 19.1 (g) | Annual flow into Barwon Water's share of reservoir capacity at 30/6/19. | 3,818 ML |
| 19.1 (h) | Annual volume released to West Moorabool River from specified point A (Releases to Barwon Water). | 4,584 ML |
| 19.1 (i) | Volume taken under this entitlement from specified point B (She Oaks Diversion Weir). | 3517 ML |
| 19.1 (k) | Volume taken from a location downstream of specified point A, other than specified point B. | Nil |
| 19.1 (l) | Annual losses debited to Barwon Water's share of reservoir capacity. | 1,478 ML |
| 19.1 (m) | Annual losses from releases between specified points A and B. | Not applicable |
| 19.1 (n) | <p>The implementation of programs approved under sub-clauses 16.2, 17.2, and 18.2.</p> <p>Clause 16.2 – Environmental Obligations</p> <p>Clause 17.2 – Joint Metering Program</p> <p>Clause 18.2 – Authority's Metering Program</p> | <p>Ongoing management in accordance Barwon Water's Environment Strategy and Environmental Obligations Program.</p> <p>Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.</p> <p>Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.</p> |
| 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 |



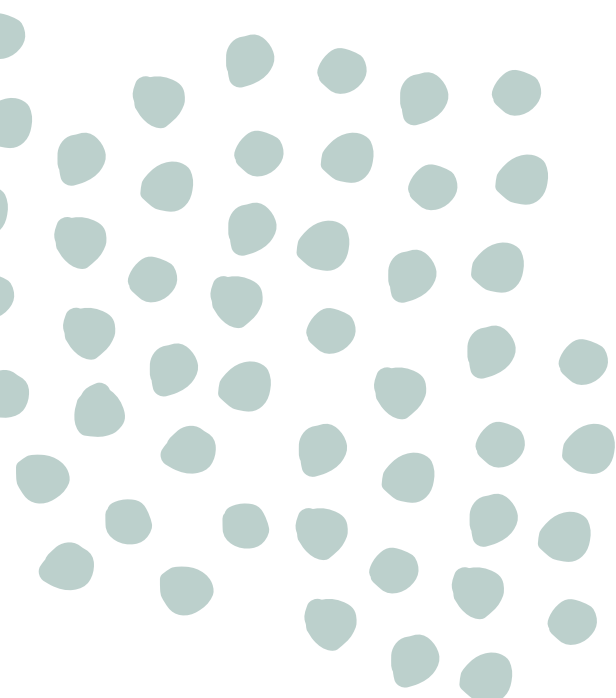
Bulk Entitlement (Upper Barwon System) Conversion Order 2002 / Amendment Order 2018

| | | |
|------------|---|--|
| 15.1 (d) | Storage Volumes at 30/6/19. | |
| | West Barwon Reservoir (Barwon Water Share). | 5,024 ML (23.4%) |
| | West Barwon Reservoir (Total). | 5,756 ML (26.8%) |
| | Wurdee Boluc Reservoir. | 13,306 ML (35%) |
| | Barwon System Total. | 19,062 ML (32%) |
| 15.1 (e) | Volume taken under this entitlement 2018/19. | 25,831 ML |
| | Barwon Downs Borefield. | 0 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. | No |
| 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 30/6/19. | |
| | Korweinguboora Reservoir | 357 ML (15.3%) |
| | Bolwarra Weir | 113 ML (100%) |
| | Bostock Reservoir | 3,276 ML (43.9%) |
| | Upper Stony Creek Reservoirs | 4,797 ML (50.5%) |
| | Lower Stony Creek Reservoir | 0 ML (0%) |
| 14.1 (e) | Volume taken under this entitlement 2018/19 | 2,070 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 |



| 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) in 2018/19. | 1,861 ML |
| 16.1 (b) | The water allocation made available under this bulk entitlement and volume of carryover. | 6,276 ML 45,163 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. | 0 ML |
| 16.1 (e) | The approval, amendment V 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. | Nil |
| 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 |
| 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 |

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 2017-2018. | 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).

Aboriginal values

Reconciliation Action Plan

Barwon Water's Reconciliation Action Plan (RAP) outlines the path the organisation is following on its journey to enhance relationships and create tangible outcomes with Aboriginal and Torres Strait Islander peoples, while meeting the objectives of *Strategy 2030*.

During 2018-19, Barwon Water continued to develop many meaningful opportunities as a provider of essential services, an employer of choice and community partner.

During the first 12 months of the RAP, the organisation has undertaken a range of different projects promoting recognition, respect, partnerships and opportunities. Engagement with Traditional Owners and local Aboriginal groups has played a crucial role in developing and implementing these projects, which are outlined in more detail below.

Barwon Water will continue to engage and work with Traditional Owners and local Aboriginal groups to achieve its vision of all people standing unified in an inclusive and connected community.

Working with Traditional Owners to Care for Country

Barwon Water worked closely with its Traditional Owners throughout the year to explore how Caring for Country principles can be integrated into the organisation.

The project involved spending time on Country with the Traditional Owners, looking at both Barwon Water operational

sites and places of cultural significance. This helped Traditional Owners to better understand Barwon Water's business and tailor their guidance and advice.

A key outcome of this work will be incorporating Caring for Country values into the organisation and cultivating a mindset where all employees care about their impact on the environment. The project will help build the corporation's position as an environmental leader through an ethic of Caring for Country and protecting natural assets.

Barwon Water will continue to work closely with Traditional Owners to ensure their knowledge is incorporated as the project is developed and implemented over the next 18 months.

Porronggitj Karrong

In 2018-19, Barwon Water entered into a partnership with Wadawurrung to trial a range of traditional land management practices into Porronggitj Karrong park.

The project involves working with Wadawurrung and community to develop a shared process for recreating the site into a valued cultural, recreation and tourism space, using the principles of Caring for Country and deliberative democracy.

National Reconciliation Week

National Reconciliation Week was celebrated in June, 2019. The theme for this year's event was "Grounded in truth, we walk together with courage".

The week was celebrated through a range of different activities including:

- after dark digital building projections
- 'We see recognition' – a children's pop-up art exhibition in the Ryrie HQ foyer
- Wayapa session for staff (Wayapa is a mindfulness exercise that incorporates deep breathing, narrative meditation and movement to provide a sense of belonging and holistic wellbeing)

- music performance from an Indigenous artist in Ryrie HQ's community hub.

All events were well attended by Barwon Water staff and local Aboriginal and Torres Strait Islander community members.

Cultural awareness training

Barwon Water continued to provide cultural awareness training to employees throughout the 2018-19, with a focus on:

- Aboriginal history in Australia
- life as a contemporary Aboriginal person
- challenges that are faced by Aboriginal people
- casual racism
- cultural heritage
- a visit to cultural site around Geelong.

The awareness training has helped employees to look at the world through the eyes of an Aboriginal person.

Additional training is provided to staff who have an Aboriginal and/or Torres Strait Islander employee reporting to them to assist them in creating a culturally safe working environment.

NAIDOC Week

NAIDOC Week – “Because of her we can” was celebrated at Barwon Water with a range of internal and external activities in July, 2018.

Staff attended local events that were put on by the Wathaurong Co-operative, City of Greater Geelong and Colac Otway Shire.

Meeting rooms were booked out at Ryrie HQ where documentaries and short films were played for staff to watch. The internal information screens at Ryrie HQ also displayed informative material from past NAIDOC week celebrations over the course of the week.

Ryrie HQ – a culturally safe environment

Barwon Water is working to ensure its offices are culturally safe for Aboriginal and Torres Strait Islander employees and community members. Some initiatives include:

- naming meeting rooms and significant spaces at Ryrie HQ with Wadawurrung words
- installing a “Acknowledgement of Country” plaque in the foyer
- Aboriginal artwork displayed on each level of the building
- the development and implementation of a Reconciliation Action Plan
- cultural awareness training for staff
- celebrating culturally significant events
- including a Welcome to Country at significant events.

Employment

In 2018–19, the organisation engaged Wan-Yaari Aboriginal Consultancy Services to create a tailored Aboriginal cultural awareness workshop for new employees who identify as Aboriginal and/or Torres Strait Islander background, their supervisor and workgroup. This ensured there was a shared understanding of culture and belonging at Barwon Water.

Through collaboration with Wan-Yaari and Gforce Employment Solutions, Barwon Water also committed 2019 traineeship opportunities to Aboriginal and/or Torres Strait Islander applicants. The organisations will work closely over the 2019 traineeship program to provide ongoing support to these trainees and deliver successful outcomes.

As part of Barwon Water’s Deakin University Scholarship Program, an undergraduate who identifies as Aboriginal and/or Torres Strait Islander has been a recipient of the program for two years.

In 2018–19, Barwon Water signed a twelve month Memorandum of Understanding with Wan-Yaari to develop strong partnerships and build connections with local Aboriginal communities to create improved pathways and increased employment outcomes.

In June, 2019, Barwon Water participated in the inaugural Geelong Aboriginal Employment and Careers Expo. The event was a first for Geelong and organised by the Federal Government in partnership with Wan-Yaari and Committee for Geelong.

The expo provided an opportunity for job seekers to talk to exhibitors face-to-face to learn about jobs, services and career options across the region. Barwon Water was able to showcase its commitment to increasing employment opportunities for Aboriginal and Torres Strait Islander peoples, as an exhibitor and through facilitating a workshop.

Social sustainability

Customer Advisory Committee

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

In 2018, a review of the CAC (and Environmental Advisory Committee) was undertaken to identify ways to improve engagement and outcomes.

- The CAC provides significant value to Barwon Water, as one of the mechanisms for engaging with customers and community;
- Members believe this type of engagement is of value, worthwhile and relevant;
- There is opportunity for Barwon Water to build on the value and success of the committees through practical enhancements to their structure and operation; and
- There was also an opportunity for Barwon Water to use these sessions more strategically to engage early on in the development of key strategies, programs and projects rather than just being forums for Barwon Water to present updates on projects and invite questions.

Topics of discussion at the August meeting included Barwon Water's hardship program, call handling improvements and building customer trust as an organisation. The committee were also introduced to Barwon Asset Solutions and heard from community members seeking support for a new Upper Barwon Landcare Group (UBLG).

The second formal meeting of the year heard about Barwon Water's sustainable water use program, how we are exploring possibilities to have a greater impact on health and wellbeing across the region and customer experience culture with a focus on providing greater support for vulnerable customers through the hardship strategy.

A field trip was held in December and included a tour of Salt Torquay and the Torquay solar array. The group then headed to Anglesea Water Reclamation Plant and Painkalac Reservoir's recreational area. Committee members learnt a lot and really enjoyed seeing the excellent operations and projects that continue to be delivered.

A third meeting in February, 2019, included a tutorial on using the CAC online portal and feedback around the CAC communication action plan, which resulted from recommendations to the Board following the review of the committee. The group heard about Barwon Water's Annual Water Outlook and storage levels, recycled water to zero waste by 2030 and a new Voice of Customer program.

The final meeting for 2018-19 was held in May and covered the need to manage water quality risks for drinking water and recycled water. There was also a presentation on the implementation of the 'Water Futures' project and strategic engagement process, informing the focus areas within the draft Customer Experience Strategy.

Aged debtor management

Barwon Water proactively manages its aged debtor profile to minimise financial impact to the business. During 2018-19, the value of aged tariff debt increased from \$4.3 million to \$4.6 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

Barwon Water recognises that some customers may from time to time experience hardship and has committed in its 2018-2023 price period to spend an additional \$2.5 million to proactively help vulnerable customers manage their bills and be more water efficient.

To help understanding how to best prioritise these funds, in October, 2018, Barwon Water engaged 12 support agencies, Geelong City Council and Colac Otway Shire to help co-design a new Customer Support Strategy.

The Customer Support Strategy commits Barwon Water to treating all customers, regardless of their circumstances, with understanding, dignity and respect, with a focus on customers who may be vulnerable to financial or other pressures impacting their ability to pay water bills. Given the evolving nature and changing needs of customers, the strategy is a living document that will be informed on an ongoing basis by three levels of engagement:

- **Local agency engagement:** Barwon Water is continuing to build stronger long-term relationships with support agencies who directly assist people experiencing hardship. It is envisaged that the ongoing sharing of experiences and learnings will guide the evolution of the program over the next five years and beyond.
- **Regional engagement (Geelong FIAP):** Barwon Water has joined a coalition of local government agencies and commercial providers to develop a Geelong Region Financial Inclusion Action Plan (FIAP). Good Shepherd Microfinance has received federal funding to progress this as Australia's first regional financial inclusion action plan. As a direct action in the program, Barwon Water is working collaboratively with the City of Greater Geelong to explore ways of working together to improve the experience for people having difficulty paying council rates and water bills.

- **National engagement (Thriving Communities Partnership):** Barwon Water is now a foundation member of the national Thriving Communities Partnerships (TCP) program which was initiated from within the water sector. This cross-sector collaboration seeks to ensure that everyone has fair access to all essential services, including utilities, financial services, telecommunications and transport.

Barwon Water is currently in the foundational stages of implementing the Customer Support Strategy and as part of this, over the past 12 months, has delivered a range of outcomes.

Government Utility Relief Grant scheme

Victorian Government Utility Relief Grants (URGs) are offered to eligible Barwon Water customers. A total of 223 grants were provided this year, an increase on the 181 provided during 2017-18.

Concession cards

Barwon Water has a high proportion of customers in receipt of government concession cards. There were 39,450 customers provided with concessions in 2018-19, which represents around 27 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 \$9,697 during the 2018-19 year, supplemented by an additional \$4,002 contributed directly by Barwon Water.

Flexible payment plan – arrange and save

Barwon Water's arrange and save program assisted 1,588 customers during the 2018-19 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 \$119,856 during 2018-19.

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 2018-19, Barwon Water provided assistance to 306 customers for a total value of \$137,180.

Community Service Obligations

| | 2018-19 | 2017-18 |
|---|---------------------|---------------------|
| Pension and health concessions | \$9,978,785 | \$9,869,861 |
| Utility relief grants | \$102,891 | \$73,176 |
| Dialysis rebates (State Government) | \$9,697 | \$11,998 |
| Barwon Water medical rebates | \$4,002 | \$5,142 |
| Barwon Water Customer Support (Hardship) program rebates | \$166,895 | \$100,010 |
| Water and sewer rebates | \$570,446 | \$552,330 |
| Community rebate/Government water bill rebates | \$137,180 | \$192,925 |
| Hardship relief grant scheme (sewerage connection scheme) | \$0 | \$0 |
| Total | \$10,969,896 | \$10,805,442 |

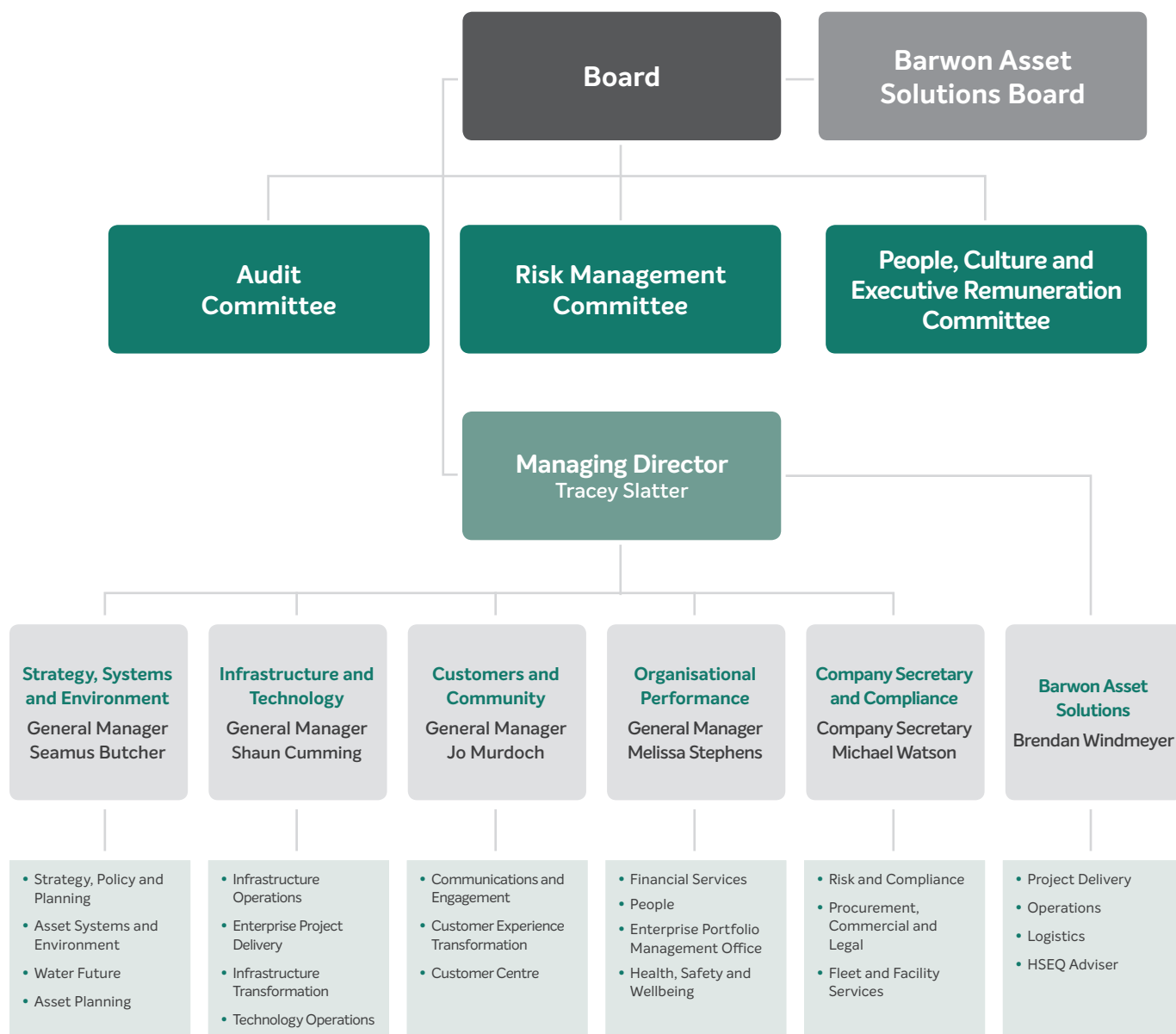


PART 4.

Corporate information

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Organisational structure



As at June 30, 2019

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, six 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 with the exception of January and July. Additional meetings are convened as circumstances warrant. Minutes of meetings record Board decisions.

The Managing Director and Executive Leadership Team attend Board meetings. The Company Secretary provides advice to the Board on governance matters.

Board committees

The Board has established a number of committees to provide strategic guidance and assist the Board in the discharge of its responsibilities. Committee membership is determined by the Board and reviewed at least every two years. Each of the committees is chaired by a non-executive Director selected by the Board.

There are currently three committees:

- Audit;
- Risk Management; and

- People, Culture and Executive Remuneration.

Each Board 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 other times as requested by a member of the committee or the internal or external auditor. The committee liaises with the internal and external auditors to evaluate the adequacy and effectiveness of the overall governance framework.

Audit Committee Members/Directors

- John Gavens (Chair)
- Ann Lansberry
- Rebecca Leonard
- Des Powell

Risk Management Committee

The Risk Management 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.

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

Risk Management Members/Directors:

- Bernard Walsh (Chair)
- John Gavens
- Rebecca Leonard
- Jo Plummer

People, Culture and Executive Remuneration Committee

The People, Culture and Executive Remuneration Committee comprises a non-executive Chair and four non-executive Directors. The committee assists the Board to drive a diverse, values-based, high-performing workforce, which supports Barwon Water's objectives as defined in the organisation's *Strategy 2030*.

The committee also maintains oversight of Barwon Water's executive employment and remuneration practices, including compliance with Government expectations, guidance and directives.

People, Culture and Executive Remuneration Members/Directors

- Jo Plummer (Chair)
- Bernard Walsh
- Elaine Carbines
- Ann Lansberry
- Des Powell

Barwon Asset Solutions Board

The Barwon Asset Solutions (BAS) Board and an Audit and Risk sub-committee are responsible for ensuring the company fulfils its functions effectively and complies with its governance framework.

The Board is accountable to Barwon Water and presides over all significant strategic, commercial, regulatory, financial and risk-focused elements of BAS.

Board composition consists of three non-executive directors, drawn from Barwon Water's Board, as well as the Managing Director, who simultaneously performs in that role with both Barwon Water and BAS.

Barwon Asset Solutions Members/Directors:

- Jo Plummer (Chair)
- John Gavens
- Bernard Walsh
- Tracey Slatter

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 other workplace participants, including supplementary labour 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's 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*. Section 61 of the Act requires that the Victorian Public Sector Commission must prepare and issue codes of conduct based on the public sector values.

The Code of Conduct for Directors of Victorian Public Entities is issued to promote adherence to public sector values by the 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, 2019

Jo Plummer

Chair

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

With a portfolio of roles, Jo is an experienced Board Chair. Pertinent to the water industry, she first served as non-executive Director for Central Highlands Water over a four-year term before her appointment to the Barwon Water Chair role in October, 2015.

Notably, she was appointed by her peers to Board Chair for the Victorian Water Industry Association in October, 2017.

Additionally, Jo's portfolio includes:

- Fellow of the Australian Institute of Company Directors
- Committee Chair – South Melbourne Market;
- Board Chair – Barwon Asset Solutions;
- Committee Chair – Geelong Regional Football;
- Committee Member Geelong – Australian Institute of Company Directors; and
- Executive Director and part owner of Business in Heels International.

She is a highly experienced business strategist and has worked across large commercial corporate, SME, government and NFP environments.

Further, Jo holds an MBA, a Graduate Diploma in Retail Management and is a Fellow of the Australian Institute of Company Directors.

She also enjoys professional mentoring, is an engaging master of ceremonies and expertly facilitating strategies that enable alignment between commercial, social and environmental outcomes.

Elaine Carbines

Deputy Chair

B Arts, Dip Ed, GAICD, FIPPA (Vic)
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 Employment Solutions, Director of Institute of Public Administration Australia (Victoria), Committee Member of Barwon South West Regional Development Australia Committee, Committee Member of Barwon Region Partnership, and Board Member of the Great Ocean Road Taskforce.

Elaine holds a Bachelor of Arts and a Graduate Diploma of Education and is a Graduate of the Australian Institute of Company Directors.

Tracey Slatter

Managing Director

(Barwon Water and Barwon Asset Solutions)

M Comm, FIPAA, GAICD

Tracey Slatter commenced as the Managing Director of Barwon Water in January, 2017. She has extensive executive leadership in the public sector as CEO of the City of Port Phillip, Head of Claims at the TAC, CEO of Colac Otway Shire and Director of Primary and Community Health with the State Department of Health and Human Services.

Tracey is also a Board Director of G21, a member of the Committee for Geelong and Managing Director of Barwon Water's fully owned subsidiary company, Barwon Asset Solutions.

Tracey enjoys leadership challenges and is passionate about achieving excellent outcomes and improved value for her customers and the community more broadly.

Tracey holds post graduate qualifications in Business Leadership, a Master of Commerce and is a Fellow of the Institute of Public Administration and a Graduate of the Australian Institute of Company Directors. Tracey is also a certified Level 1 IECL coach.

John Gavens

M Arts, B Comm, 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, local government and not-for-profit sectors. 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 also a Director of Barwon Asset Solutions, Dental Health Services Victoria and Great Ocean Road Coast Committee and member of two local government audit committees.

John holds a Master of Arts, a Bachelor of Commerce and is a Graduate of the Australian Institute of Company Directors.

Rebecca Leonard

B Sc, B Laws, MAICD

Appointed to Board: October, 2013

Rebecca is Acting Director, Governance Strategy and Performance at City of Greater Geelong and has previously worked at the Transport Accident Commission (TAC) in both solicitor and senior management roles. 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 is also Deputy Chair of 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 Audit and Risk Management Committees.

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

Bernard Walsh

MIEAust, CPEng, GAICD

Appointed to Board: October, 2015

Bernard is the Head of Engineering and Capital Works at Cann Group Limited, a medicinal cannabis company. He has had an extensive executive career in the chemicals, petrochemicals and explosives industries.

He consulted to the industry on manufacturing excellence and engineering feasibility studies for 5 years after leaving his executive role with Incitec Pivot Limited (IPL). At IPL he was a member of the executive team and led the major fertiliser and explosives manufacturing operations in North America and Australia including the supporting global engineering and process technology functions.

Bernard was a board member at Queensland Nitrates, Sasol Dyno Nobel and Initiation Explosives Systems.

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

Des Powell

Bachelor of Economics and Politics, GAICD

Appointed to Board: October, 2017

Immediately prior to his appointment to the Barwon Water Board, Des was a Director of Grampians Wimmera Mallee Water Corporation (GWM Water) from October, 2015 to September, 2017. He is a sessional Commissioner of the Victorian Commission for Gambling and Liquor Regulation and has held this position since February, 2012.

Des is Director and Chair of TAFE Gippsland, Director of Mercy Education Limited and Deputy Chair of the Victorian Regional Channels Authority.

He holds a Bachelor of Economics and Politics and is a Graduate of the Australian Institute of Company Directors.

Ann Lansberry

MEng, DipBA, GAICD

Appointed to Board: October, 2017

Ann is a community sector consultant specialising in building community capacity. As an Engineer she has over 20 years experience in the water sector.

Ann is currently the President of the Discovery Science and Technology Centre in Bendigo and a Director of Heathcote Health. Previously she was Chief Executive Officer of the Community Foundation for Central Victoria.

She holds a Master of Engineering (Chemical Engineering), a Diploma in Business Administration and is a Graduate of the Australian Institute of Company Directors.

2018-19 Board and committees of the Board attendance

| | Board meetings | Audit Committee meetings | Risk Management Committee meetings | People, Culture & Executive Remuneration Committee meetings | BAS Board meetings | BAS Audit and Risk Management Committee meetings |
|---------------------------------------|----------------|--------------------------|------------------------------------|---|--------------------|--|
| J Plummer (Chair), Term continuing | 15 | * | 4 | 2 | 7 | 2 |
| E Carbines, Term continuing | 14 | * | * | 2 | * | * |
| J Gavens, Term continuing | 15 | 4 | 4 | 1 [#] | 7 | 2 |
| R Leonard, Term continuing | 15 | 3 | 3 | * | * | * |
| B Walsh, Term continuing | 14 | * | 4 | 2 | 7 | 2 |
| A Lansberry, Term continuing | 15 | 4 | 4 [#] | 2 | * | * |
| D Powell, Term continuing | 13 | 3 | * | 1 | * | * |
| T Slatter (Accountable Officer) | 14 | 4 | 4 | 2 | 6 | 1 |

* Indicates non-member of committee

[#] Indicates Executive Remuneration Committee meeting and People and Culture Committee meeting combined.

Employment data

Barwon Water's people are among its most important resources. A high performance culture was achieved in 2018-19 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 two human resources business partners to provide high quality, responsive and professional human resource services and advice. This includes guidance and support to managers through the recruitment and selection process.

High Performance Strategy

Throughout 2018-19, the corporation went through a significant cultural transformation to deliver its *Strategy 2030* through the *High Performance*

Strategy. The strategy aims to build the capability of the entire organisation through various initiatives, including the upskilling of leaders, teams and employees.

Barwon Water identified key priorities to be rolled out as part of the coordinated three-year program, linking back to *Strategy 2030*. This holistic approach to capability development across the organisation will see all leaders attend an in-house program based on best-practice leadership philosophy, including proven effectiveness tools and models.

During 2018-19, teams participated in structured workshops where they were given the opportunity to define their purpose, goals and keep each other accountable for non-negotiable behaviours.

Individuals participated in an annual review process to highlight successes and opportunities for growth, supported by ongoing competency development through personalised development action plans.

The program of work earned Barwon Water's People and Safety team the Human Resources Director Magazine's 'Innovative HR Team 2019' Award.

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 that is 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 also 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, as well as the provision of gifts, benefits and hospitality. This policy is intended to support employees and Directors to avoid conflicts of interest and maintain high levels of integrity and public trust.

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

Barwon Water provides training to all employees, including refresher training. Directors 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 gifts, benefits and hospitality (GBH) practices are consistent with the Department of Environment, Land, Water and Planning's model policy in regards to both responding to offers, and providing gifts, benefits and hospitality.

Further information regarding Barwon Water's GBH policy and practices is available at: www.barwonwater.vic.gov.au.

‘Workforce Inclusion’ policy

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

Barwon Water’s ‘Belonging @ Barwon Water’ Inclusion Action Plan provides a pathway to formalise diversity, inclusion and gender equity in the workplace.

The action plan guides Barwon Water’s approach to inclusion and diversity, through targets for gender balance at senior leader level and across the organisation, Aboriginal and Torres Strait Islander inclusion, disability and cultural and linguistic diversity.

The actions also drive inclusion more broadly to recognise and celebrate difference and foster a true sense of belonging at Barwon Water for each individual.

In December, 2018, the organisation conducted a voluntary Diversity Census and Inclusion Index survey for all employees. The survey results provided workforce demographic data as well as qualitative information relating to employees sense of belonging. The data collected provided Barwon Water with a strong platform and baseline to measure performance towards the ‘Belonging @ Barwon Water’ Action Plan targets.

Results of the 2019 Victorian public sector’s People Matter survey demonstrate the organisation’s positive culture towards Aboriginal and Torres Strait Islander employees (88% agreement, 25 percentage points higher than in 2017), employees who identify as LGBTIQ+ (85% agreement, up 19 percentage points on 2017 and 24 points better than comparable industry peers) and employees with a disability (73% agreement, 16 percentage points higher than in 2017).

The following tables outlines Barwon Water’s actual progress towards ‘Belonging @ Barwon Water’ Action Plan targets in 2018-19 and 2017-18, with the organisation tracking above targets for all indicators.

| Workforce Inclusion policy initiative | Target | Actual progress in 2018-19 | Actual progress in 2017-18 |
|--|---|---|---|
| Balanced gender profile at executive and management level. | By July, 2020: 40 per cent male; 40 per cent female; 20 per cent flexible | Executives and managers: 50 per cent male; 50 per cent female | Executives and managers: 47 per cent male; 53 per cent female |
| Adopt a 1.5 per cent target for Aboriginal and/or Torres Strait Islander peoples within the organisation. | By July, 2020: 1.5 per cent Aboriginal and/or Torres Strait Islander peoples employed | 1.9* per cent *figure is inclusive of trainee and agency engagements | 0.3 per cent |
| Cultural and linguistic diversity (defined by an indication of a household where a language other than English (LOTE) language is spoken, or where the person was born overseas. | By July, 2020: 12 per cent cultural and linguistic diversity across the organisation | 20 per cent | No data available for 2017-18 |
| Target of 4 per cent of employees who identify as living with a disability. | By July, 2020: 4 per cent of employees to identify as living with a disability | 16 per cent | No data available for 2017-18 |

Traineeship program

Barwon Water offered 13 traineeships across the organisation and Barwon Asset Solutions in 2019. The traineeship program was developed to provide access as an early career pathway from target communities.

The objective of the 12-month program is to provide an opportunity to develop skills and gain valuable work experience, to become “best candidates” for future employers that can lead to further employment opportunities, and have a choice of career pathways through a nationally recognised qualification.

Since the traineeship program commenced in 2016, twenty-six trainees have passed through the program, resulting in:

- 11 trainees continued employment, agency and permanent roles at Barwon Water
- 6 trainees obtained employment post traineeship outside Barwon Water
- 3 trainees pursued further studies.

Barwon Water’s 2018 graduating trainees received a certificate of recognition for their graduation, presented by The Hon. Gayle Tierney, Minister for Training and Skills, and Minister for Higher Education in April, 2019.

Barwon Water received a Certificate of Appreciation from Gforce Employment Solutions for the ongoing Barwon Water Traineeship program, and was publicly acknowledged for its successful partnerships with Gforce, Wan-Yaari and Northern Futures.

Compliance with the *Disability Act 2006*

The *Disability Act 2006* requires Barwon Water to prepare a Disability Action Plan (DAP) and report on its implementation in their annual report. Barwon Water’s DAP is a two-year plan that aims to eliminate disability discrimination in accordance with the Act.

Barwon Water’s DAP is aligned with ‘Absolutely everyone – State disability plan for 2017–2020’, which is the Victorian Government’s framework for enabling people with a disability to participate and contribute to the social, economic and civic life of their community.

Employment statistics

| 2019 | | | | | | |
|----------------------|----------|-----------|------------|---------------------------|----------------------------|---------------|
| | Casual | Part-time | Full-time | Total (Headcount) 2019 | Total (Percentage) 2019 | FTE 2019 |
| Gender | | | | | | |
| Women | 2 | 42 | 73 | 117 | 35% | 101.86 |
| Men | 3 | 4 | 209 | 216 | 65% | 212.27 |
| Self-described | 0 | 0 | 0 | 0 | 0 | 0 |
| Prefer not to answer | 0 | 0 | 0 | 0 | 0 | 0 |
| Age | | | | | | |
| 15–24 | 4 | 0 | 6 | 10 | 3% | 6.11 |
| 25–34 | 1 | 5 | 55 | 61 | 18% | 58.63 |
| 35–44 | 0 | 25 | 96 | 121 | 36% | 113.94 |
| 45–54 | 0 | 7 | 71 | 78 | 23% | 75.72 |
| 55–64 | 0 | 9 | 52 | 61 | 18% | 57.74 |
| 65+ | 0 | 0 | 2 | 2 | 1% | 2.00 |
| TOTAL | 5 | 46 | 282 | 333 | 100% | 314.13 |

Notes

- Excludes external contractors/consultants and temporary staff employed by employment agencies
- FTE means full-time employee equivalent.
- Casual set as 1 hour

| 2018 | | | | | | |
|----------------------|----------|-----------|------------|---------------------------|----------------------------|---------------|
| | Casual | Part-time | Full-time | Total (Headcount) 2018 | Total (Percentage) 2018 | FTE 2018 |
| Gender | | | | | | |
| Women | 1 | 39 | 75 | 115 | 35% | 100.17 |
| Men | 3 | 7 | 208 | 218 | 65% | 213.68 |
| Self-described | - | - | - | - | - | - |
| Prefer not to answer | - | - | - | - | - | - |
| Age | | | | | | |
| 15-24 | 3 | 0 | 4 | 7 | 2% | 4.78 |
| 25-34 | 1 | 6 | 60 | 67 | 20% | 64.70 |
| 35-44 | 0 | 20 | 101 | 121 | 36% | 113.86 |
| 45-54 | 0 | 9 | 65 | 74 | 22% | 70.78 |
| 55-64 | 0 | 9 | 51 | 60 | 18% | 56.39 |
| 65+ | 0 | 2 | 2 | 4 | 1% | 3.34 |
| TOTAL | 4 | 46 | 283 | 333 | 100% | 313.85 |

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, 2018.
- FTE means full-time employee equivalent.

ANZSCO – 2019

| ANZSCO Occupation Classification | Headcount |
|-------------------------------------|------------|
| Managers | 20 |
| Professionals | 151 |
| Technicians and Trade Workers | 43 |
| Clerical and Administrative Workers | 75 |
| Machinery Operators and Drivers | 44 |
| TOTAL | 333 |

ANZSCO – 2018

| ANZSCO Occupation Classification | Headcount |
|-------------------------------------|------------|
| Managers | 26 |
| Professionals | 144 |
| Technicians and trade workers | 45 |
| Clerical and administrative workers | 73 |
| Machinery operators and drivers | 45 |
| TOTAL | 333 |

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.

Health, Safety and Wellbeing (HSW)

HSW management system

The HSW team maintained system improvements under the 2018-19 HSW management plan. Key components delivered included:

- continued benchmarking of HSW performance against other water authorities across Australia
- commissioning of an online training system
- continual review of manual handling risk assessments and associated controls
- commissioning of ChemAlert (online chemical management system)
- further enhancement of a mental health management program aligned with the mental health first aiders model with 17 mental health first aiders currently trained

- introduction of lifesaving rules
- safety campaign at Ryrie HQ with a focus on falling on stairs.

Health and Wellbeing program

The Health and Wellbeing program continued throughout the 2018-19 reporting period and included the following activities:

- Red 25 blood donation focus
- mindfulness room awareness
- ovarian cancer awareness month
- skin checks
- reducing sedentary work
- R U OK? Day
- Men's Health week
- flu vaccinations
- ride to work day

- health checks
- bowel cancer awareness month
- National diabetes awareness week.

HSW performance

While the number of injuries that resulted in a claim decreased on the previous year, the cost per claim increased by 30 per cent and the premium increased marginally. This was largely due to a focus on preventing any injuries becoming lost-time injuries and incurring additional costs. The number of medical treatment injuries increased marginally and the first aid injuries increased by four during 2018-19.

Occupational Health and Safety performance

| Measure | KPI | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 |
|------------------------|--|-----------|-----------|-----------|-----------|-----------|
| Injuries | First aid injuries | 11 | 7 | 6 | 7 | 7 |
| | Medical treatment only injuries | 8 | 6 | 16 | 6 | 13 |
| | Lost time injuries | 1 | 3 | 5 | 0 | 6 |
| | Total injuries | 20 | 16 | 26 | 13 | 26 |
| Incidents | Number of incidents | 130 | 114 | 102 | 89 | 68 |
| | Rate per 100 FTE | 41.5 | 35.6 | 31.8 | 27.8 | 23 |
| Claims | Number of standard claims | 5 | 7 | 2 | 2 | 3 |
| | Number of time lost claims | 1 | 0 | 1 | 0 | 3 |
| | Rate per 100 FTE | 0.27 | 0.00 | 0.31 | 0.00 | 1.01 |
| | Average cost per standard claim* | \$15,341 | \$10,610 | \$15,063 | \$49,998 | \$6,601 |
| Risk Management | Number of OHS meetings held | 1,453 | – | – | – | – |
| | Percentage of internal audits/inspections conducted as planned | 91.3% | – | – | – | – |
| | Percentage of reported incidents investigated | 74.6% | – | – | – | – |

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

HSW training

Ongoing efficiencies in HSW training delivery were implemented throughout 2018-19. Barwon Water introduced a tiered structure to the training program, allowing more targeted training to be provided to employees to improve overall safety awareness across the

organisation. 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 2018-19:

- confined space entry
- first aid/CPR.

Barwon Water also focused on a number of new training areas to address key risk areas and cultural indicators in 2018-19.

Environmental performance

Highlights

Barwon Water's certification of its Environmental Management System under ISO 14001:2004 continued following the successful completion of a recertification audit in 2018-19.

Some major highlights in the environmental management space included:

- protection and management of environmental values during capital project works and at operational sites
- continuing rollout of industrial waste management improvement activities
- environmental management training for staff
- obtained planning and environmental approvals for the capital works program
- update of internal environmental management tools.

Barwon Water continues to enhance and adapt its management processes to meet both regulatory requirements and industry best practice.

Safety, Quality, Environment (SQE) information

SQE integrated management system

Barwon Water continues to develop and enhance its integrated management system and has maintained certification 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

Continuing to build a high standard of emergency management skills across the organisation in 2018-19, Barwon Water provided the following training for designated response personnel and employees:

- crisis management team training
- incident management team training
- warden and chief warden training
- general staff evacuation and information training
- fire ready sessions.

Barwon Water participated in six emergency exercises over the year, continuing to build significant interagency relationships and all hazards response capability. Exercises covered scenarios for dam safety, cyber security, earthquakes, fire and other significant community infrastructure impact scenarios.

The organisation implemented the use of a vehicle GPS system to provide more reliable and timely identification of

personnel in the vicinity of active fires during the fire danger period.

The use of this system, StaySafe and EM-COP enabled the organisation to provide early warning and notification to employees and contract personnel, maintaining safety throughout a challenging and elongated fire danger period.

Barwon Water continues to be actively involved in emergency management committees across the region, enhancing cooperation and understanding between agencies and communities. The key agencies that Barwon Water interacts with include 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 both 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.

Freedom of Information Act

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

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

The Act allows Barwon Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be

accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to Barwon Water in-confidence.

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

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

Making a request

Fol requests can be lodged online at www.ovic.vic.gov.au. An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request to Barwon Water's Freedom of Information Manager, as detailed in s17 of the *Freedom of Information Act 1982*.

When making a Fol request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

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

Barwon Water Freedom of Information Manager

Mail: PO Box 659, Geelong VIC 3220

Phone: 1300 656 007

Email: foi@barwonwater.vic.gov.au

Fol statistics/timeliness

During 2018-19, Barwon Water received 16 applications and processed 1 request from the previous financial year.

Of these applications, Barwon Water received 7 from law and insurance firms, 5 from the general public, 3 from organisations and 1 from a state government authority.

Barwon Water made 16 decisions during 2018-19. All 16 decisions were made within the statutory 30-day time period. The average time taken to finalise requests in 2018-19 was 12.6 days.

During 2018-19, no requests were subject to a complaint/internal review by OVIC.

The table below outlines the outcome of each of the requests.

Fol statistics/timeliness

| | |
|------------------------|---|
| Full access granted | 5 |
| Partial access granted | 2 |
| Withdrawn | 0 |
| Not proceeded with | 4 |
| No documents | 3 |
| Outside the Act | 2 |
| 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.

Further information

Further information regarding the operation and scope of FoI can be obtained from the Act; regulations made under the Act; and www.foi.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
- major sponsorships.

Compliance with Building Act 1993

Barwon Water owns or controls one government building located at 55-67 Ryrie Street, Geelong, and consequently is required to include a statement on its compliance with the building and maintenance provisions of the *Building Act 1993* in relation to that building.

Barwon Water requires that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by Barwon Water and that their work and services comply with current building standards. All such consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the *Building Act 1993*, *Building Regulations 2018* and the *National Construction Code*.

In relation to existing buildings, Barwon Water's Company Secretary and Compliance Group is responsible for planned maintenance schedules to maintain building assets in accordance with relevant standards, independent essential safety measure quarterly audits and regular inspections for safety or building non-conformances. Barwon Water also employs an experienced and accredited facility management provider to assist with maintaining standards.

Barwon Water employs an intranet-based work order system for staff to notify the organisation of maintenance and safety issues, conducts routine site inspections, and also receives security alerts from reed switches, alarms, tamper switches and failures.

During 2018-19:

| | |
|---|---|
| Number of major works projects (greater than \$50 000): | 0 |
| Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by the entity: | 0 building permits 0 occupancy permits 0 certificates of final inspection |
| Number of emergency orders and building orders issued in relation to buildings: | 0 emergency orders 0 building orders |
| Number of buildings that have been brought into conformity with building standards during the reporting period: | 0 buildings brought into conformity |

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.

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

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 *Local Jobs First Act 2003* introduced in August, 2018, brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy, which were previously administered separately. Barwon Water is required to apply Local Jobs First - VIPP in all projects valued at \$3 million or more for metropolitan Melbourne and for state-wide projects, or \$1 million or more for projects in regional Victoria. MPSG applies to all construction projects valued at \$20 million or more. The VIPP and MPSG guidelines will continue to apply to all applicable projects respectively where contracts have been entered prior to August 15, 2018.

Projects commenced:

During 2018-19, Barwon Water commenced nine Local Jobs First - VIPP or Local Industry Development Plan (LIDP) applicable procurements totalling \$37,623,429 (excluding GST). 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 75.27 per cent of local content commitment was made;
- a total of 91 jobs (annualised employee equivalent (AEE)) were committed, including creation of 40 new jobs and retention of 51 existing jobs (AEE);
- a total of 34 positions for apprentices/trainees were committed, including 18 new apprenticeships/traineeships and retention of 16 existing apprenticeships/traineeships;
- Barwon Water did not commence any projects that met requirements of the MPSG.

Projects completed:

During 2018-19, Barwon Water completed two Local Jobs First - VIPP applicable projects collectively valued at \$2,624,922 (excluding GST). All projects were located in regional Victoria. The MPSG did not apply any of these projects.

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

- an average of 99 per cent of local content commitment was made;
- a total of 40 jobs (AEE) were committed, including the creation of 18 new jobs and the retention of 22 existing jobs;

- a total of three positions for apprentices/trainees were committed, including the creation of three new apprenticeships/traineeships;
- the retention of the remaining one existing apprenticeships/traineeships; and
- MPSG applicable projects provided a total of 0 hours to apprentices/trainees and engaged 0 apprentices/trainees (MPSG did not apply).

During 2018–19, there were 13 small to medium sized businesses that prepared a VIPP Plan or LIDP for contracts, with none prepared by large businesses.

During 2018–19, nine 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 did not commence any contracts greater than \$1 million to which a VIPP Plan or LIDP was required.

There were 14 design contracts or grants provided during 2018–19.

‘Competitive Neutrality’ policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage

arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned.

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

Barwon Water continues to comply with the requirements of the Competitive Neutrality policy.

Consultancy and contract expenditure

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

In 2018–19, there were 71 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2018–19 in relation to these consultancies was \$5,380,518 (excluding GST).

Details of individual consultancies are outlined on Barwon Water’s website: www.barwonwater.vic.gov.au.

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

In 2018–19, there were 68 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2018–19 in relation to these consultancies was \$240,616 (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 2018–19 reporting period on government campaign expenditure did not exceed \$100,000.

Information and Communications Technology (ICT) expenditure

For the 2018–19 reporting period, Barwon Water had a total ICT expenditure of \$11,658,007 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) |
| \$6,606,497 (Total) | (Total=Operational expenditure and capital expenditure) | 1,588,156 | 3,463,354 |

“**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.

Minister's Letter of Expectations

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Key Performance Indicators

| Priority area | Key Performance Indicator | Measure | Barwon Water activity/response |
|--|--|--|--|
| Climate change Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies and actions. | E2 Emission reductions Demonstrate reasonable progress toward achievement of the entity's emission reduction pledge. | E2 Total net emissions of CO ₂ equivalent tonnes. | <p>Barwon Water's emissions reduction pledge aligns with our targets of 100 per cent renewable electricity by 2025 and zero net emissions by 2030.</p> <p>Our approach to achieving these targets follows the emissions reduction hierarchy and is set out in the Climate Change Mitigation Plan (completed October, 2016).</p> <p>This year we avoided at least 1,888 tonnes CO₂-e, with our renewable energy assets supplying 5.6 per cent of electricity use, and achieved a number of milestones including:</p> <ul style="list-style-type: none"> Expansion of Black Rock solar farm to 3 megawatts capacity: now supplying almost fifteen per cent of Barwon Water's electricity consumption. Switching on the Torquay solar array: adjacent Barwon Water's sustainable residential subdivision, Salt Torquay. Launch of Zero Emissions Water and a Power Purchase Agreement involving 13 water corporations: to supply up to 30 per cent of Barwon Water's renewable energy needs, commencing October, 2019. Installation of a 300 kilowatt solar array at the Wurdee Boluc Water Treatment Plant: coupled with Barwon Water's first battery storage installation, due for completion in August, 2019. Continued transition to electric and hybrid vehicles: hybrid trucks replaced seven existing diesel trucks. Barwon Water's two battery-electric passenger vehicles continued to be used extensively. <p>Overall, Barwon Water has now committed to projects (operational, under construction or implementation) which will provide 70 per cent of our 100 per cent by 2025 renewable energy target.</p> |
| | E3 Climate adaptation A. Apply the Guidelines for Assessing the Impact of Climate Change on Water Suppliers in Victoria and demonstrate adaptation by: <ul style="list-style-type: none"> Their application in drought preparedness and urban water strategies (Urban water corporations). Rural water corporations (as applicable) develop low flow contingency plans that include an appropriate range of climate scenarios. B. Integrate climate change adaptation into decision-making across the business (all sources of water, wastewater, and where relevant drainage and flood management) including*: <ul style="list-style-type: none"> source waters and demand built assets natural environment people and workplace interdependencies customer and product delivery. | E3 Qualitative description of how adaptation to climate change and variability are integrated across all relevant business decisions, in the parts of the business specified. Include consideration of short, medium and long-term changes. | <ul style="list-style-type: none"> The Urban Water Strategy (completed March 2017) included a Drought Preparedness Plan, and was developed using the Guidelines for Assessing the Impact of Climate Change on Water Supplies in Victoria, DELWP, 2016. The risk management approach ensured Barwon Water considered a number of climate change scenarios in the Strategy. During 2018-19, Barwon Water continued to integrate climate change adaptation decision making across the business. The focus has primarily been deepening our understanding of our climate risk and setting up the appropriate governance approach and framework to successfully understand, treat and monitor climate risks. In particular the organisation has been working on: <ul style="list-style-type: none"> Updating our Climate Change Adaptation Plan, underpinned by a deeper understanding of our climate risk. A detailed cross-departmental risk assessment across long timescales (2030 and 2070) has been completed to inform the new adaptation plan, and adaptation actions are currently under development for all risks rated medium and higher. A new Key Business Risk dedicated to climate change. This was prepared also using the results of the detailed risk assessment, and will help provide the Board and executive with oversight over the business' climate risk (and be a central point for all adaptation work). A climate impact assessment tool has been prepared to help asset planners consider the impacts of climate change in all new projects. |

PART 5. Minister's Letter of Expectations

| Priority area | Key Performance Indicator | Measure | Barwon Water activity/response |
|--|--|---|--|
| Customer and community outcomes All aspects of service delivery will be customer and community centered. | C1 Customer satisfaction Note this indicator includes both direct and proxy measures. Overall, reporting on measures identified for this indicator should demonstrate high or improving levels of customer satisfaction over time. | A. C1(U) Customer satisfaction survey The ESC will collect customer satisfaction survey data on an ongoing quarterly basis. | <ul style="list-style-type: none"> • Results in the WSAA voice of customer survey and the ESC quarterly customer satisfaction surveys show a steady improvement in 2018-19. Some reasons for this include: <ul style="list-style-type: none"> – Commencing a dedicated program of customer experience transformation in 2018-19 which has included engagement with customers and employees to improve processes, advanced training for customer centre call handlers, a new Voice of Customer program to improve the way we identify, analyse and respond to complaints and feedback, co-designing a new hardship program with local support agencies and councils, improving our digital touchpoints (new website, e-billing, SMS etc.) and having a customer presence at festivals, events and shopping centres; – Continuing our Corporate Social Responsibility and education programs with schools, community organisations and customer groups; – Strengthening engagement with our Customer and Environmental Advisory Committees so they can provide feedback on important programs and services; and – Building strategic partnerships with councils and key customer and community stakeholders in the region, for example Deakin University, Surf Coast Shire and Traditional Owner groups. |
| | | B. CR1 Water quality complaints | <ul style="list-style-type: none"> • Barwon Water records all complaints relating to drinking water quality. There are a number of controls in place to manage and reduce the number of water quality complaints. The effectiveness of these controls has resulted in reduction of the overall number of water quality complaints received per 1,000 properties over the past several years. |
| | | C. CR4 Number of billing payment issues | <ul style="list-style-type: none"> • Barwon Water undertakes ongoing training with its Customer Service staff to ensure all aspects of a customer's individual situation are taken into consideration when working with billing and payment issue complaints. This training will assist to reduce the number of complaints received. • Some other initiatives in place to help customers and reduce complaints are: <ul style="list-style-type: none"> – advanced call handling training for contact centre staff to help resolve issues in the first instance; and – a new 'Voice of Customer' program introduced in 2018-19, which is improving the way we identify, understand and respond to complaints, as well as connect customers to support programs where appropriate. |

| Priority area | Key Performance Indicator | Measure | Barwon Water activity/response |
|---|--|---|--|
| Water for Aboriginal cultural, spiritual and economic values Recognise and support Aboriginal cultural values and economic inclusion in the water sector. | AC1 Engagement of Aboriginal communities Effective and genuine engagement of Aboriginal communities for involvement in business opportunities and access to water for economic development. Measures related to this indicator will not be considered in isolation. Rather, reported information will be used to help build a broad picture of engagement, taking into account the relevant local context. | AC1.1 A strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply goods/services to water corporations. | Barwon Water's Reconciliation Action Plan (RAP) includes several actions committed to in relation to addressing barriers for Aboriginal enterprises to supply goods/services to water corporations. These include: <ul style="list-style-type: none"> review and update procurement policies and procedures to ensure there are no barriers for procuring goods and services from Aboriginal and Torres Strait Islander businesses; develop and communicate to staff a list of ATSI businesses that can be used to procure goods and services; and develop at least one commercial relationship with an ATSI owned business and investigate Supply Nation membership. Some of the achievements and progress we have made against these actions include: <ul style="list-style-type: none"> The development and implementation of a Partnership Agreement with Wadawurrung Registered Aboriginal Party. The plan covers a range of services and projects that Barwon Water and Wadawurrung are committed to working on together. Numerous relationships have been developed with ATSI owner businesses for the provision of stationary, art management, training, graphic design and printing. We are continuing to investigate further opportunities, including membership into Supply Nation and/or Kinaway. Providing office space/resources to Wan-Yaari Aboriginal Consultancy Services, an Aboriginal owned and operated business providing professional services to the Geelong community. |
| | | AC1.2 Number/ explanation of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships. | <ul style="list-style-type: none"> Building capacity in Barwon Water to facilitate increased Aboriginal participation in water resource management, including: <ul style="list-style-type: none"> Barwon Water has signed a 'good faith' agreement (prepared by VAEB) to work towards objectives relating to employment opportunities and pathways for ATSI people. Barwon Water's Traineeship Program employed eight Aboriginal Trainees as part of its 2018-19 program. The 2019-20 program will again be actively encouraging Aboriginal and Torres Strait Islander people to apply for the program. |
| | | AC1.3 Number of staff within the water corporation who have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last 5 years. | <ul style="list-style-type: none"> Over half of our staff have completed Cultural Awareness Training conducted by Wadawurrung in the last two years. More training is scheduled to occur in 2019, with the aim of providing the training to all staff. |
| | AC2 Engagement of Traditional Owners Effective and genuine engagement of Traditional Owners for inclusion of Aboriginal values in water planning. Measures related to this indicator will not be considered in isolation. Rather, reported information will be used to help build a broad picture of engagement, taking into account the relevant local context. | AC2.1 Number of engagements with Traditional Owners in water planning and management and report on outcomes. | <ul style="list-style-type: none"> Ensuring Traditional Owners and Aboriginal water values and water resource uses are included in all water planning and management. Working with the DELWP Aboriginal Water Unit to extend current EOI process around purchase of water available to Barwon Water in Melbourne to Traditional Owners in the region. |

PART 5. Minister's Letter of Expectations

| Priority area | Key Performance Indicator | Measure | Barwon Water activity/response |
|---|--|---|--|
| Water for Aboriginal cultural, spiritual and economic values <i>(Continued)</i> | | AC2.2 Number of pilot programs to test different ways to achieve shared benefits. | <ul style="list-style-type: none"> Barwon Water has identified a number of opportunities to implement actions and programs that seek to achieve shared benefits with Traditional Owners and Aboriginal communities, including: <ul style="list-style-type: none"> – Porronggitj Karrong – Barwon Water and Wadawurrung will work in partnership to develop a park that is designed and managed using traditional land management practices. – Providing funding support to Wadawurrung to develop a Country Plan. – Development of a Partnership Agreement with Wadawurrung. – Appointing our own Aboriginal Partnerships Advisor to work closely with this position, and other Traditional Owner and Aboriginal communities. – Supporting the Djilang initiative with the Geelong Football Club. – Exploring Caring for Country principles with Traditional Owners in the region. |
| | AC3 Aboriginal Inclusion Plan/ Reconciliation Action Plan To be considered in conjunction with AC1 and AC2, taking into account the relevant local context. | AC3 Development of either an Aboriginal Inclusion Plan or a Reconciliation Action Plan, reflecting measures AC1.1 to AC1.3 and AC2.1 to AC2.2 as appropriate. | <ul style="list-style-type: none"> Barwon Water developed its RAP in collaboration with Aboriginal communities and key stakeholders. The Plan was approved by Reconciliation Australia (RA) in May, 2018. Implementation of the plan is underway, with the Aboriginal Partnerships Advisor taking a lead role in garnering support across the entire organisation. Reporting progress against actions to RA annually, and also report progress externally via our annual report. Additionally, the RAP working group will meet every 6 months to discuss progress. |
| Resilient and liveable cities and towns Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments. | L1 Integrated Water Management (urban) In relevant IWM forum(s), actively facilitate and champion water's contribution to deliver liveability for cities and towns of the region consistent with the forum's objectives. | L1 Progress towards: <ol style="list-style-type: none"> establishment of and participation in IWM forum(s) in your region development of and contribution to Strategic Direction Statement(s) in your region Implementation of priority IWM plans and projects, as applicable delivering IWM outcomes for the region | <ul style="list-style-type: none"> Providing secretariat support to the Barwon Region IWM Forum and supporting the development of the Barwon IWM Strategic Directions Statement (SDS), in partnership with DELWP, which included forum member endorsement and ministerial sign off. Leading and facilitating the IWCW Barwon Region Network to deliver IWCW projects across the region. Continuing to embed integrated water cycle management early in urban planning for Geelong's long-term growth areas, e.g. <ul style="list-style-type: none"> – In collaboration with the City of Greater Geelong and stakeholders Barwon Water led the preparation of IWCW Plans for the Western and Northern Geelong Growth Areas. – In collaboration with the Surf Coast Shire and stakeholders Barwon Water led the preparation of IWCW Plans for the Spring Creek development. Leading specific IWM projects/plans including: <ul style="list-style-type: none"> – Barwon River Parklands Master Plan review; – Winchelsea IWM Plan; – Clifton Springs IWM Plan; – Colac Botanic Pathway, Central Colac Green Spine and Irrewillipe stormwater basin upgrade; and – Borough of Queenscliff stormwater trial. In collaboration with the Colac Otway Shire and the Forrest community, exploring opportunities for wastewater improvements in the township of Forrest. Engaging with the community and Traditional Owners to review water supply options and identify a preferred approach to ensure water supply security for the growing Apollo Bay Township. |

| Priority area | Key Performance Indicator | Measure | Barwon Water activity/response |
|---|---|--|---|
| Resilient and liveable cities and towns <i>(Continued)</i> | L2 Water efficiency (urban) Implement water efficiency programs aligned with Target 155 (Metros) and Target Your Water Use (Regional Urban). | L2 Continue to collaborate on the Victorian Water Efficiency Strategy and work together through a coordination group to develop statewide initiatives | <ul style="list-style-type: none"> Implementing a comprehensive five-year regional scale Sustainable Water Use Plan, which will identify a range of measures to support water efficient behaviour by customers and a comprehensive Target Your Water Use program for the region. During the 2018–19 year, 306 customers were assisted by the Victorian Government's Community Water Rebate Program. As part of our Schools Water Efficiency Program (SWEP), 17 schools have signed up in the last 12 months. The program has a total 71 out of 149 schools in the region. Since the SWEP program's inception in 2012, the Barwon Water region's schools have saved 658ML of water, equalling \$2.1 million in water consumption costs. |
| | L3 Water bills (urban) Victorian water bills are amongst the lowest in Australia. (not applicable to MW) | L3 Total residential bill based on: A. average consumption B. 200kl consumption. | <ul style="list-style-type: none"> The 2016–17 National Performance Report showed Barwon Water having the second lowest bill in across Australia among its peers (businesses with 100,000+ customers), with City West Water, South East Water and Yarra Valley water ranking 5th, 7th and 9th lowest respectively: <p>A. 'average consumption' National average \$1,296 Barwon Water bill \$1,012 Ranked 2nd lowest (out of 15)</p> <p>B. '200kL consumption' National average \$1,407 Barwon Water bill \$1,097 Ranked 2nd lowest (out of 15).</p> <ul style="list-style-type: none"> For 2019–20, customer bills for average residential owner-occupiers and tenants (160kL) will remain steady at \$1,029 and \$291 respectively, and then increase by an average of \$3 p.a. (in 2018–19 real terms). Barwon Water submitted 'advanced' 2018 Price submission demonstrating improved value for customers. This was developed via extensive analysis with customers and stakeholders. |
| Financial Sustainability Delivering safe and cost-effective water and wastewater services in a financially sustainable way. | L4 Payment management and hardship (not applicable to MW) Overall improved access to instalment plans for management of payments. Understand year on year trends in hardship grants. | L4 A. Number of instalment plans at the end of the reporting period B. Number of customers awarded hardship grants | <ul style="list-style-type: none"> While the number of formal instalment plans (3,803) has remained relatively stable from the previous year, we are continuing to see an increasing number of customers paying accounts with self-managed regular payments (i.e. setting up automatic BPAY payments). Approximately 6,300 accounts were paid via self-directed informal payment plans (up from approximately 5,600 during 2017–18), reflecting an ongoing shift towards digital payment channels. These "informal" payment plans are not reported in submitted UPP1 data. Significant additional efforts were carried out during 2018–19 to improve access to instalment plans for management of payments. Barwon Water launched a new Customer Support (Hardship) Strategy, which optimised and expanded our existing hardship support programs and introduced new programs. Improvement in the support offering was achieved through skill development, raising awareness of programs and proactive engagement with customers. Outcomes in 2018–19 included: <ul style="list-style-type: none"> a 16 per cent increase in customer uptake of the 'Arrange and Save' program, with a 24 per cent increase in the number of customers awarded hardship grants (from 1,279 to 1,588); and a 23 per cent increase in the approval rate for the Utility Relief Grant Scheme. Underlying our approach to debt collection lies our policy for customers experiencing financial hardship, which requires vulnerable customers to be provided time and assistance to get their debt under control. A dedicated team is available to assist customers in the application of grants, access to hardship programs and referrals to financial counselling services. |

PART 5. Minister's Letter of Expectations

| Priority area | Key Performance Indicator | Measure | Barwon Water activity/response |
|---|---|---|--|
| Recognising recreational values Support the wellbeing of rural and regional communities by considering recreational values in water management. | Rec1 Recreational values Consideration of recreational values in carrying out functions and providing services (applicable to all water corporations except the three Melbourne metropolitan retail water corporations). Note – This applies only to the extent that water corporation manages water storages accessible for recreation. | <ol style="list-style-type: none"> Efforts taken around the following four themes of Water for Victoria, including numbers where available: <ol style="list-style-type: none"> Community engagement in order to understand recreational objectives relating to water and waterways Planning and management that incorporates consideration of recreational values objectives Availability of accessible, user-friendly information to help recreational users to plan their activities Collaboration with other organisations and government agencies to explore and progress opportunities to support recreational objectives Where applicable, progress to date to prepare land and recreation management plans for all major water storages of recreational value, and the extent to which management plan actions have been implemented, as per Water for Victoria action 7.3. | <ul style="list-style-type: none"> Barwon Water is preparing plans as part of Healthy Communities project for all major water storages, which consider land and recreation management. The project is focusing on increasing public amenity value of Barwon Water's facilities and developing new partnerships with the community in exploring opportunities to enhance the social and recreational values associated with water and water assets. <p>The key reservoirs sites include Bostock, Upper Stoney, Wurdee Boluc, Painkalac, and West Barwon, and include:</p> <ul style="list-style-type: none"> walking/bush trails fishing platforms cultural interpretative information, including sculptures, artwork native revegetation recreational equipment, including nature playgrounds disabled access picnic area upgrades, BBQ's. <ul style="list-style-type: none"> Proposing to establish a 66-hectare regional place on the Barwon River in Breakwater, for Geelong. The project intends to improve recreational value and promote regional prosperity through provision of a new public place for our community. Considering recreational benefits and multiple uses of water and waterways in annual and long-term planning. Coordinating increased fish stocking at reservoirs through collaboration with Fisheries Victoria and community groups. Enhancing community understanding and access to information regarding recreational opportunities. Supporting community events through usage of our reservoirs, including (not limited to): <ul style="list-style-type: none"> Otway Odyssey Mountain bike event Wurdee Boluc cross country running half marathon Forrest Soup festival. |

| Priority area | Key Performance Indicator | Measure | Barwon Water activity/response |
|---|---|--|---|
| Leadership and Culture Water corporations reflect the needs of our diverse communities. | G1 Diversity and inclusion Improve gender and cultural diversity in workforce including gender equity in executive leadership. Diversity Inclusion plans to be based on best practice. The approach of the DELWP Diversity and Inclusion Strategy 2016-2020 could be considered as a guide. | G1.1 Development and delivery of a Diversity Inclusion Plan/s and publication (via the water corporation's website) of the Inclusion Plan or equivalent explanation. | <ul style="list-style-type: none"> Continuing to implement Barwon Water's Diversity, Inclusion and Gender Equity Strategy to: <ul style="list-style-type: none"> build capacity of employees on the importance and benefits on diversity in the workplace the formation of a Diversity Advocacy Group provided valuable feedback from the business and cultural audit of the business to gather baseline data applying a diversity lens to attract and retain the right people, through a reviewed recruitment strategy that supports inclusion and diversity. |
| | | G1.2 Number of females occupying senior executive positions over projected five-year period. | <ul style="list-style-type: none"> Barwon Water is driving diversity, inclusion and gender equity at all levels of the organisation. Female representation at senior leadership level (Executive Leadership Team and managers) was 50 per cent (11 female) at June 30, 2019. At the senior executive level (ELT), female representation decreased from 62.5 per cent in 2017-18 to 50 per cent (4) in 2018-19. Barwon Water aims to maintain 50 per cent (12 in current organisational structure) females in senior leadership positions over the 5-year period. |
| | | G1.3 Adopt a 1% target for Aboriginal people in the business consistent with Vic government policy[1] and work to a stretch target of 3% by 2020 (DELWP policy[2]). | <ul style="list-style-type: none"> As part of the gender and equity, inclusion strategy, there is a target under the Aboriginal Values pillar to reflect the community we live in of 1 per cent of people who identify as ATSI. As at June, 2019, the number of ATSI people in the business was 1.9 per cent. |
| | | G1.4 Actions taken to improve participation by Traditional Owners in Board committees and other organisational Committees. | <ul style="list-style-type: none"> In 2018-19, Barwon Water reviewed membership of its Customer and Environmental advisory committees to improve Traditional Owner representation. At June 30, 2019, Barwon Water's Environmental Advisory Committee had Traditional Owner representation from Kuuyang Maar. In January, 2019, Barwon Water signed a partnership agreement with Wadawurrung Aboriginal Corporation, setting out a commitment to working together on key projects over the next three years. |
| | | G1.5 Number of respondents to the VPSC People Matter Survey from each water corporation should be high or improving over time (to be based on participation in alternate years with implementation measures achievements reported in follow up year). Results indicate favourable response to implementation of diversity inclusion plan. | <ul style="list-style-type: none"> Barwon Water participated in the latest People Matter survey in June, 2019, with 39 per cent of staff completing the survey. The organisation did not complete the survey in 2018, however 51 per cent of employees responded to the survey in 2017. Results of the 2019 Victorian public sector's People Matter survey demonstrate the organisation's positive culture towards Aboriginal and Torres Strait Islander employees (88 per cent agreement, 25 percentage points higher than in 2017), employees who identify as LGBTIQ+ (85 per cent agreement, up 19 percentage points on 2017 and 24 points better than comparable industry peers) and employees with a disability (73 per cent agreement, 16 percentage points higher than in 2017). |

PART 5. Minister's Letter of Expectations

| Priority area | Key Performance Indicator | Measure | Barwon Water activity/response |
|---|--|--|--|
| Leadership and Culture (Continued) | G2 Board performance review Annual Board performance review to help monitor and improve the Board's effectiveness in leading the organisation. | G2 Board performance report submitted to the Minister for Water by 31 March each year with identified actions for continuous improvement. Monitoring of previous year's actions have had a positive result on the Board's ability to lead the organisation. | <ul style="list-style-type: none"> 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. |
| | G3 Health and Safety Sustained annual improvement against H&S performance benchmarks (AS/NZS standard 4801). | G3 Performance indicators adopted to monitor occupational health and safety in line with FRD 22H, section 6.10. | <ul style="list-style-type: none"> Barwon Water has a safety management system certified to AS 4801 and benchmarks itself against other WSA group members. Performance measures include a combination of lead and lag indicators and are reported monthly to the Board and annually through the annual report (see page 52). |
| Financial Sustainability Delivering safe and cost-effective water and wastewater services in a financially sustainable way. | F1-F8 Financial Indicators Overall reporting on these measures should demonstrate financial sustainability and provide a positive picture of a corporations' financial sustainability over time. | F1 interest cover F2 gearing ratio F3 internal financing ratio F4 current ratio F5 return on Assets F6 return on equity F7 EBITDA Margin | <ul style="list-style-type: none"> Barwon Water continues to remain financially sustainable with all financial indicators remaining within VAGO benchmarks. |
| | | F8 Credit rating | <ul style="list-style-type: none"> Barwon Water engaged Fitch to undertake an independent credit rating assessment in September, 2017, the outcome of which was an improvement in the credit rating from BB to BBB+, resulting in a reduction in Barwon Water's 2017-18 FAL rate from 2.1 percent to 1.8 percent. The credit rating assessment had a flow on affect in 2018-19, with the FAL rate reducing from 1.29 percent to 1.13 percent (BBB to BBB+). |



PART 6.

Performance report

.....

Barwon Region Water Corporation (Barwon Water)
and Barwon Asset Solutions Pty Ltd (BAS) (collectively "The Group")

Consolidated Performance Report 2018-19

1. Financial Performance Indicators

| KPI NO. | Key Performance indicator | 2017-18 Result | 2018-19 Result | 2018-19 Target | Variance to prior year | Notes | Variance to target | Notes |
|---------|--|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| F1 | Cash Interest Cover – Net operating cash flows before net interest and tax / net interest payments | 3.09 times | 3.65 times | 2.66 times | 18.1% | 1a | 37.2% | 1b |
| F2 | Gearing Ratio – Total debt (including finance leases) / total assets * 100 | 21.8% | 21.2% | 22.3% | -2.8% | | -4.9% | |
| F3 | Internal Financing Ratio – Net operating cash flow less dividends / net capital expenditure * 100 | 118.7% | 107.0% | 87.5% | -9.9% | | 22.3% | 2b |
| F4 | Current Ratio – Current assets / current liabilities (excluding long-term employee provisions and revenue in advance) | 0.61 times | 0.71 times | 0.43 times | 16.4% | 3a | 64.4% | 3b |
| F5 | Return on Assets – Earnings before net interest and tax / average assets * 100 | 2.09% | 2.29% | 1.50% | 9.6% | | 52.7% | 4b |
| F6 | Return on Equity – Net profit after tax / average total equity * 100 | 0.74% | 1.03% | 0.00% | 32.9% | 5a | – | 5b |
| F7 | EBITDA Margin – Earnings before interest, tax, depreciation and amortisation / total revenue * 100 | 56.9% | 54.9% | 51.2% | -3.5% | | 7.2% | |

Notes:

- 1a,b** The favourable cash interest cover ratio result compared to 2017-18 and the 2018-19 target is an outcome of higher net cash flows from operating activities and slightly lower net interest payments. Net cash from operating activities has increased due to strong tariff and developer revenue associated with strong growth in the Barwon region and higher water usage given the hot-dry climate conditions. The reduction in total borrowings, therefore lower interest payments, over the past year also contributed to a higher cash interest cover result.
- 2b** The favourable internal financing ratio result versus the 2018-19 target is an outcome of higher net cash flows from operating activities and lower capital spend versus what was forecast when setting the target. As noted above, net cash from operating activities has increased due to increased tariff and developer revenue associated with strong growth in the Barwon region and higher water usage given the hot-dry climate conditions. Lower than forecast capital expenditure was due to timing reforecasting and better alignment with developer construction for a number of projects.
- 3a,b** The favourable current ratio result compared to 2017-18 and the 2018-19 target is an outcome of a higher current assets result which is attributable to higher tariff debtors and a number of assets as part of Barwon Water's property realisation project being held for sale.
- 4b** The favourable return on assets result versus the 2018-19 target is an outcome of higher than forecast earnings before net interest versus what was forecast when setting the target and is attributable to increased tariff and developer revenue associated with strong growth in the Barwon region and higher water usage given the hot-dry climate conditions.
- 5a,b** The favourable return on equity result compared to 2017-18 and the 2018-19 target is an outcome of a higher current assets result which is attributable to increased tariff and developer revenue associated with strong growth in the Barwon region and higher water usage given the hot-dry climate conditions as noted above.

2. Water and Sewerage Service Performance Indicators

| KPI NO. | Key Performance indicator | 2017-18 Result | 2018-19 Result | 2018-19 Target | Variance to prior year | Notes | Variance to target | Notes |
|---------|---|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| WS1 | Unplanned water supply interruptions – No. of customers receiving five unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100 | 0.07% | 0.00% | 0.20% | -100.0% | 6a | -100.0% | 6b |
| WS2 | Interruption time – Average duration of unplanned water supply interruptions | 89.4 minutes | 94.4 minutes | 125.0 minutes | 5.6% | 7a | -24.5% | 7b |
| WS3 | Restoration of unplanned water supply – Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions *100 | 96.6% | 96.9% | 96.5% | 0.3% | | 0.4% | |
| SS1 | Containment of sewer spills – Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers *100 | 99.7% | 100.0% | 98.0% | 0.3% | | 2.0% | |
| SS2 | Sewer spills interruptions – No. of residential sewerage customers affected by sewerage interruptions restored within five hours | 92.1% | 97.3% | 91.0% | 5.6% | 8a | 6.9% | 8b |

Notes:

6a,b A favourable variance to the prior year and target is due to risk based prioritisation and improvements in the delivery of the mains replacement program resulting in a gradual reduction in failure rates for water mains over the period.

7a An unfavourable variance to the prior year is due to normal annual variation of interruption times. An ongoing focus on meeting unplanned supply interruptions restored within 5 hours will assist in reducing the time in future.

7b A favourable variance to target is due to an ongoing focus on meeting unplanned water supply interruptions restored within 5 hours.

8a,b A favourable variance to the prior year and target is due to improvements in response times.

3. Customer Responsiveness Performance Indicators

| KPI NO. | Key Performance indicator | 2017-18 Result | 2018-19 Result | 2018-19 Target | Variance to prior year | Notes | Variance to target | Notes |
|---------|---|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| CR1 | Water quality complaints – No. of complaints per 1,000 customers | 0.83 | 1.08 | 3.00 | 30.1% | 9a | -64.0% | 9b |
| CR4 | Billing Complaints – No. of complaints per 1,000 customers | 0.25 | 0.31 | 1.20 | 24.0% | 10a | -74.2% | 10b |

Notes:

- 9a** An unfavourable variance to the prior year is due to normal variation of water quality complaints over the past 3 years. A new public website and proactive customer notifications may help reduce the number in future.
- 9b** A favourable variance to target is due to a low number of complaints, 174 this year, for our customer base.
- 10a** An unfavourable variance to the prior year is observed. A review of the specific cases did not establish any common themes or specific issues that contributed to this movement. The numbers remain low, 51 this year, hence small movements can impact the measure significantly.
- 10b** A favourable variance to target is due to a low number of complaints, 51 this year, for our customer base.

4. Environmental Performance Indicators

| KPI NO. | Key Performance indicator | 2017-18 Result | 2018-19 Result | 2018-19 Target | Variance to prior year | Notes | Variance to target | Notes |
|---------|---|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| CR1 | Effluent re-use volume (end use) | 20.9% | 21.1% | 25.0% | 1.0% | | -15.6% | 11b |
| CR4 | Total net CO2 emissions Net tonnes CO2 equivalent | 40,649 | 43,238 | 39,811 | 6.4% | 12a | 8.6% | 12b |

Notes:

- 11b** An unfavourable variance to target is due to Bannockburn irrigation postponed until the EOI has been completed. A focus has been put on increasing recycled water allocated for productive use by 1,000ML by 2022-23.
- 12a,b** An unfavourable variance to prior year and target is due to significant increases in both electricity use and fugitive wastewater treatment emissions, influenced by reduced surface water resource availability, use of more energy intensive water sources and the treatment of additional load received into the sewerage system. A number of significant renewable energy generation sources are due to commence operation later in 2019 and are expected to provide significant emissions reductions going forward.

Certification of Performance Report for 2018-2019

We certify that the accompanying Performance Report for the Group in respect of the 2018-19 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

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



Jo Plummer
Chair



Tracey Slatter
Managing Director
(Accountable Officer)



Melissa Stephens
General Manager Organisational Performance
(Chief Financial Officer)

Dated this 30th day of August 2019



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of the Barwon Region Water Corporation

| | |
|----------------|--|
| Opinion | <p>I have audited the accompanying performance report of the Barwon Region Water Corporation (the corporation) for the year ended 30 June 2019, which comprises the:</p> <ul style="list-style-type: none"> • financial performance indicators • water and sewerage service performance indicators • customer responsiveness performance indicators • environmental performance indicators • the certification of performance report. <p>In my opinion, the performance report of the Barwon Region Water Corporation in respect of the year ended 30 June 2019 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p> |
|----------------|--|

| | |
|--------------------------|---|
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
|--------------------------|---|

| | |
|--|---|
| Board's responsibilities for the performance report | <p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p> |
|--|---|



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

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

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

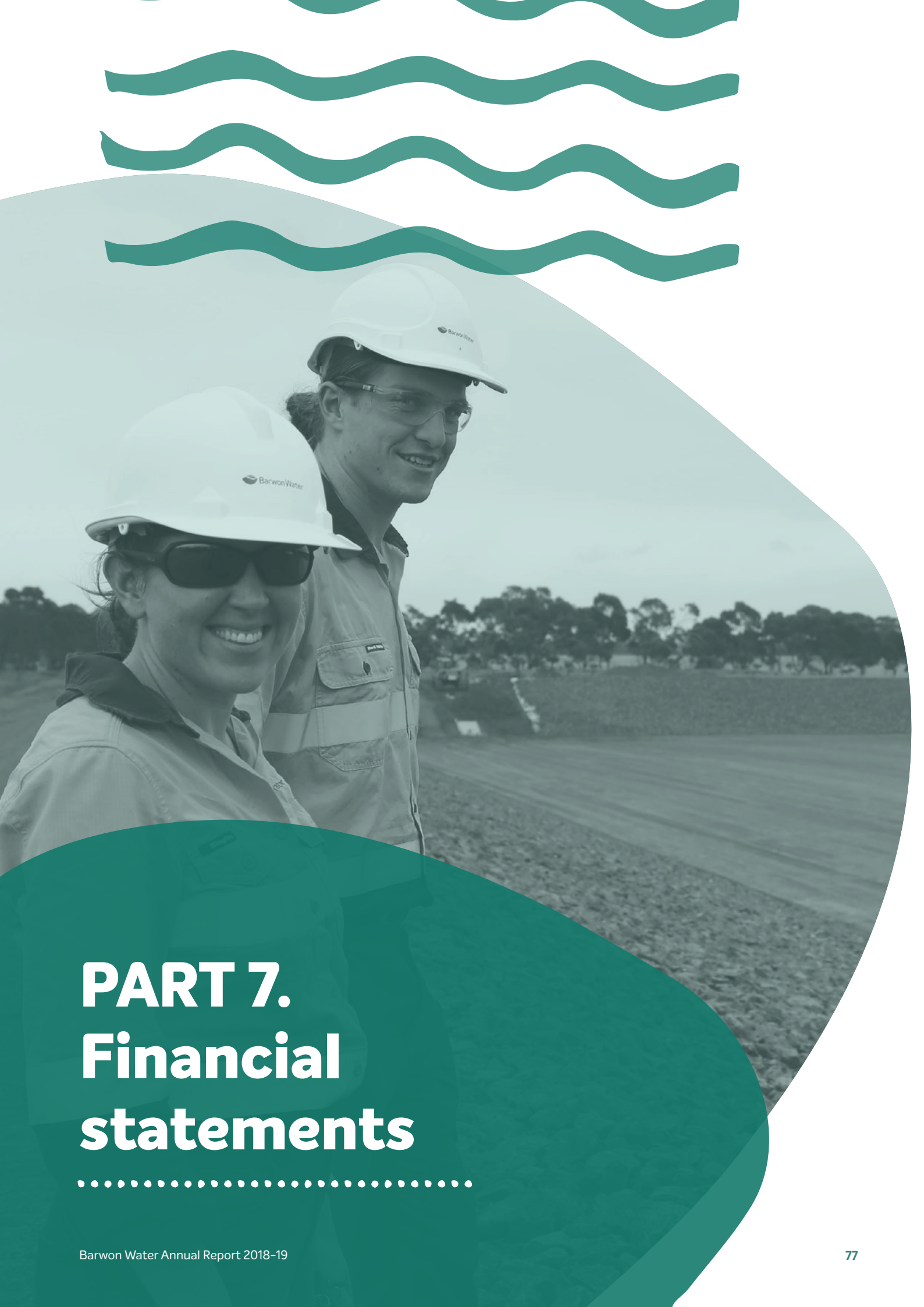
- identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a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

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

Paul Martin

as delegate for the Auditor-General of Victoria

MELBOURNE
3 September 2019



PART 7.

Financial

statements

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*Barwon Region Water Corporation (“Barwon Water”)
and its controlled entity (“The Group”)*

Consolidated General Purpose Financial Report

For the Year Ended 30 June 2019

The Group has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2019. It is presented in the following structure:

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Consolidated Comprehensive Operating Statement

For the financial year ended 30 June 2019.

| | | 2019 | 2018 |
|---|-------|----------------|----------------|
| | Notes | \$'000 | \$'000 |
| Revenue from operating activities | | | |
| Service charges | 2.1.1 | 105,238 | 92,168 |
| Usage charges | 2.1.1 | 80,351 | 82,153 |
| Tradewaste charges | 2.1.1 | 7,633 | 6,878 |
| Government contributions | | 511 | 386 |
| Developer contributions | 2.1.2 | 36,989 | 44,017 |
| Other | | 8,693 | 6,692 |
| Interest | | 64 | 128 |
| | | 239,479 | 232,422 |
| Revenue from non-operating activities | | | |
| Net gain/(loss) on disposal of non-financial assets | 4.1.4 | (5) | 1,355 |
| Rental revenue | | 604 | 693 |
| | | 599 | 2,048 |
| Total revenue | | 240,078 | 234,470 |
| Expenses from operating activities | | | |
| Services and supplies | 3.2 | 55,336 | 54,247 |
| Interest expense | 6.1.2 | 37,712 | 39,436 |
| Depreciation, amortisation and impairment | 4.1.2 | 68,424 | 75,969 |
| Employee benefits | 3.1.1 | 44,315 | 39,910 |
| Environmental contribution | 8.2 | 8,410 | 6,651 |
| Other operating | | 189 | 282 |
| Total expenses | | 214,386 | 216,495 |
| Net result before tax | | 25,692 | 17,975 |
| Income tax expense | 8.1.1 | 7,574 | 4,941 |
| Net result for the period | | 18,118 | 13,034 |
| Other comprehensive income | | | |
| Items that will not be reclassified to net result | | | |
| (Increase)/decrease in impairment of property, plant & equipment | 9.1.2 | 0 | (1,539) |
| Increase/(decrease) in revaluation of property, plant & equipment | 9.1.2 | 33,996 | 0 |
| Income tax relating to components of other comprehensive income | 8.1.1 | (7,445) | 462 |
| Total other comprehensive income | | 26,551 | (1,077) |
| Comprehensive result | | 44,669 | 11,957 |

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

Consolidated Balance Sheet as at 30 June 2019

| | | 2019 | 2018 |
|---|-------|------------------|------------------|
| | Notes | \$'000 | \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6.2 | 8,527 | 7,580 |
| Receivables | 5.1 | 33,694 | 31,322 |
| Inventories | | 1,339 | 1,340 |
| Prepayments | 5.3 | 6,966 | 11,969 |
| Land Assets classified as held for sale | 4.3 | 19,918 | 0 |
| Total current assets | | 70,444 | 52,211 |
| Non-current assets | | | |
| Receivables | | 734 | 47 |
| Property, plant and equipment | 4.1 | 2,714,975 | 2,660,686 |
| Intangible assets | 4.2 | 11,051 | 12,508 |
| Total non-current assets | | 2,726,760 | 2,673,241 |
| Total assets | | 2,797,204 | 2,725,452 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 5.2 | 40,410 | 31,999 |
| Interest bearing liabilities | 6.1 | 59,058 | 51,815 |
| Employee benefits – Provisions | 3.1.2 | 11,670 | 10,733 |
| Other Provisions | 5.4 | 865 | 0 |
| Total current liabilities | | 112,003 | 94,547 |
| Non-current liabilities | | | |
| Payables | | 269 | 249 |
| Interest bearing liabilities | 6.1 | 534,653 | 541,710 |
| Employee benefits – Provisions | 3.1.2 | 664 | 573 |
| Other Provisions | 5.4 | 1,579 | 0 |
| Net Deferred tax liabilities | 8.1.2 | 373,349 | 358,345 |
| Total non-current liabilities | | 910,514 | 900,877 |
| Total liabilities | | 1,022,517 | 995,424 |
| Net assets | | 1,774,687 | 1,730,028 |
| EQUITY | | | |
| Reserves | 9.1.2 | 645,087 | 618,536 |
| Contributed Capital | 9.1.1 | 459,098 | 459,098 |
| Accumulated funds | 9.1.3 | 670,502 | 652,394 |
| Total equity | | 1,774,687 | 1,730,028 |

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

Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2019

| | | Contributed Capital | Reserves | Accumulated Funds | Total |
|--|-------|------------------------|----------------|----------------------|------------------|
| | Notes | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| Balance at 1 July 2017 | | 459,098 | 619,613 | 639,360 | 1,718,071 |
| Comprehensive income for the year | | | | | |
| Net result for the year | 9.1.3 | 0 | 0 | 13,034 | 13,034 |
| Increase/(decrease) in infrastructure, property, plant and equipment as a result of revaluation, net of income tax | 9.1.2 | 0 | (1,077) | 0 | (1,077) |
| Other comprehensive income for the year | | 0 | 0 | 0 | 0 |
| Total comprehensive income for the year | | 0 | (1,077) | 13,034 | 11,957 |
| Transactions with the State in its capacity as owner: | | | | | |
| Contributions by owners | 9.1.1 | 0 | 0 | 0 | 0 |
| Balance at 30 June 2018 | | 459,098 | 618,536 | 652,394 | 1,730,028 |
| Balance at 1 July 2018 | | 459,098 | 618,536 | 652,394 | 1,730,028 |
| Opening balance adjustment | 9.1.1 | | | (10) | (10) |
| Restated opening balance as at 1 July 2018 | | 459,098 | 618,536 | 652,384 | 1,730,018 |
| Comprehensive income for the year | | | | | |
| Net result for the year | 9.1.3 | 0 | 0 | 18,118 | 18,118 |
| Increase/(decrease) in infrastructure, property, plant and equipment as a result of revaluation, net of income tax | 9.1.2 | 0 | 26,551 | 0 | 26,551 |
| Total comprehensive income for the year | | 0 | 26,551 | 18,118 | 44,669 |
| Balance at 30 June 2019 | | 459,098 | 645,087 | 670,502 | 1,774,687 |

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

Consolidated Cash Flow Statement for the financial year ended 30 June 2019

| | | 2019 | 2018 |
|---|--------------|-------------------|-------------------|
| | Notes | \$'000 | \$'000 |
| Cash flows from operating activities | | <i>Inflows</i> | <i>Inflows</i> |
| | | <i>(Outflows)</i> | <i>(Outflows)</i> |
| Receipts | | | |
| Service, usage and tradewaste charges | | 191,936 | 178,734 |
| Interest | | 67 | 147 |
| Developer contributions fees | | 13,692 | 17,743 |
| Government contributions | | 511 | 119 |
| GST received from the ATO | | 12,732 | 12,252 |
| Other | | 8,037 | 6,390 |
| Payments | | | |
| Employees | | (43,742) | (39,339) |
| Suppliers | | (56,600) | (63,236) |
| Interest and other costs of finance | | (33,008) | (34,480) |
| Environmental contribution | | (6,308) | (6,651) |
| Net cash (outflow)/inflow from operating activities | 6.2.1 | 87,317 | 71,679 |
| Cash flows from investing activities | | | |
| Payments for purchase of property, plant and equipment | | (82,408) | (67,858) |
| Proceeds from sale of property, plant and equipment | 4.1.4 | 830 | 7,468 |
| Cash received on acquisition of Barwon Asset Solutions Pty Ltd | 9.9 | 0 | 1,098 |
| Net cash (outflow)/inflow from investing activities | | (81,578) | (59,292) |
| Cash flows from financing activities | | | |
| Proceeds from new and paid down and refinanced borrowings | | 52,000 | 15,000 |
| Payment of maturing borrowings paid down and refinanced | | (51,000) | (36,000) |
| Repayment of finance lease liability | | (5,792) | (5,660) |
| Net cash (outflow)/inflow from financing activities | | (4,792) | (26,660) |
| Net increase/(decrease) in cash held | | 947 | (14,273) |
| Cash and cash equivalents at the beginning of the financial year | | 7,580 | 21,853 |
| Cash and cash equivalents at the end of the financial year | 6.2 | 8,527 | 7,580 |

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

1. About this report

Basis of Accounting

The financial report includes consolidated financial statements for Barwon Region Water Corporation ("Barwon Water") and its wholly owned subsidiary, Barwon Asset Solutions Pty Ltd ("BAS"), collectively known as the Group. This financial report is a general purpose financial report, that consists of a Consolidated Comprehensive Operating Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and notes accompanying these statements for the year ended 30 June 2019.

The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Barwon Water is a state government owned corporation which has been classified as a not-for-profit entity for the purpose of preparing the financial statements. The State Government of Victoria is the sole shareholder. The principal activities of BAS are the provision of operational and maintenance services for Barwon Water.

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 30th August 2019.

The principal address is:

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

Barwon Asset Solutions Pty Ltd
55-67 Ryrie Street
Geelong VIC 3220

Principles of consolidation

Barwon Assets Solution Pty Ltd is 100 per cent owned by Barwon Water. On 2 December 2017 Barwon Water purchased all the shares in Programmed Facility Management BW Pty Ltd from Programmed Facility Management Pty Ltd, and changed its name to Barwon Asset Solutions Pty Ltd.

Information relating to the Parent is disclosed in Note 9.10. Barwon Water has made judgements and determined that the control test under AASB 10 *Consolidated Financial Statements* is satisfied based on:

1. Barwon Water having the capacity to affect the relevant activities of BAS that can significantly affect its returns.
2. Barwon Water has exposure to variable returns from BAS.
3. Barwon Water has sufficient discretion to direct the activities of BAS.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated. For details regarding the controlled entity, please refer to Note 9.9.

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.

The following standard has been adopted by the Group:

- AASB 9 *Financial Instruments*, effective as of 1 January 2018 (and thus to the Corporation on 1 July 2018).

AASB 9 impact assessment

AASB 9 *Financial Instruments*, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, introduces new requirements for recognition, classification and measurement, a

new impairment model for financial assets based on expected credit losses, and simplified hedge accounting. The Group has adopted AASB 9 as at 1 July 2018 and has applied the new rules on a modified retrospective basis. As a result, comparatives for 2017/18 in our 30 June 2019 accounts have not been restated. Further disclosures in relation to AASB 9 are at note 9.11 of this report.

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 consolidated financial report are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group'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 the Group's operational cycle, with the exception of employee benefits (refer note 3.1.2).

Rounding

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

Historical cost convention

The consolidated 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 consolidated 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 Group 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 4.1.1)
- Impairment of assets (Note 4.1.2)
- Employee benefit provisions (Note 3.1.2)
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (Note 3.1.2)
- Revaluation of non-current physical assets (Note 4.1)
- Deferred tax (Note 8.1.2)
- Accrued receivables (Note 5.1)
- Other provisions (Note 5.4)

2. Funding delivery of our services

Introduction

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

While continuing to deliver high quality water and sewerage services, the Group's objectives were to continue its commitment to financial sustainability and customer affordability. In achieving this, the Group's customers receive a Barwon Water funded Tenant Rebate Adjustment, while the substantial 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.

The Group 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 the Group to fulfil its obligations and provide the outputs in support of the Group's objectives.

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

Structure

2.1 Income from operating activities

2.1.1 Service, usage and trade waste charges

2.1.2 Developer contributions

2.1 Income from operating activities

2.1.1 Service, usage and trade waste charges

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Service Charges | | |
| - Water service charges | 24,781 | 27,139 |
| - Sewerage service charges | 79,331 | 75,232 |
| - Recycled water service charges | 1,126 | 1,102 |
| - Government Water Rebate | 0 | (11,305) |
| | 105,238 | 92,168 |
| Usage Charges | | |
| - Water usage charges | 73,160 | 75,635 |
| - Sewage disposal charges | 6,116 | 5,550 |
| - Recycled water usage charges | 1,075 | 968 |
| | 80,351 | 82,153 |
| Tradewaste charges | | |
| - Trade waste usage charges | 4,444 | 4,028 |
| - Trade waste other fees and charges | 3,189 | 2,850 |
| | 7,633 | 6,878 |
| Total service, usage and trade waste charges | 193,222 | 181,199 |

Service charges are recognised as revenue when the services have been provided or service charge has been made. Service charges are billed quarterly and recognised evenly throughout the financial year to reflect the pattern of revenue being earned. Service charges are based on a fixed fee and represent charges for access to water, recycled water and sewerage disposal.

The Government Water Rebate was an initiative to deliver savings across Victoria's urban water sector over four years ceasing in 2017/18.

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 and recycled 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 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.

2.1.2 Developer contributions

| | 2019 | 2018 |
|--------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Developer contributions | | |
| - Assets received from developers | 25,573 | 26,941 |
| - Fees paid by developers | 11,219 | 16,910 |
| - Customer capital contributions | 197 | 166 |
| Total Developer contributions | 36,989 | 44,017 |

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

Developer contributed assets are recognised on the issue by the Group 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 the Group 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 the Group's funding is applied and the accounting policies that are relevant for an understanding of the expenditure recognised in the consolidated financial statements.

Structure

3.1 Our people

3.1.1 Employee benefits – consolidated comprehensive operating statement

3.1.2 Employee benefits – consolidated balance sheet

3.1.3 Superannuation

3.2 Supplies and services

3.1 Our people

3.1.1 Employee benefits – consolidated comprehensive operating statement

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Employee benefits | | |
| – Salaries and wages | 33,983 | 30,853 |
| – Annual Leave | 2,699 | 2,564 |
| – Long service leave | 1,959 | 1,050 |
| – Employer superannuation contributions | 3,761 | 3,420 |
| – Termination benefit | 147 | 0 |
| – Other | 1,766 | 2,023 |
| Total employee benefit costs | 44,315 | 39,910 |

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 Consolidated Comprehensive Operating Statement in respect of superannuation represents contributions made or due by the Group to the relevant superannuation plans in respect to the services of the Group'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 the Group is required to comply with.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Group is

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

3.1.2 Employee benefits – consolidated 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.

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Current provisions | | |
| Employee benefits | | |
| <i>Annual leave</i> | | |
| Unconditional and expected to settle within 12 months | 2,482 | 2,440 |
| <i>Long service leave</i> | | |
| Unconditional and expected to settle within 12 months | 601 | 808 |
| Unconditional and expected to settle after 12 months | 7,023 | 6,046 |
| <i>Other</i> | | |
| Unconditional and expected to settle within 12 months | 22 | 29 |
| <i>Provision for on-costs</i> | | |
| Unconditional and expected to settle within 12 months | 473 | 494 |
| Unconditional and expected to settle after 12 months | 1,069 | 916 |
| Total current provisions for employee benefits | 11,670 | 10,733 |
| Non-current provisions | | |
| Employee benefits – Long service leave | 577 | 498 |
| On-costs | 87 | 75 |
| Total non-current provisions for employee benefits | 664 | 573 |
| Total provisions for employee benefits | 12,334 | 11,306 |

| | 2019 | 2018 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Reconciliation of movement in on-cost provision | | |
| Opening balance | 1,485 | 1,370 |
| Net provisions recognised | 144 | (63) |
| Additions at acquisition | 0 | 178 |
| Closing balance | 1,629 | 1,485 |
| Current | 1,542 | 1,410 |
| Non-current | 87 | 75 |
| | 1,629 | 1,485 |

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 the Group 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 the Group does not expect to settle wholly within 12 months; and

- undiscounted value – component that the Group 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.

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

*Barwon Asset Solutions Pty Ltd – *In accordance with Barwon Asset Solutions Enterprise Agreement 2018*

3.1.3 Superannuation

Superannuation contributions

The Group 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 the Consolidated Comprehensive Operating Statement when they are made or due.

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

| Scheme | Type of scheme | Rate | 2019 | 2018 |
|--------------|-------------------|----------------|--------|--------|
| | | | \$'000 | \$'000 |
| Vision Super | Defined Benefits | 9.50% - 19.56% | 858 | 905 |
| Vision Super | Accumulation Plan | 9.50% | 1,649 | 1,791 |
| Other Funds | Accumulation Plan | 9.50% | 1,069 | 887 |

There were no contributions outstanding or loans issued from or to either of the above schemes at 30 June 2019 (2018 \$0).

The expected contributions to be paid by the Group to the defined benefits category of Vision Super for the year ending 30 June 2020 is estimated to be \$698,578.

Accumulation

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

Defined Benefit

The Group does not use defined benefit accounting because sufficient information is not available. There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate

obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Group 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

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

As at 30 June 2018, a full actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefits category. The vested benefit index (VBI) was 106.0%.

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

The financial assumptions used to calculate the VBIs were:

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

Vision Super has advised that the estimated VBI at 31 March 2019 was 105.4%.

The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which the Group is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations

are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category:

| | 2018 | 2017 |
|---|--------|--------|
| | \$'000 | \$'000 |
| • A VBI surplus | 131.9 | 69.8 |
| • A total service liability surplus | 218.3 | 193.5 |
| • A discounted accrued benefits surplus | 249.2 | 228.8 |

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

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

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

The 2019 interim actuarial investigation

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

Employer contributions

Regular contributions

On the basis of the results of the interim actuarial investigation conducted by the Fund Actuary, the Group makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/18). This rate will increase in line with any increase in the Superannuation Guarantee contribution rate.

In addition, the Group 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 the Group) are required to make an employer contribution to cover the shortfall.

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

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

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

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

3.2 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 costs 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. Charges are recognised as an expense when incurred.

| | 2019 | 2018 |
|------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Supplies and services | | |
| – Direct operating expenses | 39,226 | 34,763 |
| – Administration expenses | 10,389 | 14,345 |
| – Bulk water supplies | 5,721 | 5,139 |
| Total Supplies and services | 55,336 | 54,247 |

4. Key assets available to support output delivery

Introduction

The Group 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 the Group 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, impairment and amortisation

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

4.3 Assets classified as held for sale

4.1 Total infrastructure, property, plant and equipment

4.1.1 Carrying amount by asset class

| | Gross carrying amount | | Accumulated depreciation and impairment | | Net carrying amount | |
|--|-----------------------|------------------|---|------------------|---------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Asset class | | | | | | |
| Land at fair value | 144,949 | 115,840 | 0 | 0 | 144,949 | 115,840 |
| Buildings at fair value | 56,809 | 52,082 | (6,609) | (5,407) | 50,200 | 46,675 |
| Infrastructure – Water Distribution at fair value | 1,038,227 | 1,012,087 | (68,490) | (45,634) | 969,737 | 966,453 |
| Infrastructure – Water Harvesting & Major Transfer at fair value | 367,492 | 367,492 | (11,766) | (7,778) | 355,726 | 359,714 |
| Infrastructure – Water Quality at fair value | 95,072 | 95,073 | (10,356) | (7,054) | 84,716 | 88,019 |
| Infrastructure – Sewer Collection at fair value | 788,284 | 769,098 | (56,894) | (37,995) | 731,390 | 731,103 |
| Infrastructure – Sewer Treatment & Disposal at fair value | 285,864 | 266,220 | (47,132) | (35,776) | 238,732 | 230,444 |
| Assets Under Finance Lease at fair value | 42,351 | 42,351 | (7,852) | (5,235) | 34,499 | 37,116 |
| Plant, Equipment & Other at fair value | 54,953 | 50,069 | (38,933) | (36,681) | 16,020 | 13,388 |
| Capital Works in Progress at cost | 89,006 | 71,934 | 0 | 0 | 89,006 | 71,934 |
| Total infrastructure, property, plant and equipment | 2,963,007 | 2,842,246 | (248,032) | (181,560) | 2,714,975 | 2,660,686 |

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 the Group in its operations. Items with a cost or value in excess of \$1,000 (2017/18 \$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 the Group, 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 the Group are recognised at fair value at the date of acquisition.

The Group 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 the Group 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 the Group at no cost to the Group.

While ownership of the asset does not transfer to the Group 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), the Group 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 the Group 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) 103H *Non-Financial Physical Assets*.

Revaluation of infrastructure, property, plant and equipment

Revaluations are conducted in accordance with FRD 103H. 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.

A management review has been undertaken as a result of the land revaluation fair value assessment. The review resulted in a change in judgement for the highest and best use of assets resulting in a change in the valuation methodology used in 2016/17 and 2017/18. The change in impact was expressly the land use type where a number of 'rural' properties were reclassified as 'industrial' for the purpose of the valuation process in 2018/19 in line with the Valuer-General Victoria land use definitions. A material increase was noted and applied.

A fair value assessment was undertaken using the compounded impact of the Valuer-General Victoria indices for the year ended 30 June 2019. The movement in the fair value of land was assessed to have increased by 29.4 per cent cumulatively over a three year period, resulting in a managerial revaluation.

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 103H. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and 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). 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.

4.1.2 Depreciation, impairment and amortisation

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.

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Depreciation | 66,967 | 71,940 |
| Impairment | 0 | 2,630 |
| Total Depreciation and impairment | 66,967 | 74,570 |
| Amortisation (Note 4.2) | 1,457 | 1,399 |
| Total Depreciation, impairment and amortisation | 68,424 | 75,969 |

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 asset's residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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 |
| 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 Consolidated 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 Consolidated Comprehensive Operating Statement, a reversal of that impairment loss is also recognised in the Consolidated 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 | Revaluation \$'000 | Impairments \$'000 | Transfers between Asset Classes \$'000 | * Fair values of assets received free of charge \$'000 | Depreciation \$'000 | Closing WDV at 30 June \$'000 |
|---|----------------------------------|------------------|------------------|--------------------|--------------------|--|--|---------------------|-------------------------------|
| 2018/19 | | | | | | | | | |
| Land | 115,840 | 0 | (309) | 33,996 | 0 | (4,578) | 0 | 0 | 144,949 |
| Buildings | 46,675 | 0 | 0 | 0 | 0 | 4,727 | 0 | (1,202) | 50,200 |
| Water distribution | 966,453 | 0 | (83) | 0 | 0 | 12,709 | 13,528 | (22,870) | 969,737 |
| Water harvesting and major transfer | 359,714 | 0 | 0 | 0 | 0 | 0 | 0 | (3,988) | 355,726 |
| Water quality | 88,019 | 0 | 0 | 0 | 0 | 0 | 0 | (3,303) | 84,716 |
| Sewer collection | 731,103 | 0 | 0 | 0 | 0 | 7,141 | 12,045 | (18,899) | 731,390 |
| Sewer treatment and disposal | 230,444 | 0 | 0 | 0 | 0 | 19,644 | 0 | (11,356) | 238,732 |
| Assets under Finance Lease | 37,116 | 0 | 0 | 0 | 0 | 0 | 0 | (2,617) | 34,499 |
| Plant, equipment and other | 13,388 | 29 | (443) | 0 | 0 | 5,778 | 0 | (2,732) | 16,020 |
| Assets held for sale | 0 | 0 | 0 | 0 | 0 | 19,918 | 0 | 0 | 19,918 |
| Capital works in progress | 71,934 | 107,984 | 0 | 0 | 0 | (65,339) | (25,573) | 0 | 89,006 |
| | 2,660,686 | 108,013 | (835) | 33,996 | 0 | 0 | 0 | (66,967) | 2,734,893 |
| Less Assets held for sale: | | | | | | (19,918) | | | (19,918) |
| Total Property plant and equipment | 2,660,686 | 108,013 | (835) | 33,996 | 0 | (19,918) | 0 | (66,967) | 2,714,975 |

| | Carrying amount at 1 July \$'000 | Additions \$'000 | Disposals \$'000 | Revaluation \$'000 | Impairments \$'000 | Transfers between Asset Classes \$'000 | * Fair values of assets received free of charge \$'000 | Depreciation \$'000 | Closing WDV at 30 June \$'000 |
|---|----------------------------------|------------------|------------------|--------------------|--------------------|--|--|---------------------|-------------------------------|
| 2017/18 | | | | | | | | | |
| Land | 118,257 | 0 | (4,590) | 0 | 0 | 2,173 | 0 | 0 | 115,840 |
| Buildings | 50,310 | 0 | (176) | 0 | (3,460) | 1,315 | 0 | (1,314) | 46,675 |
| Water distribution | 966,429 | 0 | (80) | 0 | (704) | 7,394 | 15,417 | (22,003) | 966,453 |
| Water harvesting and major transfer | 357,987 | 0 | (42) | 0 | (6) | 5,686 | 0 | (3,911) | 359,714 |
| Water quality | 90,073 | 0 | (298) | 0 | 0 | 1,599 | 0 | (3,355) | 88,019 |
| Sewer collection | 712,127 | 0 | 0 | 0 | 0 | 26,273 | 11,524 | (18,821) | 731,103 |
| Sewer treatment and disposal | 245,693 | 0 | (237) | 0 | 0 | 2,619 | 0 | (17,631) | 230,444 |
| Assets under Finance Lease | 39,734 | 0 | 0 | 0 | 0 | 0 | 0 | (2,618) | 37,116 |
| Plant, equipment and other | 9,184 | 45 | (690) | 0 | 0 | 7,136 | 0 | (2,287) | 13,388 |
| Assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital works in progress | 59,070 | 94,000 | 0 | 0 | 0 | (54,195) | (26,941) | 0 | 71,934 |
| Total Property plant and equipment | 2,648,864 | 94,045 | (6,113) | 0 | (4,170) | 0 | 0 | (71,940) | 2,660,686 |

* Developer contributions

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:

| | 2019 | 2018 |
|---|------------|--------------|
| | \$'000 | \$'000 |
| Proceeds on sale of infrastructure, property, plant and equipment | 830 | 7,468 |
| Less written down value | (835) | (6,113) |
| Net profit/(loss) on disposal | (5) | 1,355 |

4.2 Intangible assets

| | 2019 | 2018 |
|--------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| At cost | 31,150 | 31,150 |
| Less: accumulated amortisation | (20,099) | (18,642) |
| Total intangible assets | 11,051 | 12,508 |

| | Software | Bulk Water Entitlement | Total |
|------------------------------------|--------------|------------------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Year ended 30 June 2019 | | | |
| Opening WDV at 1 July 2018 | 6,586 | 5,922 | 12,508 |
| Additions | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 |
| Amortisation | (1,457) | 0 | (1,457) |
| Closing WDV at 30 June 2019 | 5,129 | 5,922 | 11,051 |
| Year ended 30 June 2018 | | | |
| Opening WDV at 1 July 2017 | 7,294 | 5,922 | 13,216 |
| Additions | 691 | 0 | 691 |
| Impairment | 0 | 0 | 0 |
| Amortisation | (1,399) | 0 | (1,399) |
| Closing WDV at 30 June 2018 | 6,586 | 5,922 | 12,508 |

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 impairment 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 the Group.

A summary of the policies applied to the Group'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 Consolidated 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.

4.3 Assets classified as held for sale

| | 2019 | 2018 |
|---|---------------|----------|
| | \$'000 | \$'000 |
| Category | | |
| Freehold Land held for sale | 19,780 | 0 |
| Buildings held for sale | 138 | 0 |
| Total Assets classified as held for sale | 19,918 | 0 |

The assets classified as held for sale form part of the Group's property realisation program whereby assets identified as excess to the business requirements are progressively being made ready for sale. At 30 June 2019 the above assets are available for immediate sale and will remain as held for sale until settlement.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. The Group considers that the sale is highly probable, the asset is

available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification. Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets.

5. Other assets and liabilities

Introduction

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

Structure

5.1 Receivables

5.1.1 Impairment of contractual receivables

5.2 Payables

5.3 Other non-financial assets

5.4 Other provisions

5.1 Receivables

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Contractual | | |
| Tariff and sundry | 16,939 | 16,077 |
| Accrued charges | 12,718 | 11,777 |
| Provision for impaired receivables | (230) | (220) |
| Other receivables | 820 | 474 |
| Statutory | | |
| Amount owing from Victorian Government | 1,131 | 1,412 |
| GST input tax credit receivables | 2,316 | 1,802 |
| Total current receivables | 33,694 | 31,322 |

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. The Group applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

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 Impairment of contractual receivables

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

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

| 30 June 2019 | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Total |
|--|----------|----------------------------|----------------------------|-----------------------------|------------|
| Expected loss rate % | 0.05% | 0.60% | 1.89% | 13.88% | 1.30% |
| Gross carrying amount – receivables from tariffs and sundry \$'000 | 13,350 | 1,446 | 691 | 1,452 | 16,939 |
| Gross carrying amount – other receivables \$'000 | 820 | 0 | 0 | 0 | 820 |
| Loss allowance \$'000 | 7 | 9 | 13 | 201 | 230 |

| 1 July 2018 | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Total |
|--|-----------|----------------------------|----------------------------|-----------------------------|------------|
| Expected loss rate % | 0.23% | 0.60% | 3.34% | 8.73% | 1.39% |
| Gross carrying amount – receivables from tariffs and sundry \$'000 | 11,821 | 1,667 | 624 | 1,965 | 16,077 |
| Gross carrying amount – other receivables \$'000 | 474 | 0 | 0 | 0 | 474 |
| Loss allowance \$'000 | 28 | 10 | 21 | 171 | 230 |

Receivables from service and usage charges are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage

in a repayment plan, and a failure to make contractual payments for a period of greater than [120] days past due.

Loss allowance on receivables from service and usage charges are presented

in other operational expenses within the comprehensive operating statement.

There are no material financial assets that are individually determined to be impaired.

5.2 Payables

| | 2019 | 2018 |
|-------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Contractual | | |
| Trade creditors | 13,934 | 8,639 |
| Accrued expenses | 15,045 | 15,142 |
| Other creditors | 11,249 | 8,051 |
| Statutory | | |
| Payroll tax payable | 124 | 114 |
| Withholding tax payable | 58 | 53 |
| Total current payables | 40,410 | 31,999 |

Payables consist of:

- contractual payables, such as trade and other creditors and accrued expenses. These represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid, and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as payroll tax payable and withholding 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. 2019 prepayments include a payment towards the Greater Yarra System Thompson River Entitlement charge to the year ending 2019/20.

5.4 Other provisions

| | 2019 | 2018 |
|-------------------------------|--------------|----------|
| | \$'000 | \$'000 |
| Current provisions | | |
| Remediation works | 865 | 0 |
| Non-current provisions | | |
| Remediation works | 1,579 | 0 |
| Total other provisions | 2,444 | 0 |

As a result of the Group utilising a borefield as a water source intermittently over the past 36 years, environmental impacts have occurred to localised creek and swamp and surrounding area. As a consequence the Group has a legal obligation at 30 June 2019 to remediate the creek and swamp and surrounding area. Remediation works are planned to take two to three years.

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

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision. When some or all of the economic benefits required to settle a provision, the receivable is recognised as an asset if it is virtually certain that a recovery will be received and the amount can be measured reliably.

6. How we financed our operations

Introduction

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

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 Interest expense

6.2 Cash flow information

6.2.1 Reconciliation of net result to cash flow from operating activities

6.3 Commitments for expenditure

6.3.1 Total commitments payable

6.3.2 Operating commitments

6.3.3 Capital commitments

6.3.4 Build own operate (BOO) expenditure commitments

6.3.5 BOO related Finance lease commitments

6.1 Interest bearing liabilities

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Current interest bearing liabilities | | |
| Borrowings* | 58,000 | 51,000 |
| Finance lease (refer Note 6.3.4) | 1,058 | 815 |
| Total current interest bearing liabilities | 59,058 | 51,815 |
| Non-Current interest bearing liabilities | | |
| Borrowings* | 488,400 | 494,400 |
| Finance lease (refer Note 6.3.4) | 46,253 | 47,310 |
| Total non-current interest bearing liabilities | 534,653 | 541,710 |
| Total interest bearing liabilities | 593,711 | 593,525 |

* 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 Consolidated Balance Sheet are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

6.1.1 Maturity analysis

| | Maturity dates | | | | | | |
|-------------------------|-----------------|----------------|-------------------|---------------|--------------------|----------------|----------------|
| | Carrying Amount | Nominal Amount | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | 5+ years |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2019 | | | | | | | |
| Finance lease liability | 47,311 | 47,311 | 79 | 161 | 817 | 7,313 | 38,941 |
| Borrowings | 546,400 | 546,400 | 22,000 | 20,000 | 16,000 | 177,500 | 310,900 |
| Total | 593,711 | 593,711 | 22,079 | 20,161 | 16,817 | 184,813 | 349,841 |
| 2018 | | | | | | | |
| Finance lease liability | 48,125 | 48,125 | 60 | 122 | 633 | 6,005 | 41,305 |
| Borrowings | 545,400 | 545,400 | 0 | 41,000 | 10,000 | 153,500 | 340,900 |
| Total | 593,525 | 593,525 | 60 | 41,122 | 10,633 | 159,505 | 382,205 |

6.1.2 Interest expense

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Interest on fixed government borrowings | 25,745 | 27,062 |
| Financial accommodation levy | 6,966 | 7,300 |
| Finance lease interest charges | 5,001 | 5,074 |
| Total interest expense | 37,712 | 39,436 |

Borrowing costs include interest on short-term and long-term borrowings held with the Treasury Corporation of Victoria (TCV) and costs relating to the Financial Accommodation Levy (FAL) set by the Treasurer of the State of Victoria under section 40N(2) of the *Financial*

Management Act 1994. The FAL is in place to remove the financial benefit obtained by the Corporation in securing lower than market interest rates as a result of being guaranteed by the State of Victoria.

Interest expenses are recognised as expenses in the period in which they are incurred and measured at fair value.

6.2 Cash flow information

For the purposes of the Consolidated 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.

| | 2019 | 2018 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Cash at bank (These bank accounts are bearing floating interest rates of 1.25% 2018/19 (2017/18: 1.5%)) | 8,527 | 7,580 |
| Balance as per consolidated cash flow statement | 8,527 | 7,580 |

Financing Facilities

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Secured bank overdraft facility, reviewed annually and payable at call | | |
| Amount used at balance date | 0 | 0 |
| Amount unused at balance date | 350 | 100 |
| Total | 350 | 100 |
| Secured loan facilities | | |
| Amount used at balance date | 546,400 | 545,400 |
| Amount unused at balance date | 28,500 | 41,000 |
| Total | 574,900 | 586,400 |

The Group has an overdraft facility of \$350,000 and is subject to annual review by its bankers.

Security for loans is by way of Treasurer's guarantee in favour of the Treasury Corporation of Victoria dated 24th June 1999. Loan interest is payable every six

months and loans have a maturity up to 13.3 years (2018 14.3 years).

All loans are with the Treasurer Corporation of Victoria borrowed under the Treasurer's approval. Any unused facilities are not automatically carried over in the next financial year with a

fresh approval required for each financial year. Treasurer's approval was obtained in June 2019 which included refinancing of \$36 million (2018 \$36 million) of loans maturing in 2019-20 and obtaining new loans of \$24.6 million (2018 \$24.5 million) between 1 July 2019 and 30 June 2020.

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

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Net result for the period after income tax | 18,118 | 13,034 |
| Add/(less) non-cash flows in net profit | | |
| Depreciation, amortisation and impairment | 68,424 | 75,969 |
| (Profit)/Loss on disposal of infrastructure, property, plant and equipment | 5 | (1,355) |
| Non-cash capital contributions | (25,573) | (26,941) |
| Non-cash interest expense on finance lease | 5,001 | 5,074 |
| Increase/(decrease) in net deferred tax liability | 7,558 | 4,161 |
| Other non-cash adjustment | (41) | (254) |
| Gain on acquisition | 0 | (320) |
| Changes in assets and liabilities | | |
| Increase/(decrease) in employee benefits provisions | 1,029 | 1,606 |
| Increase/(decrease) in other provisions | 2,444 | 0 |
| Decrease/(increase) in receivables | (3,060) | (3,394) |
| Decrease/(increase) in inventories | 1 | (158) |
| Decrease/(increase) in prepayments | 5,004 | 5,193 |
| Increase/(decrease) in payables | 8,431 | (921) |
| Changes in amounts payable for the BOO | (24) | (15) |
| Net cash provided by operating activities | 87,317 | 71,678 |

6.3 Commitments for expenditure

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

These commitments are disclosed 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.

6.3.1 Total commitments payable

| | | 2019 | 2019 | 2018 | 2018 |
|---|-------|----------------------|----------------------|----------------------|----------------------|
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Total commitments payable | | Nominal value | Present value | Nominal value | Present value |
| Operating commitments | 6.3.2 | 7,684 | | 9,133 | |
| Capital commitments | 6.3.3 | 19,772 | | 28,330 | |
| Build own operate (BOO) expenditure commitments – Biosolids drying facility | 6.3.4 | 90,431 | 59,346 | 97,377 | 61,896 |
| BOO related Finance lease commitments | 6.3.5 | 89,574 | 47,312 | 95,390 | 48,125 |
| Total commitments (inclusive of GST) | | 207,461 | | 230,230 | |
| Less GST recoverable | | 18,860 | | 20,930 | |
| Total commitments (exclusive of GST) | | 188,601 | | 209,300 | |

6.3.2 Operating commitments

| | Less than 1 year | Between 1 and 5 years | Total |
|---|------------------|-----------------------|--------------|
| Nominal \$ - 2019 | \$'000 | \$'000 | \$'000 |
| Operating commitments payable | | | |
| Annual licence fees and software maintenance | 34 | 0 | 34 |
| External consultants | 124 | 0 | 124 |
| Maintenance and meter services | 794 | 582 | 1,376 |
| Other operating expenditure | 3,407 | 2,743 | 6,150 |
| Total operating commitments payable (inclusive of GST) | 4,359 | 3,325 | 7,684 |
| Less GST recoverable | 396 | 302 | 699 |
| Total operating commitments payable (exclusive of GST) | 3,963 | 3,023 | 6,985 |

| | Less than 1 year | Between 1 and 5 years | Total |
|---|------------------|-----------------------|--------------|
| Nominal \$ - 2018 | \$'000 | \$'000 | \$'000 |
| Operating commitments payable | | | |
| Annual licence fees and software maintenance | 734 | 0 | 734 |
| External consultants | 920 | 1,139 | 2,059 |
| Maintenance and meter services | 274 | 274 | 548 |
| Other operating expenditure | 2,158 | 3,634 | 5,792 |
| Total operating commitments payable (inclusive of GST) | 4,086 | 5,047 | 9,133 |
| Less GST recoverable | 371 | 459 | 830 |
| Total operating commitments payable (exclusive of GST) | 3,715 | 4,588 | 8,303 |

6.3.3 Capital commitments

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.

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Capital expenditure commitments payable | | |
| Infrastructure, property, plant and equipment | | |
| Less than 1 year | 16,248 | 20,190 |
| Longer than 1 year but not longer than 5 years | 3,525 | 8,140 |
| Total commitments (inclusive of GST) | 19,772 | 28,330 |
| Less GST recoverable | 1,797 | 2,575 |
| Total commitments (exclusive of GST) | 17,975 | 25,755 |

6.3.4 Build own operate (BOO) expenditure commitments

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| BOO expenditure commitments payable | | |
| Property, plant and equipment | | |
| Less than 1 year | 6,010 | 5,931 |
| Longer than 1 year but not longer than 5 years | 25,579 | 25,242 |
| Longer than 5 years | 58,842 | 66,204 |
| Total commitments (inclusive of GST) | 90,431 | 97,377 |
| Less GST recoverable | 8,221 | 8,852 |
| Total commitments (exclusive of GST) | 82,210 | 88,525 |

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 Consolidated Comprehensive Operating Statement, and a finance lease component incorporating both interest and principle repayments based on an implicit interest rate of 10.99% (2017-18 10.99%).

Refer to the table in note 6.3.4 for operating commitments relating to this arrangement and the table in note 6.3.5 for the finance lease commitment associated with this arrangement.

6.3.5 BOO related Finance lease commitments

| | 2019 | 2018 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Commissioned BOO related finance lease repayments payable | | | | |
| Less than 1 year | 5,961 | 5,816 | 5,636 | 5,498 |
| Longer than 1 year but not longer than 5 years | 25,374 | 24,755 | 18,551 | 18,098 |
| 5 years or more | 58,239 | 64,819 | 23,124 | 24,529 |
| Minimum future lease payments | 89,574 | 95,390 | 47,311 | 48,125 |
| less future finance charges | (42,263) | (47,265) | 0 | 0 |
| Present value of minimum lease payments | 47,311 | 48,125 | 47,311 | 48,125 |
| Included in the financial statements as: | | | | |
| Current finance lease liabilities (Note 6.1) | | | 1,058 | 815 |
| Non-current finance lease liabilities (Note 6.1) | | | 46,253 | 47,310 |
| | | | 47,311 | 48,125 |

7. Risks, contingencies and valuation judgements

Introduction

The Group is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Group 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

- 7.2.1** Power Purchase Agreement specific disclosure

7.3 Fair value determination

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

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.

The Group 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 2018-19 reporting period.

These financial instruments include:

| Financial assets | Financial liabilities |
|---|---|
| Cash and deposits Receivables: <ul style="list-style-type: none"> • Tariffs and sundry • Other receivables | Payables: <ul style="list-style-type: none"> • Trade creditors • Other payables Interest bearing liabilities: <ul style="list-style-type: none"> • Borrowings • Finance lease |

Classification 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. Financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial measurement receivables are measured at amortised cost only if both of the following criteria are met:

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

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

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

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*. Impairment losses are recognised in the

Comprehensive Operating Statement. Impairment losses recognised in the Comprehensive Operating Statement on equity instruments classified as available for sale are not reversed through Comprehensive Operating Statement.

7.1.1 Financial instruments: Categorisation

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

7.1.2 Financial risk management objectives and policies

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

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group 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 Group's Board of Directors. The Group identifies and evaluates financial risks in close co-operation with the Group's operating units. The Group's Boards provide 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 the Group is exposed to through its financial instruments are as follows.

Credit risk

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

The Group'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 as the Group has in place a Billing and Collection Policy for the collection of overdue receivables.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. Refer Note 5.1.

Liquidity risk

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

The Group 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.

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Group's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Group'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

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

The Group 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.

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

The following table sets out the Group'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 the Group intends to hold fixed rate liabilities to maturity.

| | Fixed interest maturing in | | | | | | | Non interest bearing | 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 | | |
| 30 June 2019 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | | | | | |
| Cash and cash equivalents | 8,527 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,527 |
| Receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30,981 | 30,981 |
| Total financial assets | 8,527 | 0 | 0 | 0 | 0 | 0 | 0 | 30,981 | 39,508 |
| Financial liabilities | | | | | | | | | |
| Payables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (40,497) | (40,497) |
| Borrowings | (22,000) | (36,000) | (35,000) | (45,000) | (47,500) | (50,000) | (310,900) | 0 | (546,400) |
| Finance lease | 0 | (1,058) | (1,330) | (1,636) | (1,981) | (2,366) | (38,940) | 0 | (47,311) |
| Total financial liabilities | (22,000) | (37,058) | (36,330) | (46,636) | (49,481) | (52,366) | (349,840) | (40,497) | (634,208) |
| Net financial assets/liabilities | (13,473) | (37,058) | (36,330) | (46,636) | (49,481) | (52,366) | (349,840) | (9,516) | (594,700) |
| Weighted average interest rate | 1.42% | 5.14% | 5.38% | 4.71% | 4.71% | 4.50% | 4.77% | | |

PART 7. Financial statements

| 30 June 2018 | Floating interest rate \$'000 | Fixed interest maturing In | | | | | | Non interest bearing \$'000 | Total \$'000 |
|---|-------------------------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------|-----------------------------------|------------------|
| | | 1 year or less \$'000 | Over 1 to 2 years \$'000 | Over 2 to 3 years \$'000 | Over 3 to 4 years \$'000 | Over 4 to 5 years \$'000 | Over 5 years \$'000 | | |
| Financial assets | | | | | | | | | |
| Cash and cash equivalents | 7,580 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,580 |
| Receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 28,155 | 28,155 |
| Total financial assets | 7,580 | 0 | 0 | 0 | 0 | 0 | 0 | 28,155 | 35,735 |
| Financial liabilities | | | | | | | | | |
| Payables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (32,082) | (32,082) |
| Borrowings | 0 | (51,000) | (36,000) | (35,000) | (40,000) | (42,500) | (340,900) | 0 | (545,400) |
| Finance lease | 0 | (815) | (1,058) | (1,330) | (1,636) | (1,981) | (41,305) | 0 | (48,125) |
| Total financial liabilities | 0 | (51,815) | (37,058) | (36,330) | (41,636) | (44,481) | (382,205) | (32,082) | (625,607) |
| Net financial assets/liabilities | 7,580 | (51,815) | (37,058) | (36,330) | (41,636) | (44,481) | (382,205) | (3,927) | (589,872) |
| Weighted average interest rate | 0.00% | 4.12% | 5.14% | 5.38% | 5.08% | 4.96% | 4.85% | | |

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. The Group believes that a movement of 1% in interest rates is reasonable over the next 12 months.

The Group'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 the 2018/19 financial year at 1% interest rate movement; and

- interest bearing liabilities – total floating borrowings and total planned maturing borrowings to be rolled over for the following year at 1% interest rate movement.

| 30 June 2019 | | | | | | 30 June 2018 | | | | |
|----------------------------------|--------------------------------|--------------------|------------------|------------------|------------------|--------------------------------|--------------------|------------------|------------------|------------------|
| | Carrying Amount @ \$'000 | Interest Rate Risk | | | | Carrying Amount @ \$'000 | Interest Rate Risk | | | |
| | | -1% | | 1% | | | -1% | | 1% | |
| | | Result \$'000 | Equity \$'000 | Result \$'000 | Equity \$'000 | | Result \$'000 | Equity \$'000 | Result \$'000 | Equity \$'000 |
| Financial Assets | | | | | | | | | | |
| Cash and cash equivalents * | 8,527 | (37) | (37) | 37 | 37 | 7,580 | (87) | (87) | 87 | 87 |
| Receivables | 30,981 | 0 | 0 | 0 | 0 | 28,155 | 0 | 0 | 0 | 0 |
| Financial liabilities | | | | | | | | | | |
| Payables | 40,497 | 0 | 0 | 0 | 0 | 32,082 | 0 | 0 | 0 | 0 |
| Borrowings | 546,400 | 355 | 355 | (355) | (355) | 545,400 | 510 | 510 | (510) | (510) |
| Finance Lease | 47,311 | 0 | 0 | 0 | 0 | 48,125 | 0 | 0 | 0 | 0 |
| Total increase/(decrease) | | 318 | 318 | (318) | (318) | | 423 | 423 | (423) | (423) |

b. Foreign Exchange Risk

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

c. Other Price Risk

The Group has no significant exposure to Other Price Risk.

Fair value

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 \$638,039,040, (\$608,761,475 in 2017/18) 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.

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.

The Group had no contingent assets at 30 June 2019 (2017/18 \$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.

Contingent liabilities of the Group are:

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Contingent liabilities | | |
| Details and estimates of maximum amounts of possible 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. | 1,231 | 1,215 |
| Total Contingent liabilities | 1,231 | 1,215 |

7.2.1 Power Purchase Agreement specific disclosure

Barwon Region Water Corporation (Barwon Water) is one of 13 water corporation Members of Zero Emissions Water (ZEW) Limited, a public company limited by guarantee. ZEW's substantial objective is to acquire electricity, contracts for difference and other derivative products in relation to electricity, and/or green products from an energy and emissions reduction facility(ies) in Victoria and in turn supply these products to its Members. This vehicle provides the opportunity for water corporation members to collaboratively promote energy and emissions reduction initiatives in Victoria and to reduce emissions.

On 30 October 2018, a Members' Agreement was entered into between the water corporations and ZEW in order to regulate their rights and obligations as members of ZEW and as participants in the project. Barwon Water's Managing Director is a Director of ZEW. The Members' Agreement establishes the operating activities of ZEW and the decision-making responsibilities of the ZEW Directors.

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

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

On 30 October 2018, ZEW entered into an 11-year Power Purchasing Agreement (PPA) with a solar farm energy generator. In relation to the PPA, ZEW will act as a central intermediary between the energy generator and the water corporations. The PPA contains a contract for difference (CFD) payment mechanism in respect of electricity generated by the facility and the sale and supply of large-scale generation certificates (LGCs) from the facility. The PPA contains certain conditions precedent with the target commercial operation date of 1 October 2019. At 30 June 2019, the conditions

precedent in the PPA are not completed, and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no transactions to recognise as at 30 June 2019.

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

The Members' Agreement specifies that Barwon Water must make a loan available to the SPV amounting to \$167,490. The loan provided to ZEW meets the definition of a financial asset as it gives rise to a contractual right for Barwon Water to receive cash from ZEW at the end of the loan term.

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

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 the Group.

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, the Group 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, the Group 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: Non-financial physical assets

The fair value measurement hierarchy for non-financial assets at 30 June 2019 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.

Fair value measurement at end of reporting period using:

| Classification | Level 1(i) | Level 2(i) | Level 3 |
|---------------------------------------|------------|------------|------------------|
| 30 June 2019 | \$'000 | \$'000 | \$'000 |
| Specialised Land | - | - | 144,949 |
| Specialised Buildings | - | - | 50,200 |
| Infrastructure – water distribution | - | - | 969,737 |
| Infrastructure – water harvesting | - | - | 355,726 |
| Infrastructure – water quality | - | - | 84,716 |
| Infrastructure – sewer collection | - | - | 731,391 |
| Infrastructure – sewer treatment (ii) | - | - | 273,232 |
| Plant and Equipment | - | - | 16,020 |
| Total | | | 2,625,971 |

Fair value measurement at end of reporting period using:

| Classification | Level 1(i) | Level 2(i) | Level 3 |
|---------------------------------------|------------|------------|------------------|
| 30 June 2018 | \$'000 | \$'000 | \$'000 |
| Specialised Land | - | - | 115,840 |
| Specialised Buildings | - | - | 46,675 |
| Infrastructure – water distribution | - | - | 966,453 |
| Infrastructure – water harvesting | - | - | 359,714 |
| Infrastructure – water quality | - | - | 88,019 |
| Infrastructure – sewer collection | - | - | 731,103 |
| Infrastructure – sewer treatment (ii) | - | - | 267,560 |
| Plant and Equipment | - | - | 13,388 |
| Total | | | 2,588,752 |

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.

The Group 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.

The Group's assets are subject to a revaluation model, as directed by the State's financial reporting directions. The Group records non-current assets at fair value, with revaluations completed every five years as required by FRD 103H. 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.

Specialised land and specialised buildings

For the majority of the Group'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 the Group'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.

A fair value assessment was undertaken using the compounded impact of the Valuer-General Victoria indices for the year ended 30 June 2019. The movement in the fair value of land was assessed to have increased by 29.4 per cent cumulatively over a three year period, resulting in a managerial revaluation. There were no changes in valuation techniques throughout the period to 30 June 2019.

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 2019. The Group conducted an assessment at 30 June 2019 with no material movement identified since the 2016 valuation.

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

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), the Group classifies this asset within the wastewater infrastructure asset category.

An independent valuation of the Group'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 2019.

The Group conducted an assessment at 30 June 2019 with no material movement identified since the 2016 valuation.

7.3.2 Reconciliation of Level 3 fair value movements

A reconciliation from the opening balances to the closing balances for fair value measurements categorised

within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

| | Specialised land \$'000 | Specialised buildings \$'000 | Water Distribution \$'000 | Water Harvesting \$'000 | Water quality \$'000 | Sewer Collection \$'000 | Sewer Treatment \$'000 | Plant, Equipment & Other \$'000 |
|-------------------------------|----------------------------|---------------------------------|------------------------------|----------------------------|-------------------------|----------------------------|---------------------------|------------------------------------|
| 2019 | | | | | | | | |
| Opening balance | 115,840 | 46,675 | 966,453 | 359,714 | 88,019 | 731,103 | 267,560 | 13,388 |
| Purchases (sales)/Adjustments | (4,887) | 4,727 | 26,154 | 0 | 0 | 19,186 | 19,644 | 5,364 |
| Depreciation | 0 | (1,202) | (22,870) | (3,988) | (3,303) | (18,899) | (13,974) | (2,732) |
| Impairment loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | (4,887) | 3,525 | 3,284 | (3,988) | (3,303) | 287 | 5,670 | 2,632 |
| Revaluation | 33,996 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 33,996 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing balance | 144,949 | 50,200 | 969,737 | 355,726 | 84,716 | 731,390 | 273,230 | 16,020 |

| | Specialised land \$'000 | Specialised buildings \$'000 | Water Distribution \$'000 | Water Harvesting \$'000 | Water quality \$'000 | Sewer Collection \$'000 | Sewer Treatment \$'000 | Plant, Equipment & Other \$'000 |
|-------------------------------|----------------------------|---------------------------------|------------------------------|----------------------------|-------------------------|----------------------------|---------------------------|------------------------------------|
| 2018 | | | | | | | | |
| Opening balance | 118,257 | 50,310 | 966,429 | 357,987 | 90,073 | 712,127 | 285,427 | 9,184 |
| Purchases (sales)/Adjustments | (2,417) | 1,139 | 22,731 | 5,644 | 1,301 | 37,797 | 2,382 | 6,491 |
| Depreciation | 0 | (1,314) | (22,003) | (3,911) | (3,355) | (18,821) | (20,249) | (2,287) |
| Impairment loss | 0 | (3,460) | (704) | (6) | 0 | 0 | 0 | 0 |
| Subtotal | (2,417) | (3,635) | 24 | 1,727 | (2,054) | 18,976 | (17,867) | 4,204 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing balance | 115,840 | 46,675 | 966,453 | 359,714 | 88,019 | 731,103 | 267,560 | 13,388 |

Description of significant unobservable inputs to Level 3 valuations

| 2019 and 2018 | Valuation technique | Significant unobservable inputs |
|---|-----------------------------------|--|
| Specialised land | Market/Direct comparison approach | <ul style="list-style-type: none"> Average cost per square metre adjusted for community service obligations |
| Specialised buildings | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per asset Useful life of specialised buildings |
| Infrastructure – Sewer Collection | | |
| Sewer Retic Mains | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per square metre Useful life of the infrastructure |
| Sewer Rising Mains | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per square metre Useful life of the infrastructure |
| Sewer Pump Station | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per facility Number of pump stations Useful life of the infrastructure |
| Infrastructure – Sewer Treatment | | |
| Wastewater Treatment Plants | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per facility Number of treatment plants Useful life of the infrastructure |
| Wastewater Treatment Plants Mechanical/Electrical | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per asset Useful life of the infrastructure |
| Specialised Buildings | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per asset Useful life of the infrastructure |
| Infrastructure – Water Distribution | | |
| Reticulation Mains | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per square metre Useful life of the infrastructure |
| Service Basins & Tanks | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per facility Number of facilities Useful life of the infrastructure |
| Infrastructure – Water Harvesting | | |
| Channels | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per facility Number of facilities Useful life of the infrastructure |
| Reservoirs | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per facility Number of facilities Useful life of the infrastructure |
| Groundwater | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per facility Number of facilities Useful life of the infrastructure |
| Infrastructure – Water Quality | | |
| Specialised Buildings | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per asset Useful life of the infrastructure |
| Water Treatment Plants | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per facility Number of facilities Useful life of the infrastructure |
| Water Treatment Plants Mechanical/Electrical | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per asset Useful life of the infrastructure |
| Plant & Equipment | | |
| Computer Hardware | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per asset Useful life of the asset |
| Vehicles | Depreciated replacement cost | <ul style="list-style-type: none"> Average cost per asset Useful life of the asset |

8. Statutory obligations

Introduction

This section includes disclosures in relation to the Group's statutory obligations.

Structure

8.1 Tax

8.1.1 Income tax

8.1.2 Deferred tax assets and liabilities

8.2 Environmental contribution

8.2.1 Environmental commitments

8.1 Tax

8.1.1 Income tax

The Group has formed an income tax consolidated group consisting of Barwon Region Water Corporation and Barwon Asset Solutions Pty Ltd. Barwon Region Water Corporation is the head entity of the Group.

The Group 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:

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Income statement | | |
| Current income tax expense | 14,650 | 11,661 |
| Deferred income tax expense | | |
| Temporary differences | (7,058) | (6,684) |
| Adjustments to prior years | 0 | 0 |
| Under/(over) provided in current year | (18) | (36) |
| Income tax on net result before tax | 7,574 | 4,941 |
| Tax reconciliation | | |
| Net result before income tax expense | 25,692 | 17,975 |
| Tax at the Australian tax rate of 30% (2018: 30%) | 7,708 | 5,393 |
| Under/(over) provided in current year | (18) | (36) |
| Non deductible items | 12 | (416) |
| Pre-CGT Gains on Properties and CGT Indexation discounts * | (78) | 0 |
| Other | (50) | 0 |
| Income tax on profit before tax | 7,574 | 4,941 |
| Statement of Changes in Equity | | |
| Net deferred tax - debited/(credited) directly to Equity (refer Note 9.1.2) | 7,445 | (462) |
| Income tax reported in Equity | 7,445 | (462) |

* CGT - Capital Gains Tax

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.

The Group'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.

| | 2019 | 2018 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Deferred tax assets | | |
| The balance comprises temporary differences attributable to: | | |
| Amounts recognised in consolidated operating statement | | |
| Provisions and accrued expenditure not deductible | 20,436 | 18,795 |
| Tax losses | 47,910 | 62,526 |
| Deferred Tax Assets | 68,346 | 81,321 |
| Movements | | |
| Opening balance at 1 July | 81,321 | 92,456 |
| Adjustment related to AASB 9 result | 5 | 0 |
| Acquisition of BAS | 0 | 345 |
| Credited/(charged) to the consolidated operating statement | 1,651 | 181 |
| (Under)/over provided in current year | 18 | 0 |
| Tax losses utilised | (14,650) | (11,661) |
| Closing balance at 30 June | 68,345 | 81,321 |
| Deferred tax asset to be recovered after more than 12 months | 68,277 | 81,255 |
| Deferred tax asset to be recovered within 12 months | 68 | 66 |
| | 68,345 | 81,321 |
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Deferred tax liabilities | | |
| The balance comprises temporary differences attributable to: | | |
| Amounts recognised in consolidated operating statement | | |
| Depreciation | 139,568 | 147,143 |
| Expenditure capitalised | 18,462 | 16,304 |
| Amounts recognised in equity: | | |
| Asset revaluations | 283,664 | 276,219 |
| Deferred Tax Liabilities | 441,694 | 439,666 |
| Movements | | |
| Opening balance at 1 July | 439,666 | 446,640 |
| Credited/(charged) to the consolidated operating statement | (5,417) | (6,476) |
| Under/(over) provided in prior years | 0 | (36) |
| Other adjustment to asset revaluation | 7,445 | (462) |
| Closing balance at 30 June | 441,694 | 439,666 |

8.2 Environmental contribution

| | 2019 | 2018 |
|---------------------------------|--------|--------|
| | \$'000 | \$'000 |
| Environmental contribution levy | 8,410 | 6,651 |

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.

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

8.2.1 Environmental commitments

The Group's outstanding environmental contribution commitments are as follows:

| | Less than one year | Between 1 and 5 years | Over 5 years | Total |
|--|--------------------|-----------------------|--------------|--------|
| 2019 | | | | |
| Environmental Contribution expenditure commitments (i) | 8,410 | 0 | 0 | 8,410 |
| 2018 | | | | |
| Environmental Contribution expenditure commitments (i) | 8,410 | 8,410 | 0 | 16,820 |

(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 Controlled entity

9.10 Parent entity information – Barwon Region Water Corporation

9.11 Change in accounting policies

9.12 Australian Accounting Standards issued that are not yet effective

9.1 Equity

9.1.1 Contributed capital

| | 2019 | 2018 |
|-------------------------------|---------|---------|
| | \$'000 | \$'000 |
| Contributed capital at 1 July | 459,098 | 459,098 |
| Closing balance at 30 June | 459,098 | 459,098 |

Contributions by owners are treated as equity transactions where they have been designated as capital contributions by the owners.

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

9.1.2 Reserves

| | 2019 | 2018 |
|--|---------|---------|
| | \$'000 | \$'000 |
| Balance at 1 July | 618,536 | 619,613 |
| Revaluation increment / (decrement) on non-current assets | 33,996 | 0 |
| Impairment (increment) / decrement on non-current assets | 0 | (1,539) |
| Tax effect of impairment of assets/revaluation of non-current assets | (7,445) | 462 |
| Balance at 30 June | 645,087 | 618,536 |

9.1.3 Accumulated funds

| | | 2019 | 2018 |
|-------------------------------------|------|---------|---------|
| | Note | \$'000 | \$'000 |
| Opening balance at 30 June | | 652,394 | 639,360 |
| Opening balance adjustment (AASB 9) | 9.11 | (10) | 0 |
| Net result for the period | | 18,118 | 13,034 |
| Closing balance at 30 June | | 670,502 | 652,394 |

9.2 Events occurring after the balance date

No matter or circumstance have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group 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 provide a measure of full time equivalent executive officers over the reporting period.

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

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or

payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

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

Other long-term benefits include long service leave paid.

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

| | 2019 | 2018 |
|---|--------------|--------------|
| Executive remuneration | \$'000 | \$'000 |
| Remuneration | | |
| Short-term employee benefits | 3,613 | 3,802 |
| Post-employment benefits | 334 | 356 |
| Other long-term benefits | 28 | 212 |
| Termination Benefits | 0 | 7 |
| Total remuneration (a) | 3,975 | 4,377 |
| Number of executive officers | 22 | 25 |
| Total annualised employee equivalent (AEE) (b) | 19.6 | 19.5 |

Notes:

(a) 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).

(b) 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 Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting

period, as required by AASB 124 *Related Party Disclosures*.

The 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 2018 to 30 June 2019 |
| J E Plummer * | Director - Chair | 1 July 2018 to 30 June 2019 |
| E C Carbines | Director - Deputy Chair | 1 July 2018 to 30 June 2019 |
| R M Leonard | Director | 1 July 2018 to 30 June 2019 |
| J J Gavens * | Director | 1 July 2018 to 30 June 2019 |
| B C Walsh * | Director | 1 July 2018 to 30 June 2019 |
| D Powell | Director | 1 July 2018 to 30 June 2019 |
| A E Lansberry | Director | 1 July 2018 to 30 June 2019 |
| T A Slatter * | Managing Director (Accountable Officer) | 1 July 2018 to 30 June 2019 |

* These responsible persons are also Directors for Barwon Asset Solutions Pty Ltd, as part of those responsibilities the non-executive directors collectively received a total remuneration of \$26,258 for the period 1 July 2018 to 30 June 2019 (2-12-2017 to 30-6-2018 \$15,161).

Remuneration paid to the respective Minister is shown in the financial statements of the Department of Parliamentary Services.

Responsible persons remuneration

| \$ | \$ | 2019 | 2018 |
|---------------------------|---------|-----------|-----------|
| 0 | 9,999 | 0 | 1 |
| 10,000 | 19,999 | 0 | 2 |
| 20,000 | 29,999 | 0 | 2 |
| 30,000 | 39,999 | 3 | 2 |
| 40,000 | 49,999 | 3 | 2 |
| 80,000 | 89,999 | 0 | 1 |
| 90,000 | 99,999 | 1 | 0 |
| 390,000 | 399,999 | 0 | 1 |
| 410,000 | 419,999 | 1 | 0 |
| Total Numbers | | 8 | 11 |
| Total Remuneration Amount | | \$751,933 | \$714,722 |

Remuneration received or receivable by the Accountable Officer in connection with the management of the Group during the reporting period was in the range: \$410,000 – \$419,999 (\$390,000 – \$399,999 in 2017-18).

Four directors of Barwon Water are also directors of the wholly owned subsidiary, Barwon Asset Solutions Pty Ltd, and are entitled to directors fee of \$26,258 (2017/18 in \$15,161).

9.5 Remuneration of auditors

| | 2019 | 2018 |
|--|---------|---------|
| | \$ | \$ |
| Amounts received, or due and receivable, by the Victorian Auditor-General for auditing the financial report. | 120,200 | 116,600 |

9.6 Related parties

The Barwon Water is a wholly owned and controlled entity of the State of Victoria. Barwon Water wholly owns and controls BAS.

Related parties of the Group 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

The Group received funding and made payments of \$42.48 million and \$57.86 million respectively (2017-18 \$30.22m and \$70.10m) respectively to government related entities.

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

| | | 2019 | 2018 |
|---|---|----------|----------|
| Entity name | Brief description of main activity | \$'000 | \$'000 |
| Government-related entity receipts | | | |
| Department of Health and Human Services (DHHS) | Customer rebate reimbursements – water, sewerage and dialysis | 10,017 | 8,469 |
| Treasury Corporation Victoria (TCV) | Net repayment during the year | (36,000) | (21,000) |
| Treasury Corporation Victoria (TCV) | Interest received | 0 | 102 |
| Treasury Corporation Victoria (TCV) | Net borrowing drawn | 31,000 | 20,000 |
| Treasury Corporation Victoria (TCV) | Sale of large scale generation certificates | 91 | 23 |
| Department of Environment, Land, Water and Planning (DELWP) | Community rebate | 120 | 0 |
| Department of Environment, Land, Water and Planning (DELWP) | Anglesea River Project Operation | 57 | 0 |
| Department of Environment, Land, Water and Planning (DELWP) | Operational funding grant | 264 | 0 |
| Government-related entity receivables | | | |
| Department of Environment, Land, Water and Planning (DELWP) | Operational funding grant | 322 | 264 |
| Department of Health and Human Services (DHHS) | Customer rebate reimbursements – water, sewerage and dialysis | 1,111 | 1,050 |
| Department of Education and Training | Customer construction contract and audit fee | 45 | 0 |
| Government-related entity payments | | | |
| Department of Environment, Land, Water and Planning (DELWP) | Environmental Contribution Levy | 6,308 | 6,651 |
| Department of Environment, Land, Water and Planning (DELWP) | Monitoring program | 228 | 355 |
| Department of Environment, Land, Water and Planning (DELWP) | Other | 265 | 0 |
| Department of Treasury and Finance (DTF) | Financial Accommodation Levy | 6,991 | 7,219 |
| Department of Treasury and Finance (DTF) | License fee | 150 | 110 |
| Treasury Corporation Victoria (TCV) | Finance costs | 26,011 | 27,254 |
| Melbourne Water Corporation (MWC) | Melbourne Geelong Pipeline water supply | 140 | 0 |
| Melbourne Water Corporation (MWC) | Other | 74 | 20 |
| Government-related entity payables | | | |
| Department of Environment, Land, Water and Planning (DELWP) | Environmental Contribution Levy | 2,105 | 0 |
| Treasury Corporation Victoria (TCV) | Finance costs | 6,417 | 6,683 |

Barwon Asset Solutions Pty Ltd

Barwon Asset Solutions Pty Ltd is a wholly owned subsidiary of Barwon Region Water Corporation. During the

financial year ended 30 June 2019 Barwon Region Water Corporation purchased goods and services and provided accounting and administrative assistance to Barwon Asset Solutions Pty

Ltd. All financial transactions between Barwon Region Water Corporation and Barwon Asset Solutions Pty Ltd are eliminated upon consolidation.

Key management personnel (KMP)

Key management personnel of the Group includes:

| Name | Title | Period of appointment |
|--------------------------|---|-----------------------------|
| The Hon. Lisa Neville MP | Minister for Water | 1 July 2018 to 30 June 2019 |
| J E Plummer * | Director – Chair | 1 July 2018 to 30 June 2019 |
| E C Carbines | Director – Deputy Chair | 1 July 2018 to 30 June 2019 |
| R M Leonard | Director | 1 July 2018 to 30 June 2019 |
| J J Gavens * | Director | 1 July 2018 to 30 June 2019 |
| B C Walsh * | Director | 1 July 2018 to 30 June 2019 |
| D Powell | Director | 1 July 2018 to 30 June 2019 |
| A E Lansberry | Director | 1 July 2018 to 30 June 2019 |
| T A Slatter * | Managing Director (Accountable Officer) | 1 July 2018 to 30 June 2019 |

* These key management personnel are key management personnel for both Barwon Water and Barwon Asset Solutions Pty Ltd.

| | 2019 | 2018 |
|------------------------------|------------|------------|
| | \$'000 | \$'000 |
| Compensation of KMPs | | |
| Short-term employee benefits | 689 | 655 |
| Post-employment benefits | 63 | 59 |
| Total | 752 | 714 |

Transactions with key management personnel and other related parties

Given the breadth and depth of the Group's activities, related parties transact with the Group in a manner consistent with other members of the public (e.g. water and sewerage fees

and charges). Further employment of processes within the Group 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 the Group, the only related party transactions that involved key management personnel and their close family members are as follows:

- **Jo Plummer** – Barwon Water Director is a non-executive director of the Victorian Water Industry Association during 2018–19.

| Victorian Water Industry Association (VicWater) | 2019 | 2018 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Barwon Water payments to VicWater during the year included Barwon Water's 2018–19 Intelligent Water Networks (IWN) Program Funding Contribution, membership fees and other transactions being minor or commercial in nature. | 176 | 141 |

- **John Gavens** – Barwon Water Director during 2018–19.

| Related party transactions | 2019 | 2018 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Barwon Water payments to a related party of John Gavens were made in relation to the provision of specialised pipe fitting installation services during 2018–19. These transactions were made on commercial terms and all being at arm's length in accordance with the Group's procurement policies and procedures, with recognition as either operating expenditure or capital works in progress at the time of payment. | 86 | 132 |

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.

9.7 Ex-gratia expense

| | 2019 | 2018 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Barwon Water made the following ex-gratia payments: | | |
| Forgiveness or waiver of debt (i) | 167 | 100 |
| Other (ii) | 220 | 232 |
| Total ex-gratia expenses | 387 | 332 |

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 – \$216k during 2018/19 (\$227k 2017/18). Rebates offered to customers undertaking dialysis or suffering severe medical conditions that require higher than usual water consumption \$4k during 2018/19 (\$5k 2017/18) offered over and above government funded rebates.

Ex-gratia expenses are recorded in the Services and Supplies expenditure line within the Consolidated 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 Consolidated Balance Sheet.

Cash flows arising from operating activities are included in the Consolidated 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 Controlled entity

The consolidated financial statements at 30 June 2019 include the following controlled entity. The financial reporting period for the controlled entity is 1 July 2018 to 30 June 2019.

The following table includes prior year comparative results for a seven month reporting period from 2 December 2017 to 30 June 2018, as control of the controlled entity was obtained on the 2 December.

| Controlled Entity | Place of incorporation | Book value of parent entity's investment | | % shares held | | Contribution to the results in \$'000 | |
|--------------------------------|------------------------|--|------|---------------|------|---------------------------------------|------|
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Barwon Asset Solutions Pty Ltd | Australia | \$2 | \$2 | 100 | 100 | 73 | 10 |

Prior to 2 December 2017 Barwon Water sourced civil maintenance services for planned and unplanned water and sewerage systems via a maintenance service agreement contract with Programmed Facilities Management Pty Ltd (PFM) and its wholly owned subsidiary Programmed Facilities Management BW Pty Ltd (PFM BW).

Barwon Water purchased all the shares of PFM BW from PFM for \$2 on the 2 December 2017 and changed the name from PFM BW to Barwon Asset Solutions Pty Ltd (BAS).

The relevant activities of BAS include:

- For Barwon Water, the civil maintenance services for planned

and unplanned water and sewerage systems and minor low cost capital works projects, and

- External to the Group, civil maintenance services for planned and unplanned.

On acquisition the assets and liabilities of PFM BW were:

| | 2018 |
|--|---------------|
| Purchase consideration: | \$ |
| Cash | 2 |
| – being 100% share ownership | |
| | 2 |
| | \$'000 |
| Less: | |
| Cash at Bank | 1,098 |
| Payable | (11) |
| Employee Benefits provision for Annual Leave | (303) |
| Employee Benefits provision for Long Service Leave | (809) |
| Deferred tax asset | 345 |
| Gain on acquisition | 320 |

The gain on acquisition was recognised in the Consolidated Comprehensive Operating Statement within Other revenue.

The assets and liabilities on acquisition noted above related to:

- Payables: superannuation owing to the super fund.
- Employee benefits: the provision for employee benefits related to employees transferring with the acquisition.

Adjustments:

- Deferred tax asset: generated as a consequence of the employee benefits taken-up on acquisition.
- Employee benefits: generated to adjust the acquisition long service leave liability to reflect a present value measurement calculation.

9.10 Parent entity information – Barwon Region Water Corporation

| | 2019 | 2018 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Current assets | 69,007 | 51,674 |
| Non-current assets | 2,727,507 | 2,673,265 |
| Total assets | 2,796,514 | 2,724,939 |
| Current liabilities | 111,817 | 94,289 |
| Non-current liabilities | 910,862 | 901,064 |
| Total liabilities | 1,022,679 | 995,352 |
| Reserves | 645,087 | 618,536 |
| Contributed Capital | 459,098 | 459,098 |
| Accumulated funds | 651,944 | 639,361 |
| Total equity | 1,756,129 | 1,716,995 |
| Net result after income tax of the parent entity | 17,706 | 12,591 |
| Comprehensive result of the parent entity | 44,256 | 11,514 |

Contractual requirements

The funding agreement between Barwon Water and BAS is for Barwon Water to provide daily cash flow if requested, this is equivalent to a loan facility with BAS to pay Barwon Water interest if utilised.

Barwon Water has contractual obligations to BAS under the Maintenance Services Agreement including the provision of vehicles, plant and equipment.

BAS is a proprietary limited company and Barwon Water is the sole shareholder. A company limited by shares, limits the liability of shareholders to the value of their shares. The value of the shares in BAS are \$2 (2 x \$1 shares).

There are no contingent assets or liabilities resulting from the contractual arrangements. Refer Note 7.2 for the Group's contingent assets and liabilities.

9.11 Changes in accounting policies

AASB 9 Financial Instruments

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

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

Classification and measurement under AASB 9

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

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are primarily based on historical credit losses experienced and profiles of sales predominantly for sales that are more than 120 days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On the date of the initial application, 1 July 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

| | Measurement category | | Carrying amount | | |
|--------------------------------------|----------------------|----------------|-----------------|------------|---------------------|
| | Original (AASB 139) | New (AASB 9) | Original \$'000 | New \$'000 | Difference * \$'000 |
| Non-current financial assets | | | | | |
| Other receivables | Loan and receivable | Amortised cost | 47 | 47 | 0 |
| Current financial assets | | | | | |
| Tariff and sundry receivables | Loan and receivable | Amortised cost | 15,857 | 15,847 | 10 |
| Cash and cash equivalents | Loan and receivable | Amortised cost | 7,580 | 7,580 | 0 |
| Other receivables | Loan and receivable | Amortised cost | 474 | 474 | 0 |
| Current financial liabilities | | | | | |
| Trade creditors | Amortised cost | Amortised cost | 8,639 | 8,639 | 0 |
| Other payables | Amortised cost | Amortised cost | 8,051 | 8,051 | 0 |

*The difference noted in this column are the result of the new expected credit loss model. Refer to section 5.1.1 for the application of the Expected Credit Loss model. The reclassifications of the financial instruments on adoption of AASB 9 did not result in any changes to measurements.

Reconciliation of impairment allowance balance from IAS 39 to AASB 9

The following table reconciles the prior period's closing impairment allowance

measured in accordance with the AASB 39 incurred loss model to the new impairment allowance measured in accordance with the AASB 9 expected loss model at 1 July 2018.

| Measurement category | Loan loss allowance under IAS 39/Provision under IAS 37 \$'000 | Reclassification \$'000 | Re-measurement \$'000 | Loan loss allowance under AASB 9 \$'000 |
|-------------------------------|--|-------------------------|-----------------------|---|
| Tariff and sundry receivables | 220 | 10 | 0 | 230 |
| Total | 220 | 10 | 0 | 230 |

Impact statement

This resulted in an increase of the loss allowance on 1 July 2018 by \$10,000 for trade receivables – tariff and sundry receivables.

9.12 Australian Accounting Standards issued that are not yet effective

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

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June

2019 reporting period. As at 30 June 2019, the following applicable standards and interpretations had been issued but were not mandatory for financial year ended 30 June 2019. The Group has not and does not intend to adopt these standards early.

| Standard/ Interpretation | Summary | Effective date | Effective date for the Group | Estimated impact on the Group |
|--|---|----------------|---------------------------------|--|
| AASB 15 <i>Revenue from 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. Note that amending standard AASB 2015 8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017 for not-for-profit entities. | 1 January 2018 | 1 July 2019 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants and developer revenue deferred that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant and developer revenue deferred are satisfied. |
| AASB 2018–4 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for-Profit Public-Sector Licensors</i> | AASB 2018–4 amends AASB 15 and AASB 16 to provide guidance for revenue recognition in connection with taxes and Non-IP licences for Not-for-Profit entities. | 1 January 2018 | 1 July 2019 | AASB 2018–4 provides additional guidance for not-for-profit public sector licenses, which include: <ul style="list-style-type: none"> • Matters to consider in distinguishing between a tax and a license, with all taxes being accounted for under AASB 1058; • IP licenses to be accounted for under AASB 15; and • Non-IP, such as casino licenses, are to be accounted for in accordance with the principles of AASB 15 after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16. |

| Standard/ Interpretation | Summary | Effective date | Effective date for the Group | Estimated impact on the Group |
|--|---|----------------|---------------------------------|---|
| AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for-Profit Entities</i> | <p>AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15.</p> <p>This standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the retrospective standards to particular transactions and events.</p> | 1 January 2018 | 1 July 2019 | <p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:</p> <p>AASB 9</p> <ul style="list-style-type: none"> Statutory receivables are recognised and measured similarly to financial assets. <p>AASB 15</p> <ul style="list-style-type: none"> The 'customer' does not need to be the recipient of goods and/or services; The 'contract' could include an arrangement entered into under the direction of another party; Contracts are enforceable if they are enforceable by legal or 'equivalent means'; Contracts do not have to have commercial substance, only economic substance; and Performance obligations need to be 'sufficiently specific' to be able to apply AASB 15 to these transactions. |
| AASB 16 <i>Leases</i> | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. | 1 January 2018 | 1 July 2019 | <p>The assessment has indicated that operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability.</p> <p>A right of use asset and corresponding lease liability to be recognised at 1 July 2019 is estimated to be \$137k.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p> <p>There will be no change for lessors as the classification of operating and finance leases remains unchanged.</p> |
| AASB 2018-8 <i>Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit entities</i> | This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option. | 1 January 2018 | 1 July 2019 | <p>Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions.</p> <p>For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not-for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption.</p> <p>The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets.</p> <p>In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed.</p> |

| Standard/ Interpretation | Summary | Effective date | Effective date for the Group | Estimated impact on the Group |
|---|--|---|---------------------------------|---|
| AASB 1058 <i>Income of Not-for-Profit Entities</i> | <p>AASB 1058 will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i>.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context,</p> <p>AASB 1058 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 objective.</p> | 1 January 2019 | 1 July 2019 | <p>Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 <i>Contributions</i>.</p> <p>The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed.</p> <p>The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement. Impacts to the Group are estimated to be immaterial.</p> |
| AASB 1059 <i>Service Concession Arrangements: Grantor</i> | <p>This standard applies to arrangements that involve an operator providing a public service on behalf of a public sector grantor. It involves the use of a service concession asset and where the operator manages at least some of the public service at its own direction. An arrangement within the scope of this standard typically involves an operator constructing the asset used to provide the public service or upgrading the assets and operating and maintaining the assets for a specified period of time.</p> | 1 January 2020 (The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019) | 1 July 2019 | <p>For an arrangement to be in scope of AASB 1059 all of the following requirements are to be satisfied:</p> <ul style="list-style-type: none"> • Operator is providing public services using a service concession asset; • Operator manages at 'least some' of public services under its own discretion; • The State controls / regulates: <ul style="list-style-type: none"> – what services are to be provided; – to whom; and – at what price • State controls any significant residual interest in the asset. <p>If the arrangement does not satisfy all the above requirements the recognition will fall under the requirements of another applicable accounting standard.</p> <p>Impact on the Group will be to reclassify the finance lease asset and corresponding lease liability as Service Concession Arrangements.</p> |

The AASB has also issued a number of other amending standards that are not effective for the 2019-20 reporting period, however preliminary assessment suggests these will not impact the Group.

Barwon Region Water Corporation

Directors' and Chief Finance and Accounting Officer's declaration

The attached financial statements for the Group 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 Consolidated Comprehensive Operating Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and accompanying Notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of the Group at 30 June 2019.

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

We authorise the attached financial statements for issue on 30th August 2019.



J Plummer
Chair



T Slatter
Managing Director



M Stephens
General Manager Organisational Performance
(Chief Finance and Accounting Officer)

Dated this 30th day of August 2019



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of the Barwon Region Water Corporation

| | |
|--|---|
| Opinion | <p>I have audited the consolidated financial report of the Barwon Region Water Corporation (the corporation) and its controlled entity (together the consolidated entity), which comprises the:</p> <ul style="list-style-type: none"> • consolidated balance sheet as at 30 June 2019 • consolidated statement of comprehensive income for the year then ended • consolidated statement of changes in equity for the year then ended • consolidated cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • directors' and chief finance and accounting officer's declaration. <p>In my opinion, the consolidated financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p> |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Board's responsibilities for the financial report | <p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |



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

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity'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 and the consolidated entity'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 and the consolidated entity 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
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the corporation and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the corporation and the consolidated entity. I remain solely responsible for my audit opinion.

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
3 September 2019

Paul Martin
as delegate for the Auditor-General of Victoria



PART 8. Disclosure Index

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Disclosure Index

The 2018-19 Annual Report of Barwon Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the authority's compliance with statutory disclosure requirements.

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PART 9.

Appendices

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| Reconciliation Action Plan | www.barwonwater.vic.gov.au/about-us/reconciliation |
| Urban Water Strategy | www.barwonwater.vic.gov.au/water-and-waste/urban-water-strategy |

Additional copies

This annual report is available for viewing or download from Barwon Water's website www.barwonwater.vic.gov.au.

As part of our goal to continually improve environmental performance, we print limited numbers of the annual report and encourage those with internet access to view the report online. If you require any additional printed copies, please telephone Barwon Water 1300 656 007.

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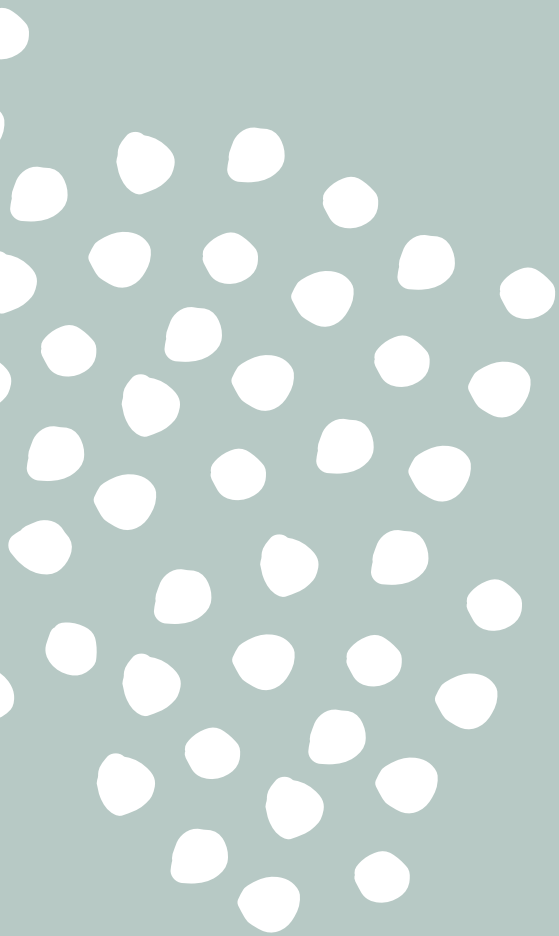
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We are always looking for ways to improve our practices to reduce our environmental footprint. This extends to the paper and processes we use.

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