

 Barwon Water

# Annual Report



2019 - 2020

## 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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*Photo taken March 2020 (pre-coronavirus)*

## 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, 2020.



**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 2019–20 reporting period, Barwon Water operated as a statutory corporation under the *Victorian Water Act 1989*.

We have 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, our expenditure in the region creates further external employment opportunities. It is estimated that our 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. 2019–20 has seen us continue to 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
- 1 groundwater field
- 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.

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.

We can also access other sources including a bulk entitlement from the Greater Yarra system – Thomson River pool through the Melbourne to Geelong (MGP) pipeline and groundwater from Anglesea Borefield.

We no longer have access to the Barwon Downs borefield after withdrawing our application to renew the extraction licence to focus wholly on remediation of confirmed impacts from historic management of groundwater pumping and to rebuild trust with the local community.

The MGP began supplying water in March, 2019 to boost local storage levels following a dry 2018–19 year. The Lovely Banks to Montpellier pump station was completed at the end of 2019, extending the service area of the MGP and increasing its rate of delivery from 7 GL/year to 16 GL/year, which is approximately 50 per cent of the Greater Geelong region's annual water demand.

Anglesea borefield was also brought online in November, 2019 to stabilise local storage levels over the summer period. The borefield supplied approximately 2 GL before being put on standby mode in July, 2020.

Accessing additional water from the MGP and Anglesea Borefield ensures storages will not go into the restrictions range over the short-term.

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 and Skenes Creek and Lorne all have their own water supply systems.

## 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 28 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 10 water reclamation plants governed by Environmental Protection Authority (EPA) Victoria licensing requirements. Black Rock, Anglesea, Apollo Bay and Lorne plants release recycled water through ocean outfalls. Plants at Aireys Inlet, Bannockburn, Portarlington, Birregurra and Winchelsea are land-based systems. Recycled water from the Colac facility is released into Lake Colac. We also operate the Northern Water Plant, which is an advanced recycled water facility that supplies Class A recycled water for industrial use at the Viva refinery.

## 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 productive uses for this resource, including providing recycled water for agriculture, horticulture, golf courses and public open space. This saves drinking water for the community, and eases pressure on local water supply.

All water reclamation plants produce water suitable for recycling. Barwon Water achieved 15.2 per cent water recycling in 2019-20.

## Biosolids

During 2019-20, we continued to turn biosolids – a by-product of the sewage treatment process – into nutrient-rich farm fertiliser at the thermal drying facility at Black Rock.

The 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 2019-20, we received 56,986 tonnes of wet biosolids and produced 8,491 tonnes of dried biosolids product, which is used as a commercial fertiliser product.

The pellets are produced in accordance with the standards set by the Environment Protection Authority (EPA).

## Future growth

Over the next five years, we will commit \$469 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, 2019, to June 30, 2020, 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 us regarding the performance of functions and exercise of powers. We are required to monitor compliance with the obligations set out in the statement, report on non-compliance and take remedial action in relation to noncompliance.

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

We continue to uphold our core values of respect, relationships, innovation, high performance and leadership in delivering our mission.

## At a glance

	2019-20	Change (%)	2018-19	Change (%)	2017-18	Change (%)	2016-17	Change (%)	2015-16	Change (%)
Population served (water)	330,462	2.8	321,562	3.0	312,235	2.8	303,858	1.7	298,769	2.2
Population served (sewerage)	304,411	2.8	296,262	4.0	284,905	2.7	277,290	1.8	272,372	2.4
Connected properties (water)	165,804	2.5	161,695	2.3	158,109	2.5	154,266	1.9	151,418	2.2
Connected properties (sewerage)	150,417	2.8	146,272	4.2	140,319	1.8	137,852	1.7	135,561	2.0
Water treatment plant volumes (megalitres)	36,104	-7.0	38,822	6.0	36,608	9.0	33,600	-6.1	35,797	10.4
Water reclamation plant volumes (megalitres)	30,806	8.9	28,278	-7.3	30,500	8.8	28,042	-0.8	28,267	3.8
Employee numbers <sup>1,2</sup>	314	-0.1	314	-0.2	314	0.0	314	-1.9	320	6.7
Number of days lost to injury	1	0.0	1	-88.9	9	-67.9	28	100.0	0	-100.0
Total revenue (\$'000)	249,901	4.1	240,078	2.4	234,470	9.7	213,448	-2.1	218,034	5.6
Net operating result (before income tax) (\$'000)	26,250	-2.2	25,692	42.9	17,975	278.0	4,671	-81.3	25,024	48.1
Total assets (\$'000)	2,844,693	1.7	2,797,204	2.6	2,725,452	-0.2	2,730,251	1.2	2,697,222	16.1
Capital expenditure (\$'000)	77,438	-4.4	81,025	22.6	66,104	-20.1	83,290	4.2	79,895	25.8

### Notes

<sup>1</sup> Measured as full-time equivalent (FTE) employees

<sup>2</sup> 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 2019–20 financial year.*



We 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 a privilege to share in the knowledge and experiences from the oldest living culture in the world.

*It has been a challenging year, but one where we at Barwon Water have continued to focus strongly on delivering our Strategy 2030 vision to be an enabler of regional prosperity in the way we provide water and sewerage services. This is even more important in light of impact of the global coronavirus (COVID-19) pandemic.*

We have focussed more strongly than ever on the health, safety and wellbeing of our staff and customers. Staff on the front line continue to attend to essential maintenance and repairs, and our treatment plants are operating to ensure our customers have access to clean and safe water. Our customer team is helping increased numbers of people experiencing financial hardship, while our strategy and planning teams are safeguarding our water security for years to come.

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 liveability 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 the environment and helping vulnerable customers.

Examples of this in 2019–20 included:

- Launching the innovative Renewable Organics Networks for the G21 region and Colac to turn our sewage and other organic waste into renewable energy; thereby reducing emissions and landfill while generating jobs and driving economic growth.

- Maintaining our partnership with 12 other Victorian water corporations on a large scale renewable solar farm to reduce greenhouse gas emissions, helping keep water bills down with expected 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. A standout example is Salt Torquay: a 52-lot sustainable development which will have 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 Bannockburn 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, 2020, 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 2020 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 2019-20, we delivered a \$77.4 million capital works program to maintain and improve our infrastructure and delivered on our year 2 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 by taking action to ensure a secure water supply for our region. This included:

- Extending the reach of the Melbourne to Geelong pipeline (MGP) from Lovely Banks to Montpellier in late November, servicing Geelong's northern suburbs and boosting water storages by up to 35 million litres a day
- Beginning supply of Class A recycled water to Armstrong Creek and Torquay North in December and continuing to supply recycled water from the Northern Water Plant
- Using Anglesea borefield to supplement supplies from November, 2019 to June, 2020
- Engaging with our customers and community to follow permanent water saving rules and implement water efficiencies in their homes and business.

We are also very pleased to share that we launched a new and exciting program, 'Water for our Future', to co-design with our community our next Urban Water Strategy to meet the region's long-term water security needs.

Following last year's decision to withdraw the Barwon Downs licence renewal application, we have continued to work proactively to remediate the confirmed impacts historic groundwater management at Boundary Creek and Big Swamp. In December we submitted to Southern Rural Water our remediation plan, which was accepted by Southern Rural Water as regulator in February, and that we continued to progress.

An area of pride for Barwon Water was marking year two of our Reconciliation Action Plan in which we have committed ourselves to learning from and developing strong relationships with all Traditional Owners. This included building on our partnership agreement with Wadawurrung, where we set our commitment to work together on key projects.

Groups of staff visited key sites around the region with Traditional Owners groups from the region to learn more about Caring for Country principles. The project seeks to embed Indigenous approaches to land and water management in our business, to protect the natural assets upon which we all depend.

We commenced conversations with Eastern Maar Aboriginal Corporation, who has been appointed as the Registered Aboriginal Party in the western part of our region. We will work with Eastern Maar to identify projects that we can work on together.

Another highlight of 2019-20 has been continuing to work collaboratively with local agencies and councils to deliver our Customer Support Strategy and help customers experiencing hardship. This is part of a commitment in our price submission to allocate an additional \$2.5 million over five years to helping customers experiencing hardship.

And finally, 2019-20 saw Barwon Water recognised through a number of awards, including winning the best tasting tap water in Victoria at the Water Industry Operators Association's 82nd annual conference and the 2019 Innovation Award for our property realisation program at the Australian Water Association Victorian Water Awards.

We were also a finalist in the Victorian Premier's sustainability awards for our Zero Emission's program, which targets 100 per cent of our electricity coming from renewable sources by 2025, and slashing our greenhouse gas emissions to zero by 2030.

The 2019-20 financial year was a big one for Barwon Water. Our people are central to all of these achievements. On behalf of the Board, we would like to thank 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.

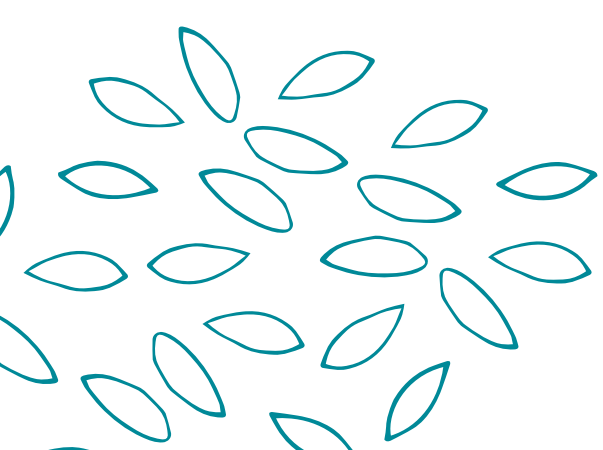
It is through them that we are achieving our organisational vision of providing outstanding value to our customers and community, while contributing to greater regional prosperity, a more sustainable future and lower customer prices.



Jo Plummer  
Chair



Tracey Slatter  
Managing Director



## Strategy 2030 highlights

### **Why we exist:**

*to be an enabler of regional prosperity.*

### **What we do:**

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

In 2019–20, we delivered the following key outcomes:

- *commenced our 'Water for our Future' Program – the program will co-design the region's next Urban Water Strategy with our customers, community and stakeholders to ensure that plans are in place and implemented to provide long-term water security*
- *continued 100 per cent compliance with water quality targets*
- *further improvements in customer experience through a revised 'Voice of Customer' program, improved business processes and deep and genuine engagement through advisory committees.*



*In relation to the five key 'How' strategies, 2019–20 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. 2019–20 has seen continued work with strategic partners in the region, including:

- In 2019 Barwon Water and Wadawurrung developed a Partnership Agreement together that detailed the projects each organisation was committed to working on together. Some of the highlights from this agreement have included provision of advice on revegetation and rehabilitation, incorporation of Wadawurrung language and history into our business and projects, development of a “Caring for Country” approach to water resource management and Cultural Heritage Training
- Continuing our work with the City of Greater Geelong, the Department of Environment, Land, Water and Planning and regional stakeholders to deliver an Integrated Water Management plan for the Northern and Western Geelong Growth Area
- Actively supporting the work of regional bodies G21, Committee for Geelong and Geelong Manufacturing Council
- Implementing our new Customer Support Strategy, developed in collaboration with support agencies and councils across our region.
- Undertaking a range of works with Deakin University in Research and Development, including:
  - Initiating four PhD-level research projects in areas of community attitudes to climate independent water sources, the beneficial re-use (zero waste) of water treatment sludge, application of smart-technology to detect and reduce sewer spills, and research on how riparian buffer widths impact water quality.
  - Student scholarships (total of 6 per year)

- Bi-annual regional research meetings that are also held with Central Highlands Water and Wannon Water.

**Zero emissions** through action on climate change. In 2019–20, we progressed further on our journey to achieve zero emissions by 2030. Key highlights from this year included:

- Generation of a total of 5.1 gigawatt-hours of renewable electricity from Black Rock solar farm, the equivalent of 14.5 per cent of our energy needs
- Renewable Organic Network projects which involve new waste processing and energy generation technology
- Establishment of an Energy Efficiency Project – targeting reduced energy performance at our water reclamation plants and water treatment plants, as well as improved energy management more broadly
- Readiness for the commencement of the Zero Emissions Water Power Purchase Agreement – with the Kiamal Solar Farm expected to supply more than 7 gigawatt-hours a year to Barwon Water
- Use of electric and hybrid vehicles – with eight hybrid trucks and two battery-electric passenger vehicles in our fleet.

Improved productivity through a goal of Zero Waste, driving us to optimise the benefits of our resources, to help grow the regional economy and continuously improve organisational processes and practices. Works in 2019–20 included:

- New recycled water initiatives that increase the percentage of wastewater reused
- Also completed works that assist in our understanding of how we can reduce the amount of industrial and construction waste we send to landfill
- Development and implementation of a new program management approach that will accelerate progress in these areas towards our zero waste goal.

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:

- Our Customer Affordability Pipeline program is on track to meet its \$32 million target over five years. To date we have realised over \$13.5 million of efficiencies, ensuring customer bills are kept low, as set out in our 2018–2023 price submission.
- Continued delivery of culture change programs and in leveraging its innovation and continuous improvement framework (FLOW). This has translated into faster delivery of business improvements with a stronger commercial mindset, and the willingness to pursue changes that push the boundary of our traditional water utility role
- The recent commercialisation of an After Hours Call and Dispatch Service with BAS that improves management of faults and generates new revenue via BAS.

**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. 2019–20 saw a focus on a range of elements in the Barwon Water High Performance Plan, including:

- Continued roll out of the ‘Lead 2030’ leadership development program to all people leaders across the business, including a transition to more on-line content
- Redevelopment of Barwon Water’s ‘Develop 2030’ program – this is a suite of on-line learning resources that support the growth and development of employees across the organisation
- Transitioning staff and processes to work from home conditions and isolated work groups, whilst maintaining high levels of customer service, project delivery and compliance to standards, as part of our coronavirus (COVID-19) response.
- Ongoing traineeship program, providing an early career pathway from target communities, by providing appropriate education, work training and support, and achievement of a nationally recognised qualification. Trainees were onboarded virtually in May 2020.
- Creation of a ‘Beyond Zero’ strategy to consolidate a number of key safety initiatives under one program and advance a positive safety culture.

# Summary of financial results

I, Joanne Plummer, on behalf of Barwon Region Water Corporation, certify that the Barwon Regional Water Corporation and its wholly owned subsidiary Barwon Asset Solutions has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Chair, Barwon Region Water Corporation

02 October, 2020

## Financial summary

The 2019–20 financial year saw Barwon Water continue its focus on customer affordability, innovation and sustainable investment in infrastructure renewal and growth activities. We remained focused on delivering essential water and sewer services to the region, in light of the extraordinary operating environment and challenges caused by the coronavirus (COVID-19) global pandemic.

Our operations made a significant positive contribution to our region's economy and liveability. During 2019–20, we generated revenues of \$249.9 million supported by \$2.8 billion in assets and spent \$77.4 million in capital and related infrastructure works.

We have delivered a strong and financially sustainable result. 2019–20 was the second year of the 2018 Price Submission, where we continued our commitment to keeping prices low and delivering affordable water services to our customers.

Borrowings were increased to the Treasurer approved peak debt limit of \$571 million as we increased the amount of cash on hand to assist with the government request to deliver supplier payments within 10 business days, ensuring timely payments to our community of suppliers. We remain committed to managing debt levels, while continuing to fund capital that provides tangible and long-term benefits to the community.

## Challenges overcome

In response to the challenging climate conditions experienced in 2018/19 and the loss of Barwon Downs, Barwon Water proactively turned on the alternate water supply source located at Anglesea Borefield and increased the volume of water drawn from the Melbourne to Geelong pipeline. This meant that additional electricity usage was incurred due to operating additional water pumps, the cost was absorbed and the customer bill was not impacted.

The bushfire season saw us undertaking advanced bushfire planning to ensure our people and assets would be protected, being on the western side of Melbourne did not make our region immune to the devastation that took place during the unforeseen scale of bushfire in the east of Victoria.

We continued to progress the sale of surplus property under the Barwon Water Property Realisation Program – \$11.9M proceeds (net of selling costs) being utilised to maintain borrowing levels to keep customer bills low

The coronavirus (COVID-19) pandemic has provided us with the opportunity to demonstrate organisational agility, with COVID-19 proving to be the single largest challenge for Barwon Water and our community in financial year 2019–20. Investment in people and technology has been proven to be the path to enable the uninterrupted delivery of water and sewer services to our region. Approximately 71% of the workforce was transitioned to a remote working environment as of the 28 March 2020. This was in line with the Government's advice at the time to stay at home. The State was in Stage 2 restrictions but prepping to move into Stage 3 as of 1 April.

We continue to deliver savings of \$32 million over five years (2019–2023) by identifying operational efficiencies, implementing improved processes and adopting new ways of working. The workforce transitioned to a remote working model in late March, 2020, proving how agile, prepared and forward looking our systems and processes are.

These initiatives 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 \$26.3 million, which is \$0.6 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 continued demand for water.

## Significant changes in financial position

Investment in infrastructure was funded through \$77.7 million in funds from operations. We repaid \$36 million of matured borrowings and refinanced \$60.6 million with new borrowings. Net of repayments the total debt increased by \$24.6 million. \$26.6 million debt is held in short-term borrowings, minimising the interest cost. Cash and cash equivalents increased to \$35.0 million, ensuring maximum liquidity during the current economic uncertainty resulting from the pandemic. A commitment to, and focus on, disciplined capital and cash management continues to be maintained.

Our ongoing commitment to long-term service delivery through prudent and efficient infrastructure planning resulted in \$77.4 million of capital works expenditure being delivered.

Key capital works focus areas have been the West Gellibrand Reservoir upgrade and the Colac Water Treatment Plant upgrade, along with the Colac Pump Station and pipeline. The largest investment was in sewerage mains replacement and rehabilitation across the network. We also continue to invest in innovative and cost effective renewable energy projects that support the delivery of zero emissions target by 2030.

## Events subsequent to balance date

No material events occurred after balance date.

## Summary of financial results

Financial Result	2019-20 (\$'000)	2018-19 (\$'000)	2017-18 (\$'000)	2016-17 (\$'000)	2015-16 (\$'000)
Tariff revenue	193,181	193,222	181,199	171,861	176,542
Capital revenue	44,026	36,989	44,018	33,066	32,886
Government contributions	389	511	386	362	170
Other revenue	12,305	9,356	8,548	8,159	8,436
<b>Total revenue</b>	<b>249,901</b>	<b>240,078</b>	<b>234,470</b>	<b>213,448</b>	<b>218,034</b>
Operating expenditure	107,271	99,651	94,157	88,279	79,051
Depreciation expenditure	70,816	68,424	75,969	74,281	67,126
Finance costs	36,845	37,712	39,436	39,347	39,913
Other expenditure	8,719	8,599	6,933	6,870	6,920
<b>Total expenditure</b>	<b>223,651</b>	<b>214,386</b>	<b>216,495</b>	<b>208,777</b>	<b>193,010</b>
Net result before tax	26,250	25,692	17,975	4,671	25,024
Current assets	83,670	70,444	52,211	68,117	61,206
Non-current assets	2,761,023	2,726,760	2,673,241	2,662,134	2,636,016
<b>Total assets</b>	<b>2,844,693</b>	<b>2,797,204</b>	<b>2,725,452</b>	<b>2,730,251</b>	<b>2,697,222</b>
Current liabilities	111,301	112,003	94,547	78,728	77,116
Non-current liabilities	938,995	910,514	900,877	933,452	905,443
<b>Total liabilities</b>	<b>1,050,296</b>	<b>1,022,517</b>	<b>995,424</b>	<b>1,012,180</b>	<b>982,559</b>
Net cash flows from operations	77,699	87,317	71,679	48,474	81,152
Payments for property, plant and equipment (including infrastructure)	79,299	82,408	67,858	84,514	81,338

## Barwon Water's financial performance to June 30, 2020

Performance indicator	2019-20	2018-19	2017-18	2016-17	2015-16
Internal Financing Ratio	103.90%	100.91%	118.7%	60.3%	102.8%
Gearing Ratio	21.70%	21.2%	21.8%	22.5%	21.7%
Interest Cover (EBIT)	1.71 times	1.68 times	1.45 times	1.12 times	1.63 times
Interest Cover (Cash)	3.10 times	3.17 times	3.09 times	2.42 times	3.36 times
Return on Assets	2.23%	2.29%	2.09%	1.61%	2.57%
Return on Equity	1.11%	1.03%	0.74%	0.22%	1.12%

### Capital expenditure

Barwon Water's operations have a significant impact on the region's economy and liveability. We had a turnover of \$249.9 million, \$2.8 billion in assets and spent \$77.4 million in capital and related infrastructure works during 2019-20.

#### The \$13.2 million spent on water headworks projects included:

- \$5.4 million for West Gellibrand Reservoir upgrade
- \$3.5 million for the replacement of Mathew's Siphon
- \$1.3 million for the Boundary Creek supplementary flow pipeline.

#### The \$6.1 million spent on major water transfer and distribution projects included:

- \$1.9 million for the Lovely Banks to Montpellier Pump Station
- \$1.1 million for distribution minor improvements
- \$0.8 million for meters – new replacements and covers.

#### Other major water infrastructure projects included:

- \$2.8 million for water mains replacements
- \$1.5 million for the Colac Water Treatment Plant clear water storage upgrade
- \$0.8 million for Wurdee Boluc renewable energy.

#### The \$1.0 million spent on recycled water infrastructure included:

- \$0.3 million for Armstrong Creek Town Centre – Stage 1
- \$0.3 million for Armstrong Mt Duneed Estate Stage 51
- \$0.1 million for Anchorage Stage 1.

#### The \$27.5 million spent on investment in sewerage infrastructure included:

- \$6.6 million for mains replacement and rehabilitation
- \$3.9 million for Colac Pump Station and pipeline
- \$2.4 million for the Black Rock Water Reclamation Plant sludge dewatering.

# Our coronavirus (COVID-19) response

Barwon Water began preparing to respond to the pandemic before it reached Australia's shores.

Through December and January, we monitored World Health Organisation, government and media reports to gain early understanding of the unfolding event and began to implement practical strategies within our workplace.

We focused on providing regular, reliable communications to our people, implemented increased hygiene awareness and practices and worked to review and update our Pandemic and Business Continuity Plans.

When Australia began to feel the impacts of coronavirus, we were ready to establish a dedicated Pandemic Incident and Crisis Management Teams to oversee and drive our proactive and deliberate response across all areas of operations, customer service, people management, safety, health and wellbeing, technology, contractor management, procurement and more.

From the beginning of our response, Barwon Water has taken action in accordance with our Pandemic and Emergency Management plans. We built on these with coronavirus-specific processes and documentation to ensure our response was effective and holistic.

Barwon Water has undertaken detailed work with regards to coronavirus risks and implemented controls to eliminate or mitigate those key risks.

Our COVID-Safe Plan goes beyond the standard template and considers the coronavirus lens across all aspects of our business, to ensure we continue to anticipate and mitigate potential impacts at the earliest opportunity and support our business to continue to meet our objectives to continue to deliver essential water and sewerage services, while ensuring the health, wellbeing and safety of our community and employees.

## Initiatives to support our People

We have undertaken an extensive program to ensure our people are supported during the pandemic. We have embedded all of the DHHS recommended actions for managing the spread of the virus and have initiated and modified our ways of working to ensure our people operate in a safe, supported and productive way. We have provided regular communications to keep our personnel informed about changes in our community, working and home environments, set up additional support systems to maintain health and wellbeing, including regularly updated toolboxes, e-Learns, group catch-ups, Health, Safety and Wellbeing check-ins and flexible ways of working.

We continue to look ahead, actively planning to incorporate new ways of working post-pandemic, demonstrating our agility and embedded flexibility.

Our COVID-Safe planning is reviewed on a weekly basis and requirements and improvements are communicated widely, including to contractors and customers as needed. We look for opportunities for improvement from our own learning and investigation, as well as from external sources.

These might include industry authorities and forums, customer and community feedback and specialist and government advice.

Our most recent improvement saw an uplift in our preparedness for response to a positive case, by implementing a triage assessment tool.

This, along with our other site and personal logs, assists us to risk assess and enact effective precautionary actions at the earliest notification of a potential coronavirus case.

## Initiatives to support our customers impacted by coronavirus

We are committed to supporting our customers through this uncertain and difficult time – particularly those experiencing financial hardship. Some of the key actions we have taken to do this include:

- Proactively communicated to customers the number of support services we have available to help manage their bill payments through various communication methods. We reached out to customers with a message offering support to those experiencing financial difficulty via:
  - A direct message to over 80,000 customers with registered email addresses plus over 400 key stakeholder groups
  - A follow up letter from Managing Director to over 50 key stakeholders asking them to help us by sharing the information with the members and constituents
  - Advertisement about our customer support programs on all bills (paper and email) from April 5 onwards
- Redesigned our bills, reminder notices and overdue notices, updated our website and issued social media proactively communicating our support programs, particularly to customers impacted by coronavirus.
- An information sheet describing Barwon Water's Customer Support Programs was developed and issued to the local DHHS housing unit for provision to housing tenants new to the Barwon region
- We introduced new coronavirus-focused outbound contact campaigns to proactively contact customers who may benefit from participation in hardship programs but who have not engaged yet with our support staff.
- Played an active role in working with VicWater to develop a sector-wide approach to supporting people experiencing financial hardship.

# **PART 2.**

# **Water**

# **consumption**

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## Weekly household water consumption (kilolitres)

Month	Week 1	Week 2	Week 3	Week 4
January	4.2	4.2	4.2	4.2
February	4.2	4.2	4.2	4.2
March	4.2	4.2	4.2	4.2
April	3.3	3.3	3.3	3.3
May	3.3	3.3	3.3	3.3
June	3.3	3.3	3.3	3.3
July	2.8	2.8	2.8	2.8
August	2.8	2.8	2.8	2.8
September	2.8	2.8	2.8	2.8
October	3.0	3.0	3.0	3.0
November	3.0	3.0	3.0	3.0
December	3.0	3.0	3.0	3.0
<b>Total</b>	<b>39.9</b>	<b>39.9</b>	<b>39.9</b>	<b>39.9</b>

## Regional metered water consumption (megalitres)

	2019-20	Change (%)	2018-19	Change (%)	2017-18	Change (%)	2016-17	Change (%)	2015-16	Change (%)
<b>Apollo Bay</b>	235	-13.0%	271	1.6	266	10.0	242	-8.4	264	6.6
<b>Aireys Inlet</b>	130	-2.1%	133	7.5	123	7.5	115	-10.4	128	17.1
<b>Anglesea</b>	380	2.3%	372	6.2	350	5.3	332	-12.3	379	10.9
<b>Bellarine Peninsula</b>	4,879	-8.2%	5,318	11.3	4,779	8.2	4,418	-6.3	4,715	13.9
<b>Colac and district</b>	2,746	-2.9%	2,829	2.0	2,774	9.2	2,541	-10.8	2,847	6.3
<b>Geelong urban</b>	23,248	-6.0%	24,740	7.6	23,001	4.1	22,102	-5.3	23,341	9.9
<b>Lorne</b>	304	-6.2%	324	-0.1	325	6.4	305	-9.9	339	7.5
<b>Skenes Creek</b>	29	-13.6%	34	12.6	30	2.5	29	-7.3	31	21.1
<b>Torquay</b>	2,100	3.1%	2,038	11.0	1,836	11.6	1,645	1.2	1,625	13.1
<b>TOTAL</b>	<b>34,051</b>	<b>-5.6%</b>	<b>36,057</b>	<b>7.7</b>	<b>33,486</b>	<b>5.5</b>	<b>31,729</b>	<b>-5.8</b>	<b>33,670</b>	<b>10.3</b>

### **Bellarine Peninsula:**

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

### **Geelong urban includes:**

Anakie, Avalon, Balliang, Bamganie, Bannockburn, Batesford, Birregurra, Fyansford, Gheringhap, Inverleigh, Leopold, Lethbridge, Little River, Marshall, Maude, Meredith, Modewarre, Moorabool, Moriac, Mount Moriac, Murgheboluc,

She Oaks, Shelford, Staughton Vale, Sutherlands Creek, Teesdale, Thompson, Winchelsea, Wurdiboluc



## Residential and non-residential metered potable water consumption

District	Residential			Non-residential			Total consumption (ML)	Per capita consumption (litres/person/day)	Average annual consumption (ML) <sup>3</sup>
	Number of water customers <sup>1</sup>	Volume consumed (ML) <sup>2</sup>	Weekly potable consumption (kL)	Number of water customers <sup>1</sup>	Volume consumed (ML) <sup>2</sup>	Volume consumed (ML) <sup>2</sup>			
Geelong and district	140,170	22,461	431,943	11,051	8,071	30,532	198	30,936	
Colac and district	6,859	1,407	27,057	1,208	1,339	2,746	266	2,783	
Apollo Bay/Skenes Creek	2,241	202	3,881	170	95	297	280	321	
Lorne	2,270	222	4,270	161	82	304	344	318	
Aireys Inlet/Fairhaven	1,627	164	3,144	47	11	174	408	174	
<b>Total</b>	<b>153,167</b>	<b>24,455</b>	<b>470,296</b>	<b>12,637</b>	<b>9,598</b>	<b>34,053</b>	<b>203</b>	<b>34,532</b>	

1. This is the total number of properties connected to Barwon Water's water supply service.

2. Metered consumption excludes non-revenue water.

3. Average calculated over three years.

## Residential and non-residential metered recycled water consumption

District	Non-residential (Class C)		Non-residential (Class A)		Residential (Class A)		Total consumption (ML)	Average annual consumption (ML)
	Number of recycled water customers	Volume consumed (ML)	Number of recycled water customers	Volume consumed (ML)	Number of recycled water customers	Volume consumed (ML)		
Geelong and district	35	1,496	24	1,061*	6,922	274	2,831	2,878
Colac and district	3	18.0	N/A	N/A	N/A	N/A	18.0	18.0
Apollo Bay/Skenes Creek	1	0.2	N/A	N/A	N/A	N/A	0.2	0.2
Lorne	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Aireys Inlet/Fairhaven	3	62.0	N/A	N/A	N/A	N/A	62.0	62.0
<b>Total</b>	<b>42</b>	<b>1,576</b>	<b>24</b>	<b>1,061</b>	<b>6,922</b>	<b>274</b>	<b>2,911</b>	<b>2,959</b>

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

## Non-revenue water (ML) 2019-20

	Leakage	Firefighting*	Other**	Total
Barwon Water service region	1,752	-	299	2,051

\*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 our 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	2019-20				
	Total full-time equivalent employees	Office space (m <sup>2</sup> )	Water consumption (kL)	kL/FTE	Water consumption by office space (l/m <sup>2</sup> )
55-67 Ryrie Street (Geelong)	314	6,071	505	1.61	83.18
<b>Total</b>	<b>314</b>	<b>6,071</b>	<b>505</b>	<b>1.61</b>	<b>83.18</b>

## 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	7
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	1
Equal to or greater than 400 ML and less than 500 ML	0
Equal to or greater than 500 ML and less than 750 ML	0
Equal to or greater than 750 ML and less than 1,000 ML	5
Greater than 1,000 ML	0
<b>Total no. of customers</b>	<b>16</b>

## **Non-residential water efficiency**

In 2019–20, 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 often contributes to an increase in water consumption, we support growth as vital to the region's prosperity.

*We provide more than 20 business, 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.

We also facilitate open space irrigation forums to support local councils and their water efficiency programs.

During 2019–20, we engaged with 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.

We also commenced a new Coastal Tourism Partnership project which is a collaboration with Coastal Committee's to improve water efficiency in coastal foreshore reserves, caravan parks and public amenities.

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

We look forward to working closely with large businesses to determine suitable programs to support them to be more water efficient throughout 2020–21.

## **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.

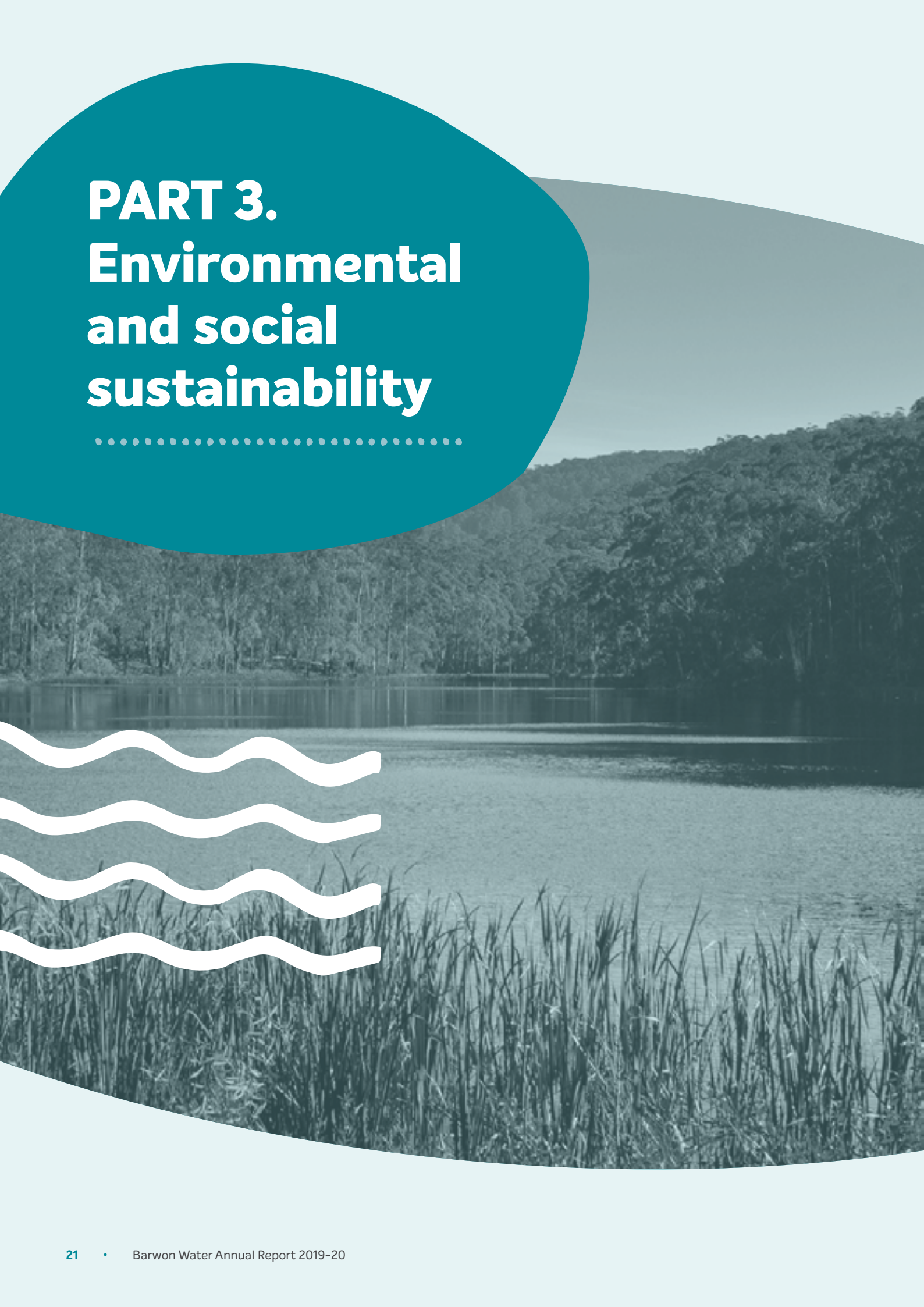
Through this use of recycled water, the refinery has freed up more than 1.5 billion litres of water for community consumption each year, easing pressure on the local water supply.

## 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.
Geelong Grammar	Data logger installed, no specific water conservation program.



# **PART 3. Environmental and social sustainability**



# Environmental sustainability

## Sustainable water use

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

Our long-term ambition is to achieve optimal use of 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, we are 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

We continue to invest in the 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 our water reclamation plants and is supplied to a range of non-residential customers for watering golf courses, horticulture, agriculture and viticulture.

## Urban Water Strategy

Our 2017 Urban Water Strategy (UWS) sets out how we 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 indigenous cultural 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.

During the Millennium Drought, the Geelong region was placed on Stage 4 water restrictions to curb demand and had sustained low inflows leading to precariously declining storages. The only available back up source at that time was the Barwon Downs borefield. Without the borefield, Geelong would have, almost certainly, run out of reticulated water.

Since then large scale projects like the Melbourne to Geelong pipeline (MGP) and the Anglesea borefield have been implemented to diversify and increase our water resources to be more resilient to climate variability.

However, in early 2019 we decided against renewing the licence for the Barwon Downs borefield to focus wholly on remediation of the confirmed impacts from historic management of groundwater pumping and to rebuild trust with the local community.

The loss of the Barwon Downs borefield had a significant impact to our region's water security, even with access to our other backup sources. Although the Greater Geelong system is secure for the next five to 10 years even under the worst case climate conditions, without access to the Barwon Downs borefield the outlook for the longer term is vulnerable with a major water supply upgrade potentially required by 2029.

With a hotter and drier climate and a growing population, we have had to bring forward planning for future supply augmentation.

The *Water for our Future* program was launched in 2019–20 to invite our customers and community to co-design the organisation's next Urban Water Strategy, shining a light on the role of water in enabling regional prosperity and how everyone can play a role in shaping our water future.

We 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. More details are in the following section.

The UWS also identified that an upgrade to the Apollo Bay system may be required as early as 2024 under worst-case conditions to maintain service levels. Work is underway to address Apollo Bay's water security outlook in the short-term until 2033, including:

- Continuing to implement sustainable water use plan actions in Apollo Bay
- Installation of a cover on the Apollo Bay raw water storage and modification of the spillway of the storage to increase capacity
- Supply of recycled water to Apollo Bay Golf Club to substitute for drinking water used for watering of greens and tees, subject to negotiation of an acceptable agreement with the club and land manager

- Potential implementation of Smart Networks Apollo Bay (SNAB) as an active research trial, subject to further confirmation that Apollo Bay is the optimum location for this trial.

These options were chosen because they:

- Can be implemented relatively quickly (i.e. by 2023)
- Are aligned with our Strategy 2030 in relation to zero waste and zero emissions
- Include two of the lowest levelised cost options (covering of basin and recycled water to golf course)
- Can accommodate demand increases to support development opportunities and more severe climate scenarios than anticipated.

Lorne's water supply may also require an upgrade as soon as 2037 under worst-case conditions.

# Water for our Future Program - providing secure water services

## Overview

Barwon Water's 2017 Urban Water Strategy suggests water supply for our region was secure until 2044. Key assumptions underpinning this analysis are being tested:

- reduced availability of supply from some standby sources (Barwon Downs)
- we have more evidence of hotter and drier climate (sustained below average rainfall)
- our population continues its rapid growth (doubling by 2050)
- increasing demand for environmental flows (scientific research by DELWP shows the environment is disproportionately impacted by climate change).

In response, we have recalibrated the way we operate our system to be more climate resilient – making use of the investments we made during the Millennium Drought, such as our connection to the Victorian Water Grid via the Melbourne to Geelong pipeline

We have also started work on developing our 2022 Urban Water Strategy – the next version of our 50-year plan that outlines the actions required to manage demand for, and ensure sufficient supplies of, drinking water across our service region.

The strategy is being developed in partnership with our community through *Water for our Future* – a comprehensive community and stakeholder engagement program.

## Purpose

Launched in August, 2019, the purpose of the *Water for Our Future* program is to secure our region's water future, despite the challenges of climate change and population growth, through a partnership approach that:

- engages our community, stakeholders and regional leaders in the program
- harnesses skills and expertise across our organisation and region.

We want to understand the many ways our community values water – and to work with them to design solutions to balance all of our water needs in a drying climate.

We're not just relying on our expertise, but partnering with our customers, community, regional leaders, agencies and neighbouring water corporations.

The importance of the program was reaffirmed when the G21 Geelong Region Alliance announced *Water for our Future* as a G21 priority project in August, 2019.

## Our Remit:

*With less rain and a hotter climate, it's time to think differently about how we use water and where it comes from.*

*How can we create a new water future that balances all our needs?*

## Engagement

In alignment with the International Association for Public Engagement Spectrum we will inform, consult, involve, collaborate or empower our community at various stages of the program.



\*Adjusted Program in light of coronavirus.



In Phase 1, we have involved the community in discussions around aspirations and concerns relating to our challenge and provided an ongoing opportunity for people to contribute to the conversation:

- **Website, online survey and ideas lab** (August 2019 to May 2020): our online presence provides information on our challenge and ability for community to complete a survey and submit their ideas on our water future; with 511 surveys completed and **46** ideas submitted.
- **Community 'pop-ups'** (September to December 2019): 14 'pop-ups' held across the region where we spoke with more than 3000 people about what they value about water.
- **Open houses** (October 2019): attended **2** open houses in Geelong and Colac as part of DELWP's Sustainable Water Strategy consultation.
- **Regional Forum** (December 2019): brought together over **50** leaders in government, business, industry, community and the environment, plus youth representatives from across our region.

- **Qualitative and Quantitative Research** (January to September 2020): independent research piece, including surveys and focus groups with customers and businesses across our region, to support the Community Panel.
- **Geelong Chamber of Commerce** (February 2020): brought together more than **250** regional businesses to hear how they value water and vision the water future.
- **Community Workshops** (February to March (face-to-face), and June 2020 (online)): a series of **5** workshops held across the region to hear views and ideas from the community about the future of water.
- **Communications Plan**: all underpinned by a successful print, social and radio media campaign.

In addition, engagement, collaboration and support from all G21 Local Government Areas was obtained, a partnership with Deakin University was launched to support the program with technical research and development and our Environmental and Community Advisory Committees were engaged and involved throughout.

2020–21 sees the completion of Phase 1 and moves the program into the exciting next chapter with the commencement and delivery of Phase 2.

The first half of 2020–21 (June to November 2020) will focus on reinvigorating the Program in response to coronavirus impacts (6-month delay), through re-engaging with the community, LGA's and strategic partners, along with advancing key pieces of technical work underpinning the Program.

The completion of Phase 1 culminates with the delivery of the Community Panel (October to November 2020); to be delivered online, the Panel comprising of 60 demographically-representative community members will meet five times to develop a vision and criteria, that will be used to assess ideas and options in Phase 2 of the program.

In Phase 2 (December 2020 to March 2021), we will build on the ongoing dialogue with our community to explore a wide range of possible options to inform the development of the draft 2022 Urban Water Strategy.

Options will be technically assessed against the community vision and criteria set in Phase 1. Everyone in the region, including community members, stakeholders and regional leaders, will be invited to share their views on options with respect to the community vision and criteria set in Phase 1.

The Community Panel will consider the results of technical assessment of options and all views gathered through wider engagement, then weigh up options and make recommendations about a short list of options that can meet criteria and can deliver the vision.

In Phase 3 (April to December 2021) we will work to understand the implications of the community's recommendations by exploring their short list of options in detail. We will set out the actions we will take in response to the community's recommendations in a draft 2022 Urban Water Strategy, to be published in mid-September 2021.

## What we heard from our community:

*38% value water because it's good for their health*

*32% value water as it supports healthy rivers, waterways and the environment*

*Key idea themes: community value, water efficiency, system optimisation, new water sources and drinking water substitution*

## Residential water conservation

Our water conservation efforts continued to be centred on providing useful information and support programs to customers via the 2019–23 Sustainable Water Use Plan. Key water efficiency and conservation initiatives include advertising and promotion of the Permanent Water Saving Rules (PWSR), Schools Water Efficiency Program (SWEP), Community Water Rebate Program, WaterAssist Home Program, Coastal Tourism Partnership project, advice through a key account manager and data logger monitoring programs for some key customers.

We 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 2019–20, we continued to implement the Target Your Water Use (TYWU) campaign. TYWU is an action from Victorian Government's water plan, *Water for Victoria* and is a collaborative Victorian water industry approach to water efficiency that encourages both residential and business customers in regional Victoria to use their water wisely. The campaign aims to improve water literacy and water efficiency awareness for customers.

We also delivered successful 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 utilised local newspaper advertising, social media, posters, pop-up activations (including giveaways of toilet leak tests, buckets, fridge magnets and garden trigger nozzles), media releases and targeted communications (shower cards, posters and tent cards) to large accommodation providers throughout the region.

## Colac on-farm leak detection

We continued to support high water using 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 90 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.

*During 2019–20, the on-farm leak detection program saved approximately 20 ML and is expected to have saved over 100 million litres of drinking water since the program commenced in 2012.*

## Schools Water Efficiency Program (SWEP)

The Victorian Government's 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 subsidised by DELWP. To encourage schools to participate in SWEP, we subsidise the data hosting and access fees for years 2 and 3 of the program (\$300).

In 2019–20, more than half of the schools in our region participated in the program. A SWEP rebate/grant program was piloted with two schools during the year, to support schools to locate and fix ongoing leaks, saving water and money on water bills. This program will be available to all participating schools in 2020–21.

Since 2012, SWEP schools in Barwon Water's region have saved a collective 1,018 ML of drinking water and \$3.2 million in water related charges. During 2019–20, SWEP schools saved a total of 85 ML water and \$254,926 in water related charges.

## WaterAssist Home Program

In 2019–20, we launched the WaterAssist Home Program for high water using (>680 litres/day) residential customers. The program aims to improve the water efficiency of these homes by assisting customers to save water (reduce waste) and reduce bills (increase affordability) by providing a high quality, affordable/cost effective home water use assessment and plumbing service to repair leaks.

During 2019–20 a total of 64 customers participated in this program.



## Integrated Water Management (IWM)

Barwon Water is actively helping transform the region into a more resilient and liveable area through IWM. Through increased collaboration with our partners, we aim 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 it is important we continue to work closely with our 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 continues to provide strong regional leadership by chairing and convening 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*.

During 2019–20, we continued to work with our partners on the Barwon IWM Forum to deliver projects in the Barwon Strategic Directions Statement focused on progressing IWM across the region. Some initiatives included:

- Delivering 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:
  - Anglesea North IWM Plan: A project investigating utilising recycled water to fill the former Anglesea Coal mine, assist with river flows and other potential uses
  - Barwon Region IWM Framework: Barwon Water has led the development of a decision making framework to support agencies in the early phases of preparing an IWM strategy, which includes considering objectives, scope, deliverables and methodology for IWM plans
  - Stead Park Recycled Water: through a partnership between the CoGG, DELWP and Barwon Water, this project will deliver recycled water to a sports and recreation precinct in northern Geelong
  - Apollo Bay IWM planning: Barwon Water has been working with the local community and the Colac Otway Shire to identify water supply, recycled water and efficiency strategies for the township
  - Deakin University Waurin Ponds Campus IWM Plan: Working with Deakin to provide advice on recycled water opportunities for the campus which has fed into an IWM Plan recently completed
  - Barwon River Parklands: Barwon Water is represented on the inter-agency working group and senior advisory committee for this important regional project that is seeking to improve access, community use and connectivity of the Barwon River corridor from Batesford to Barwon Heads
  - 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.

We are working closely with our water sector colleagues in the development of the upcoming Central and Gippsland Sustainable Water Strategy.

## Sustainable Development Goals

In 2019 Barwon Water formally joined the water industries pledge to the Sustainable Development Goals (SDG).

As providers of essential services the water industry wants to see the realisation of Sustainable Development Goal 6: Ensure availability and sustainable management of water and sanitation for all. Universal access to safe water and sanitation is key to creating a better future and we know there is more work to be done.

As part of our pledge we have committed to:

1. support and promote the 17 Sustainable Development Goals
2. support and work with governments and other agencies to increase the capability and capacity of our region to achieve Sustainable Development Goal 6
3. commit to achieving Sustainable Development Goal 6 within the scope of our operations.

As part of our commitment we plan to review how our operations impact (both positively and negatively) the achievement of the SDGs

## 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.

We have 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 strategies reference the IAP2 public participation spectrum and community engagement model.

In 2019-20, we launched our community and stakeholder engagement for the *Water for our Future* program, through which we will co-design a new water future for our region with our community, stakeholders and regional leaders.

We also submitted and finalised our Boundary Creek Remediation and Environmental Protection Plan. It was based on more than 18 months of community and stakeholder engagement with a dedicated reference group, supported by their own independent scientific experts.

We also activated our community education and awareness campaign for the commencement of Class A recycled water being delivered for our Armstrong Creek, Torquay North and Charlemont customers. Our campaign consisted of targeted engagement with users, videos and animations, CALD resources and community activations, to help explain the benefits and approved uses of Class A recycled water.

## Environmental Advisory Committee

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

During 2019-20, the EAC met four times including a tour with the Community Consultative Committee in December to the Moorabool River to learn about Caring for Country principles from Wadawurrung Traditional Owners. Topics discussed at meetings throughout the year included:

- North and West Geelong Growth Areas IWM Plan
- Water management in the Upper Barwon
- Porronggitj Karrong
- Anglesea Borefield
- Our *Water for our Future* Program.

We would particularly like to recognise and thank Susan Howells who retired from her role as independent Chairperson which she has carried out since the committee's inception in 2000.

## Education

Our 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 Advisor is employed to coordinate the program, develop materials and deliver key messages on:

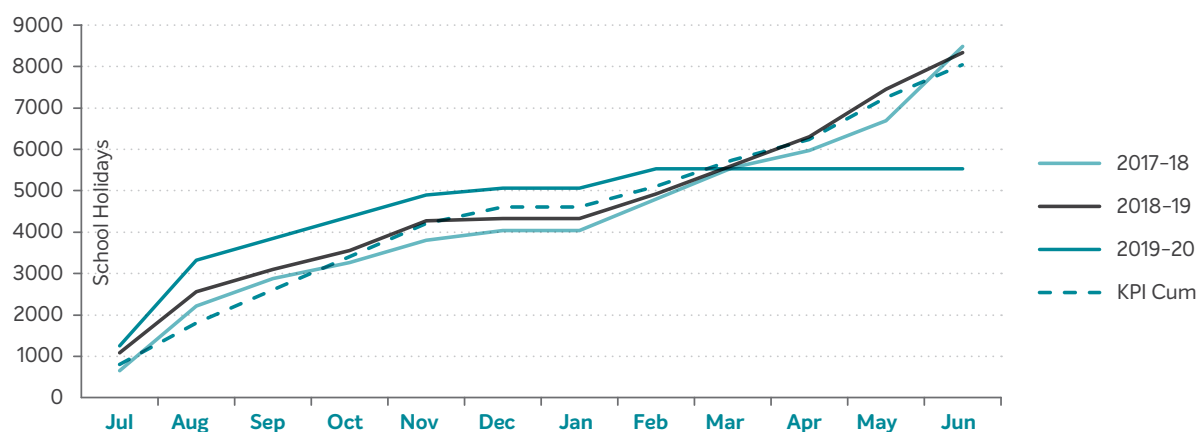
- water as a natural resource
- the health benefits of drinking water
- the need for the efficient use of water
- the role of Barwon Water in the supply of water and sewerage services
- recycled water re-use
- the impact of climate change.

During 2019-20, the program reached 6,505 students and community members across the region. The most popular aspects of the program were interactive site tours and in-class sessions, with 88 tours conducted and 107 in-class sessions delivered. The program also encouraged students to consider and connect with the environment through tree planting days and the annual National Water Week poster competition. This year 1,023 students from 22 schools submitted posters for the poster competition and more than 800 students were involved in planting 1,400 native trees at schools and other environmentally sensitive locations.

Our education program was impacted during March to June 2020, due to the restrictions imposed as a result of the coronavirus (COVID-19) pandemic. This resulted in a 20% decline in participation rates compared to 2018-19. To counter the limitation in face-to-face engagement and assist students and families with at home learning, digital content was developed and online virtual sessions offered to schools during this time.

	2019-20	2018-19
Students reached	6505	8,336
Tours conducted	88	130
In class sessions conducted	107	168

## Education program participation



## *Boundary Creek, Big Swamp and Surrounding Environment Remediation and Environmental Protection Plan*

On March 14, 2019, Barwon Water announced the withdrawal of our Barwon Downs borefield licence renewal application, to focus on remediation of historical impacts from management of groundwater extraction from the Barwon Downs Borefield.

In accordance with the Ministerial Notice issued under section 78 of the *Water Act 1989*, we submitted our Remediation and Environmental Protection Plan for Boundary Creek, Big Swamp and the Surrounding Environment on December 20, 2019.

In late February, 2020, Southern Rural Water (SRW) accepted our Remediation and Environmental Protection Plan, which will be delivered under two parallel work packages:

- **The Boundary Creek and Big Swamp Remediation Plan:** to address remediation of confirmed impact in the Boundary Creek catchment resulting from historical management of groundwater extraction.
- **The Surrounding Environment Investigation:** to investigate whether other areas within the regional groundwater system have been impacted by historical management of groundwater extraction.

Development of the plan was informed by a Boundary Creek and Big Swamp remediation working group which was established in 2018 to support the design of the remediation plan.

The working group was made up of representatives from the Corangamite Catchment Management Authority (CCMA), Colac Otway Shire Council, Land and Water Resources Otway Catchment (LAWROC), Environment Victoria,

Upper Barwon Landcare Group, Boundary Creek landowners, Traditional Owners and other interested community members.

The remediation working group also benefited from three acid sulfate soil and remediation experts who they nominated to seek independent technical advice.

Since March 1, 2020 we have been progressing implementation of the plan. A key requirement of both the section 78 notice and the remediation plan is the provision of quarterly updates to report on progress with implementation of the plan, as well as an Annual Report. The Annual Report is required to be submitted and made publicly available by September 30 each year.

### **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.

We use 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**

Due to very dry conditions and low inflows into our catchments during 2018-19, storages in the Greater Geelong system declined. Due to low storage levels, the Melbourne to Geelong pipeline (MGP) began supplying water in March 2019. It is planned that the MGP will, from now on, operate at a base supply source every summer.

The Anglesea Borefield was also brought online in November, 2019 to stabilise storage levels during the summer period and was reverted back to standby mode since July 1, 2020.

No water restrictions were applied during 2019-20. 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](http://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 us 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 Barwon Water's Environmental Advisory Committee and Customer Advisory Committee
- 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. We also maintain 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, 2019, we successfully passed our HACCP Recertification Audit. The successful outcome shows that we have a mature water quality risk management plan and provides confidence that we continually identify, assess and manage drinking water risks.

Throughout 2019-20, we 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 2019-20 was 1.19 per 1,000 properties. There was an increase in complaints of 0.12 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, as well as recent change to water usage patterns due to the impact of coronavirus (COVID-19). Despite the slight increase in 2019-20, overall a continued reduction of the three year rolling average has been observed.

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

## Environmental flows

Barwon Water continues to work 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, through allocations under the Moorabool and Upper Barwon Environmental Entitlements and in accordance with seasonal water plans developed by the Corangamite CMA.

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 1,000 million litre a year entitlement was created for the upper Barwon River by transferring part of our 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.

## Other statutory obligations

*We understand 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.

We have 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 2019-20, we 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.

We contribute \$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 Corangamite CMA's 2016-2020 Waterway Frontage Protection Program is drawing to a close and has delivered riparian restoration works at 81 sites across the catchment. Over 166 km's of waterway frontage and 860 ha of riparian vegetation has been under active management through activities such as pest plant and animal control, fencing for stock exclusion, revegetation and removal of willows along 24 km's of this frontage.

Additionally, we contributed \$130,000 towards year two 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.

We 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 education programs for students in the Corangamite region. Staff promote river health and catchment issues through presentations and attendance at these public events.

Program	Partner	Focus	2019-20 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. We have 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. We actively manage biodiversity assets on a wide range of Barwon Water sites.

We deliver 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 propagated using locally-sourced seed supplies for revegetation projects focusing on catchment and biodiversity restoration with an emphasis on historical vegetation types.

## State Environmental Protections Policy (Waters)

Barwon Water's EPA licence sets out environmental performance conditions for 10 of our 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 10 premises. During 2019–20, we achieved compliance against 110 of these licence conditions. The three non-compliances included:

- A decanter failure at the Black Rock Water Reclamation Plant, resulting in offsite discharge of partially treated wastewater
- Failure to provide notification of the above non-compliance to the EPA within the required timeframe
- Offsite discharge of Class B recycled water from the Anglesea Water Reclamation Plant during transfer of water to a customer.

Incident investigations were conducted for each non-compliance and corrective actions implemented.

We also have a separate EPA licence for an emergency biosolids storage and processing site, located at Melbourne Water's Western Treatment Plant. During 2019–20, we 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, we are committed to being a leader in reducing emissions. Around 73 per cent of our emissions come from the use of electricity sourced from the grid. To mitigate greenhouse impacts, we have made the commitment to achieve 100 per cent renewable electricity by 2025 and zero net emissions by 2030. We are implementing a comprehensive program of measures to achieve these targets in a timely and cost effective manner.

Our greenhouse gas emissions include carbon dioxide, methane and nitrous oxide. These are reported in equivalent tonnes of carbon dioxide – tCO<sub>2</sub>-e. We report 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 our 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 2019–20 was 44,259 tCO<sub>2</sub>-e, exceeding projected emissions of 35,659 tCO<sub>2</sub>-e.

Our emissions performance was heavily impacted by a 52 per cent (3 gigawatt-hour) increase in electricity consumption for water treatment and supply. Reduced surface water availability resulted in additional pumping requirements and the use of the Melbourne to Geelong pipeline and Anglesea Borefield, which are more energy intensive than surface water sources. Increased electricity use counteracted the emissions reduction benefit of our additional 2.3 megawatts of renewable electricity generation commissioned during the year.

At the time of developing our projected emissions in 2017, these impacts were not anticipated. Emissions associated with sewage collection, treatment and recycling, which make up the largest portion of our greenhouse emissions and energy use, reduced by 4 per cent. This was primarily achieved through increased renewable electricity generation and use, however the result was tempered by an underlying increase in fugitive emissions from sewage treatment as well as increased electricity use (almost 1 gigawatt-hour) associated with sewage treatment, recycled water treatment and distribution.

The Zero Emissions Water Renewable Power Purchase Agreement (PPA), which was expected to commence operation during the year, has been impacted by significant delays in the commissioning of Kiamal Solar Farm and is now expected to commence later in 2020.

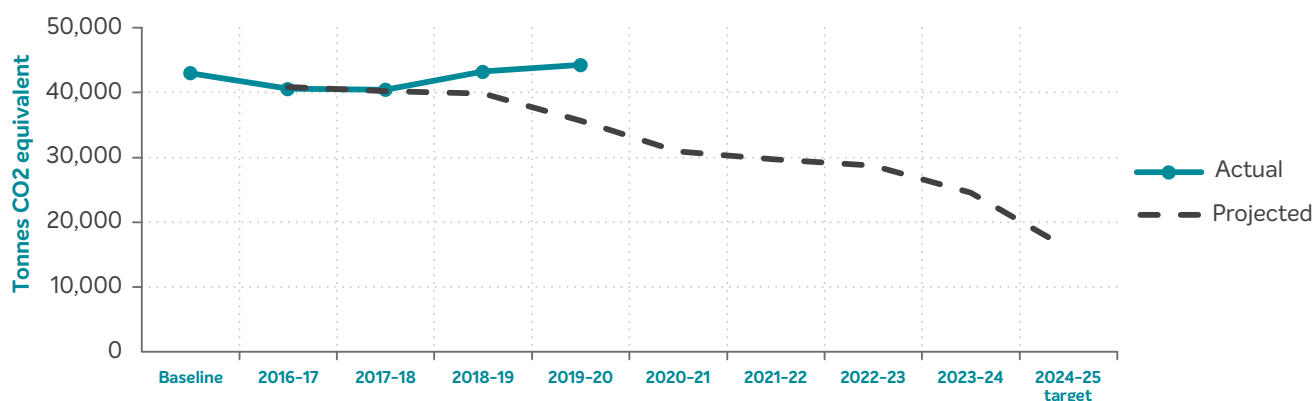
Our renewable energy assets supplied 10.6 per cent of electricity use for the year, reducing scope 2 emissions by 3,806 tCO<sub>2</sub>-e. A further 1.37 gigawatt-hours of renewable electricity were exported to the grid, with the associated renewable energy certificates (LGCs) held for future use. In total, we generated 5.1 gigawatt-hours of renewable electricity, the equivalent of 14.5 per cent of our energy needs.





Greenhouse gas emissions	2019-20 Result				
	2019-20 Projected	Scope 1	Scope 2	Total emissions	Variance
Water treatment and supply	-	106	8,641	8,747	-
Sewage collection, treatment and recycling	-	10,734	22,684	33,418	-
Transport	-	1,185	0	1,185	-
Other	-	177	733	910	-
<b>Total emissions (tCO<sub>2</sub>-e)</b>	<b>35,659</b>	<b>12,201</b>	<b>32,058</b>	<b>44,259</b>	<b>24.1%</b>

### Net greenhouse gas emissions graph:



**Note:** Barwon Water is reviewing its projected emissions and further enhancing its program to achieve zero emissions by 2030.

Total electricity use	MWh	
	2018-19 Result	2019-20
Water treatment and supply	5,666	8,622
Sewage collection, treatment and recycling	24,732	25,689
Other	1,073	849
<b>Total</b>	<b>31,471</b>	<b>35,160</b>

Renewable electricity	MWh	
	2018-19 Result	2019-20
Solar	1,645*	3,731
Hydroelectric	120	-
Wind	-	-
Biogas	-	-
Greenpower	-	-
Other	-	-
Total self-sourced	1,765	3,731
Percentage self-sourced renewable	5.6%	10.6%
Grid-sourced: Mandatory (LRET)	5,176	5,965
Total	6,940	9,697
<b>Percentage renewable electricity</b>	<b>22.1%</b>	<b>27.6%</b>

\* A further 1,374 MWh was exported to the grid, with the associated LGCs held for future use.

## 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 our emissions reduction pledge to 2025.

Our approach to achieve the 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.

Our emissions reduction and renewable energy programs avoided at least 3,806 tonnes CO<sub>2</sub>-e through a range of initiatives including:

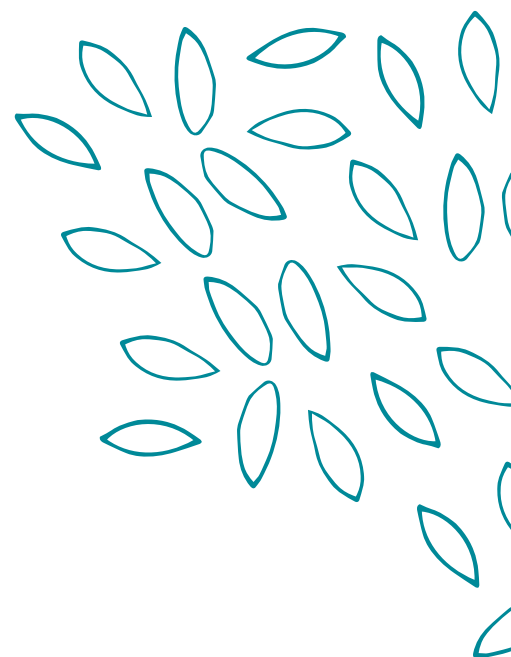
### Operation of 3.6 megawatts of solar assets, including:

- 3 megawatt Black Rock solar farm – which remained the largest operating solar array in southern Victoria and the Victorian water industry
- 300 kilowatt Wurdee Boluc solar array, coupled with a 200 kilowatt-hour battery – commissioned in December 2019

- 240 kilowatt Torquay solar array, adjacent to our sustainable residential subdivision, Salt Torquay
- 80 kilowatt rooftop solar array at our Kadak Place maintenance depot.
- **Energy Efficiency Project** – targeting reduced energy performance at our water reclamation plants and water treatment plants, as well as improved energy management more broadly.
- **Readiness for the commencement of the Zero Emissions Water Power Purchase Agreement** – with the Kiamal Solar Farm expected to supply more than 7 gigawatt-hours a year to Barwon Water.
- **Use of electric and hybrid vehicles** – with eight hybrid trucks and two battery-electric passenger vehicles in our fleet.
- The forward outlook for Barwon Water's programs is evolving as new and exciting opportunities continue to be investigated. We are partnering with the five councils in the G21 region and major export manufacturers on opportunities for two Renewable Organic Networks, to transform significant amounts of organic municipal and trade waste into renewable energy and agricultural soil enhancers.

The projects will create a circular economy for the region's organic waste, reduce landfill costs for councils and reduce water infrastructure energy costs for Barwon Water customers. We recently announced the Colac Renewable Organics Network, an Australian-first being built in Colac to use high-strength organic waste from Australian Lamb Company (ALC) and Bulla Dairy Foods for production of electricity and hot water.

*We continue to collaborate with the water industry via the Intelligent Water Networks (IWN) Energy and Carbon 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. We also have 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.

### 2019–20 overall surface water bulk entitlement performance

- An overall compliance of 100 per cent was achieved during 2019–20 for passing flows across the surface water bulk entitlements.
- An overall compliance of 100 per cent was achieved during 2019–20 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 Entitlement (Aireys Inlet) Conversion Order 1997

14.1 (d)	Painkalac Reservoir Level at 30/6/20	27.84 mAHD
	Painkalac Reservoir Storage Volume at 30/6/20	275 ML (52%)
14.1 (e)	Volume taken 2019/20	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 2019/20 (West Barham diversion).	0 ML
	Volume pumped 2019/20 (Barham River).	428 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 30/6/20	
	Olangolah Reservoir Level	344.32 mAHD
	Olangolah Reservoir Volume	152 ML (100%)
	West Gellibrand Reservoir Level	341.58 mAHD
	West Gellibrand Reservoir Volume.	1,723 ML (93%)
12.1 (d)	Volume taken 2019/20.	3,547 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 2019/20.	19.8 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 30/6/20.	120.3 mAHD
	Allen Reservoir storage volume at 30/6/20.	215 ML (100%)
14.1 (e)	Volume taken from the weir and storage 2019/20. (Note: the weir has been decommissioned)	425.7 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 with 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 2019/20.	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 30/6/20.	0.27 m
	Weir Pool Storage Volume at 30/6/20.	19 ML (100%)
13.1 (e)	Volume taken under this entitlement 2019/20 (River Flow).	0 ML
13.1 (f)	Volume taken under this entitlement over the past 3 years (2017/18 to 2019/20).	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	Ongoing management in accordance with 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 30/6/20.	13,985 ML (83.3%)
19.1 (g)	Annual flow into Barwon Water’s share of reservoir capacity at 30/6/20.	2,468 ML
19.1 (h)	Annual volume released to West Moorabool River from specified point A (Releases to Barwon Water).	2,854 ML
19.1 (i)	Volume taken under this entitlement from specified point B (She Oaks Diversion Weir).	1,557 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.	653 ML
19.1 (m)	Annual losses from releases between specified points A and B.	Not applicable
19.1 (n)	The implementation of programs approved under sub-clauses 16.2, 17.2, and 18.2.  Clause 16.2 – Environmental Obligations  Clause 17.2 – Joint Metering Program  Clause 18.2 – Authority’s Metering Program	Ongoing management in accordance with Barwon Water’s Environment Strategy and Environmental Obligations Program.  Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.  Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
19.1 (o)	Any temporary or permanent transfer of all or part of this entitlement.	1000 ML was traded as a temporary transfer to the Victorian Environmental Water Holder in July 2019.
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

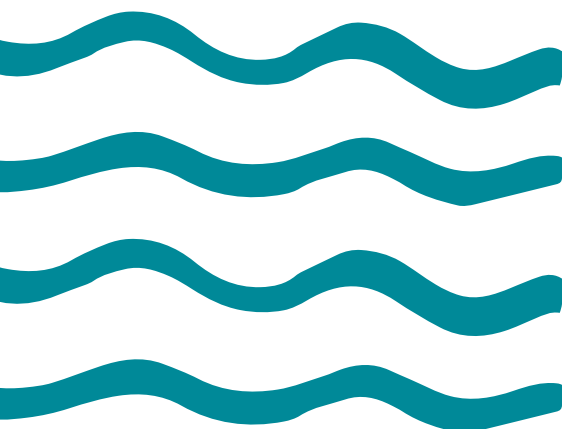
Bulk Entitlement (Upper Barwon System) Conversion Order 2002 / Amendment Order 2018		
15.1 (d)	Storage Volumes at 30/6/20.	
	West Barwon Reservoir (Barwon Water Share).	4,420 ML (20.6%)
	West Barwon Reservoir (Total).	4,954 ML (23%)
	Wurdee Boluc Reservoir.	21,553 ML (56.6%)
	Barwon System Total.	26,488 ML (44.5%)
15.1 (e)	Volume taken under this entitlement 2019/20.	29,995 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 30/6/20.	
	Korweinguboora Reservoir	1,215 ML (52.2%)
	Bolwarra Weir	113 ML (100%)
	Bostock Reservoir	4,048 ML (55%)
	Upper Stony Creek Reservoirs	7,158 ML (75.4%)
	Lower Stony Creek Reservoir	0 ML (0%)
14.1 (e)	Volume taken under this entitlement 2019/20	2,250 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



<b>Bulk Entitlement (Greater Yarra System – Thomson River Pool – Barwon Water) Order 2014</b>		
16.1 (a)	The annual amount of water taken under this bulk entitlement (MW billable) in 2019/20.	8,660 ML
16.1 (b)	The water allocation made available under this bulk entitlement and volume of carryover.	5015 ML 44,449 ML
16.1 (c)	Compliance with the entitlement share.	Yes
16.1 (d)	Any temporary assignment or permanent transfer of all or part of this bulk entitlement.	5000 ML was traded as a temporary transfer to Western Water in July 2019.
16.1 (e)	The approval, amendment and implementation of the metering program approved under clause 13.	Ongoing implementation of Bulk Entitlement Metering Program as approved by the DELWP in 2016.
16.1 (f)	Any amendment to this bulk entitlement.	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

## 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.

<b>Bulk Entitlement (Anglesea Groundwater) Order 2009 / Amendment Order 2014</b>		
16.1 (a)	Annual amount taken (Volume) in 2019/20.	2,179 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

During Reconciliation Week in May 2018, Barwon Water's first Reconciliation Action Plan was launched. Over the past two years we have concentrated on developing and implementing the actions that are outlined within the plan. As we approach the last stages of our current plan we have commenced planning for the next evolution.

The success of our *Innovate* Reconciliation Action Plan is a result of our dedication and hard work to build and maintain "Relationships" with our Traditional Owners (TO's) and local Aboriginal community. We have committed ourselves to go beyond the listed actions within the Reconciliation Action Plan to ensure our Traditional Owners voice was heard and valued across all levels of Barwon Water.

Some of the key highlights from our first Reconciliation Action Plan are detailed below.

### Working with Traditional Owners to Care for Country

The pilot Working with Traditional Owners on Caring for Country project concluded in early 2020. For the past two years we have been working closely with our Traditional Owners to explore how Caring for Country principles can be integrated into the organisation.

The project involved executives, staff and the Environmental Advisory Committee and Customer Advisory Committee spending time on Country with Traditional Owners and learning first-hand about Caring for Country.

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 our position as an environmental leader through an ethic of Caring for Country and protecting natural assets.

The project has been one of the major successes from our current Reconciliation Action Plan. The outcomes from the project will be embedded into different parts of the business, and will form a key element of our next Reconciliation Action Plan.

### Porronggitj Karrong

The Porronggitj Karrong project, located on the banks of the Barwon River adjacent to the Ovoid Sewer Aqueduct, aims to provide a place where Aboriginal, heritage and community values can be brought together using Traditional Owner practices in the rehabilitation of a significant regional community asset.

In 2018, a partnership with Wadawurrung, was developed to recognise the broader cultural values of the site. As part of this partnership we are working together to gather information about the landscape and water, and trial a range of traditional land management practices in order to develop a Country Plan for the area.

This will include cultural mapping, water assessments, weed and pest management and the protection of flora and fauna.

We are committed to working with Wadawurrung to restore a balanced ecological system, whilst incorporating cultural values for our community.

The shared vision for the project is:

*"A balanced ecological system incorporating Wadawurrung traditional values for the whole community to connect, listen and learn from Country".*

Following research and land management trials, we will share the outcomes with the community and how this informs the next phase of work for the area and opportunities for the broader community to become involved.



## Cultural awareness training

Barwon Water continued to provide cultural awareness training to employees throughout 2019–20, 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 – “Voice. Treaty. Truth.” was celebrated at Barwon Water with a range of internal and external activities in July, 2019.

We hosted a very special NAIDOC Week lunch, with guest speakers including Victorian Treaty Advancement Commissioner Jill Gallagher, Wadawurrung woman Corrina Eccles and Member for Geelong Christine Couzens.

Corrina spoke about the struggles of Aboriginal people while Jill, a proud Gunditjmara woman, talked about the importance of a treaty with the State Government.

The lunch was part of a range of NAIDOC Week events that took place at Barwon Water, which also included basket weaving (women’s business) and didgeridoo sessions (men’s business).

## Sale of land at Bostock Reservoir to Wadawurrung

In August, 2019, Managing Director Tracey Slatter and Chair Jo Plummer, along with Barwon Water staff attended a special event with Wadawurrung to celebrate the sale of a 54-hectare parcel of land near our Bostock Reservoir.

Wadawurrung women Melinda Kennedy and Tammy Gilson led the celebration with a moving Welcome to Country and traditional smoking ceremony. Melinda and Tammy shared heartfelt words about the importance of the site to Wadawurrung people.

The site has potential to support a range of cultural activities, including cultural excursions and tours, which Wadawurrung is looking into. Most importantly, the security of this land ownership now allows for the repatriation of ancestral remains on Wadawurrung Country.

It was a significant day in Barwon Water’s history, and a proud moment for many Barwon Water employees.

## Employment – Traineeship program

Through ongoing collaboration with Wan-Yaari and Gforce Employment Solutions, Barwon Water has committed 2020 traineeship opportunities to Aboriginal and/or Torres Strait Islander applicants. The organisations have worked closely over the 2020 traineeship program to provide ongoing support to these trainees and deliver successful outcomes.

*Since 2017 there have been ten trainees who identify as Aboriginal, who have participated in the 12-month program. At the conclusion of their respective traineeship, three trainees have continued full time employment with Barwon Water, the remaining trainees have either followed career pathways with other employers, or pursued further studies at university level.*

## Social sustainability

### Customer Advisory Committee

Established in 1996, the Customer Advisory Committee (CAC) is a group drawn together from various sectors of Barwon Water's customer-base. The CAC provides significant value to us, as one of the mechanisms for engaging with customers and community. The CAC meetings are designed to enable early, strategic engagement on the development of key strategies, programs and projects.

Topics of discussion at the July 2019 meeting included briefings on our Customer Support Project, Customer Experience Strategy and an update on the Water Supply and Storages. A strategic session was conducted on the 2018 Price Submission, with a focus on the three distinct engagement phases and the direct outcomes and recommendations that came from this.

At the second meeting for the year, the committee was involved in an interactive session on the *Water for our Future* program. The '*Water for our Future*' website was introduced and members provided input into potential opportunities for the program and insights on key challenges. The group also heard about the recent engagement with customer focus groups involved in the Customer Experience Strategy.

In December, a 'Caring for Country' bus tour was held with the Environmental Advisory Committee. This involved travelling to the Moorabool River site and then onto Dog Rocks. The committees learnt about how Aboriginal and Torres Strait Islander people have been managing the waterways that we have all relied upon for thousands of years.

The third meeting, in February 2020, was about our 2020 Annual Water Outlook and the process that is used to forecast water storage levels for the next two years. The committee were also provided an update on the engagement within the community to develop our next Urban Water Strategy for 2022, as well as an

overview on the Boundary Creek and Big Swamp remediation and environmental protection plan and the Barwon River Ovoid Sewer Aqueduct application to Heritage Victoria. The results from the 2019 National Customer Perception Survey were also shared with the group.

The final meeting for 2019-20 was held in May, via the Zoom online platform, and covered briefings on our response to the coronavirus pandemic and how the organisation is continuing to deliver essential water and sewerage services. An update was provided on the Aqueduct Proposal to Heritage Victoria and the group were invited to make submissions via the Heritage Victoria website. The committee were also presented with the newly created Stakeholder Perception survey and were the first to complete this as part of our current price submission reporting to the Essential Services Commission.

### Aged debtor management

Barwon Water proactively manages its aged debtor profile to minimise financial impact to the business. During 2019-20, the value of aged tariff debt increased from \$4.6 million to \$5.7 million. Many Barwon Water customers continue to experience financial difficulties, with an increasing number requesting assistance due to impacts related to the coronavirus pandemic. We will continue to assist anyone requiring support to ensure our aged debt profile is minimised.

### Assisting customers experiencing financial hardship

We recognise that some customers may from time to time experience hardship and have committed in our 2018-2023 price period to spend an additional \$2.5 million to proactively help vulnerable customers manage their bills and be more water efficient.

Following engagement with local support agencies, we launched a Customer Support Strategy in 2019.

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. Ongoing sharing of experiences and learnings is guiding the evolution of our program over the next three years and beyond.
- **Regional engagement (Geelong FIAP):** in 2019 we joined a coalition of local government agencies and commercial providers to develop the Geelong Region Financial Inclusion Action Plan (FIAP). We have committed to 7 specific Action Statements to improve the support being offered as well as the experience for customers having difficulty paying water bills.
- **National engagement (Thriving Communities Partnership):** Barwon Water is a foundation member of the national Thriving Communities Partnerships (TCP) program which was initiated from within the water sector. This cross-sector collaboration works to ensure that everyone has fair access to all essential services, including utilities, financial services, telecommunications and transport.



Barwon Water actions under our Customer Support Strategy have delivered a range of outcomes over the past 12 months.

During 2019–20, we provided the following assistance measures:

- Customers were granted extensions of time to pay their account. This assisted customers with short-term cash flow issues to pay their account without penalty.
- Instalment plans were offered to assist customers to pay their account, usually over a six or 12-month period. Instalment amounts were agreed to by us with each customer based on their individual circumstances. While instalment plans were active, no penalties or referrals for debt collection applied.
- Customers can also choose to pay their bills through Centrepay, a program where payments are made directly to Barwon Water from Centrelink on behalf of the customer.
- The Customer Support Program provided grant assistance for around 2,400 vulnerable customers to the value of \$448,000.

### Government Utility Relief Grant scheme

Victorian Government Utility Relief Grants (URGs) are offered to eligible Barwon Water customers. A total of 683 grants were provided this year, a 200% increase on the 223 provided during 2018–19.

### Concession cards

Barwon Water has a high proportion of customers in receipt of government concession cards. There were 40,841 customer accounts provided with concessions during 2019–20, which represents around 27 per cent of our 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, we offer a concession for other medical conditions requiring higher than usual water consumption. Government dialysis rebates totalled \$9,020 during the 2019–20 year, supplemented by an additional \$4,732 contributed directly by Barwon Water.

### Flexible payment plan – arrange and save

Barwon Water's arrange and save program assisted 1,827 customers during the 2019–20 year. The program helps customers experiencing financial hardship by putting them on a payment plan where they are provided a "credit" of one installment if they meet their installment arrangements for several consecutive periods. The program provided customer credits totalling \$135,950 during 2019–20.

### 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 2019–20, Barwon Water provided assistance to 118 customers for a total value of \$62,665.

### Community Service Obligations

	2019–20	2018–19
Pension and health concessions	\$10,369,795	\$9,978,785
Utility relief grants	\$327,075	\$102,891
Dialysis rebates (State Government)	\$9,020	\$9,697
Barwon Water medical rebates	\$4,732	\$4,002
Barwon Water Customer Support (Hardship) program rebates	\$448,287	\$166,895
Water and sewer rebates	\$562,333	\$570,446
Community rebate/Government water bill rebates	\$62,665	\$137,180
Hardship relief grant scheme (sewerage connection scheme)	\$0	\$0
<b>Total</b>	<b>\$11,783,907</b>	<b>\$10,922,857</b>

# PART 4. Corporate Information

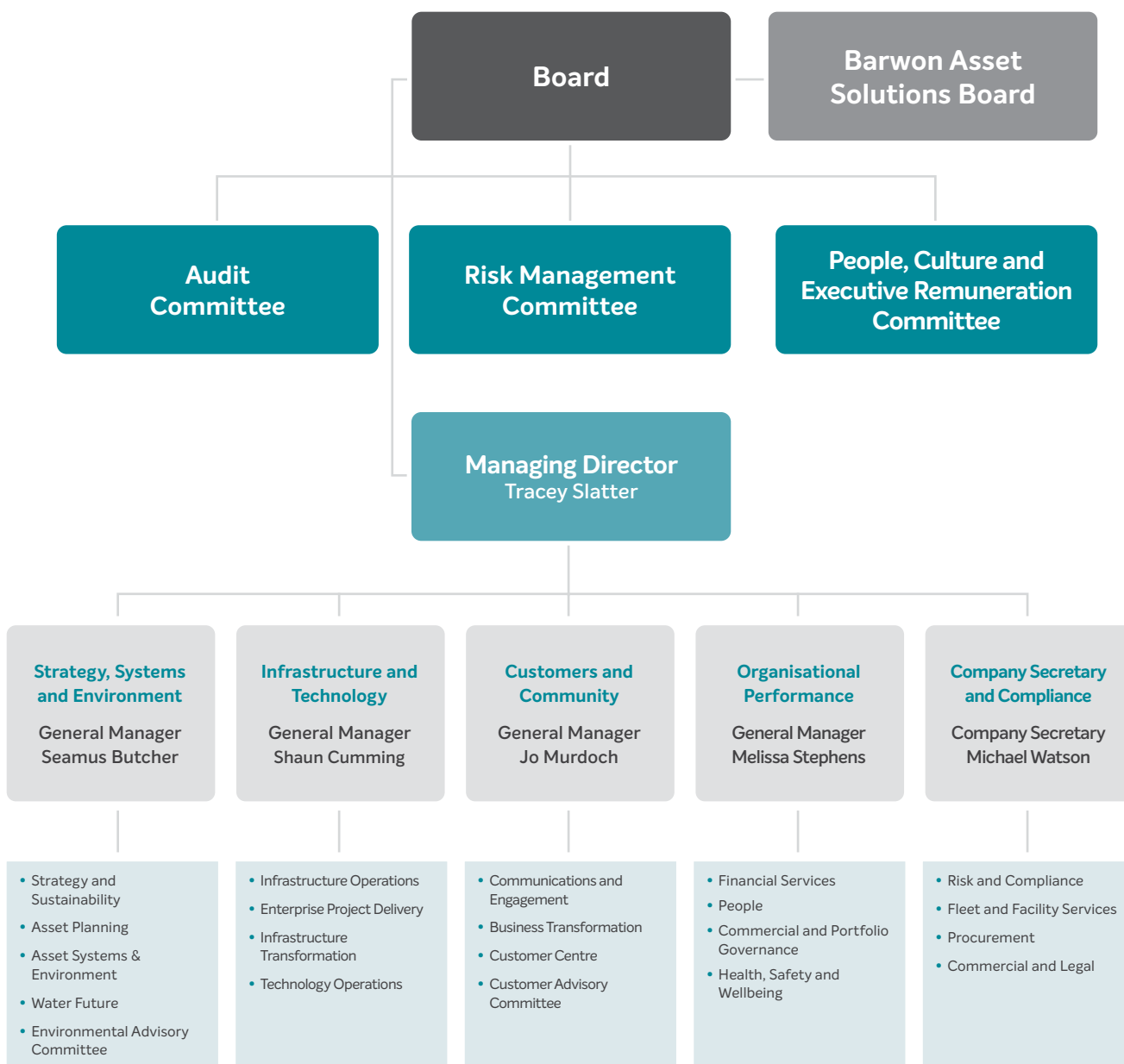
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*Photo taken July 2019 (pre-coronavirus)*



# Organisational structure



As at June 30, 2020



## Role of the Board

The Board is responsible for the overall corporate governance of Barwon Water, including strategic direction, establishing performance goals for management and monitoring their achievement. The Board has a governance framework to ensure compliance with the legal and policy requirements of the Victorian Government, including the *Water Act 1989 (Vic)*, the *Public Administration Act 2004 (Vic)* and the *Financial Management Act 1994 (Vic)*.

## Board composition

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

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

## Board meetings

Board meetings are scheduled monthly with the exception of 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
- People, Culture and Executive Remuneration.

Each Board committee has its own 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

- Rebecca Leonard (Chair)
- John Gavens
- Ann Lansberry
- 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:

- Ann Lansberry (Chair)
- Bernard Walsh
- 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)
- Elaine Carbines
- Des Powell
- Corrina Eccles.

## Barwon Asset Solutions Board

The Barwon Asset Solutions (BAS) Board and its Audit and Risk sub-committee are responsible for ensuring the company fulfils its functions effectively and complies with its governance framework, including compliance with the *Corporations Act 2001* (Cth).

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 in addition to being the Managing Director of Barwon Water.

### Barwon Asset Solutions Directors:

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

## Integrity Framework

The Board's Integrity Framework consolidates the key standards of conduct and accountabilities that apply to Directors at Barwon Water. The key principles of the Integrity Framework include:

- **Obligations:** the Board acts in accordance with its obligations and good public sector governance practices
- **Public interest:** the Board acts in the public interest. Board members comply with the required standards of integrity. They place the public interest above their own interests when carrying out their official duties
- **Culture of integrity:** the Board models and fosters a culture of integrity. Board members, employees and external stakeholders are supported to raise integrity issues.

## 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.

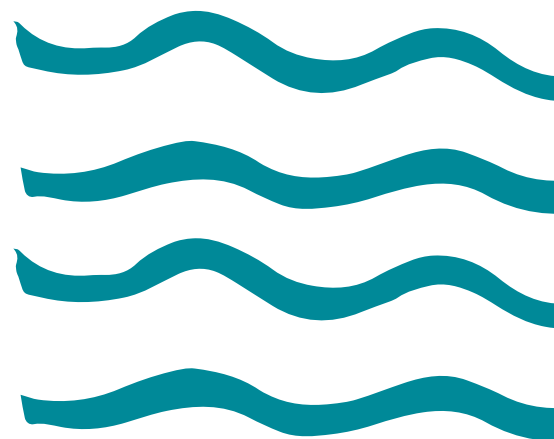
## Independent advice

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, 2020

### **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.

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 AWA Alliance Bank, Committee Member of Barwon South West Regional Development Australia Committee, Committee Member of Barwon Region Partnership, and Committee 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.

In 2020 Elaine was appointed as a Member of the Order of Australia for her significant contribution to conservation and environment.

### **Tracey Slatter** *Managing Director* *(Barwon Water and* *Barwon Asset Solutions)*

**M Comm, FIPAA, GAICD**

Tracey commenced as the Managing Director of Barwon Water in January, 2017 and as Managing Director of Barwon Asset Solutions in March, 2019. 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 the Institute of Public Administration Australia (Victoria), a Board Director of Zero Emissions Water, a Board Director of G21 and a member of the Committee for Geelong.

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, FCA, 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.

John is a Fellow of Chartered Accountants and New Zealand 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 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 has had an extensive executive career in the chemicals, petrochemicals, explosives and agricultural industries. His most recent role was Head of Engineering and Capital Works at Cann Group Limited, a medicinal cannabis company. He consulted on manufacturing excellence and engineering feasibility studies after leaving his executive role with Incitec Pivot Limited (IPL) in late 2013. 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 has been a board member at Queensland Nitrates, Sasol Dyno Nobel and Initiation Explosives Systems.

Bernard holds a Bachelor of Mechanical Engineering and 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.

## Corrina Eccles

**Appointed to Board: October 2019**

Wadawurrung Traditional Owner Corrina Eccles has 22 years of employment experience in Aboriginal organisations and community engagement, advocacy for cultural values, support and connection.

She has contributed to various advisory and committee groups including representation on many Boards in the region.

Corrina has undertaken board governance training and brings Aboriginal culture elements, perspective and values relating to water.

## 2019–20 Board and committees of the Board attendance

Director	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
<b>J Plummer</b> (Chair), Term continuing	11		3	2	7	2
<b>E Carbines</b> , Term continuing	9			2		
<b>C Eccles</b> , Term commenced 1 October 2019	7			1		
<b>J Gavens</b> , Term continuing	11	4	4		7	3
<b>R Leonard</b> , Term continuing	10	3	4			
<b>B Walsh</b> , Term continuing	10	4	2	2		
<b>A Lansberry</b> , Term commenced October, 2017	11	4	4	1	3	2
<b>D Powell</b> , Term commenced October, 2017	11	1	4	1	4	1
<b>T Slatter</b> (Accountable Officer)	11	3	2	1	7	3

# Employment data

## Scholarship program and industry based internships.

From the program's inception, we have provided financial support and paid internships to fourteen students. Recognising the importance of gender balance, the scholarship program has expanded to encompass diversity in applicants and disciplines increasing to two scholarships per year with one allocation specifically for women in science, technology, engineering and mathematics. This small change has enabled us to move from a male dominated scholarship program, to a balanced gender program.

The development of a graduate pathway to continue partnerships with Deakin University and the opportunity to build relationships with other universities which regional based students attend, will lead to a two year graduate program. The program has been designed to provide graduates with an opportunity to perform multiple roles within the organisation, to grow their skills and experience in different aspects of the business, tackling real world problems, as well as providing them with a structured leadership development program, and an opportunity to network more broadly in the water industry.

The graduate program forms part of the overall strategic workforce planning, including our Engaging Women in STEM Strategy.

We also continue to be an endorsed employer for women by WORK180, a global jobs network that advocates for working women, recognised for amongst other employee benefits; flexible working, pay equity, employee development, and wellbeing programs.

Supporting the continued growth of a diverse and inclusive workforce, throughout the new hire process and 12-month employee onboarding program, maintains our commitment to improve our relationship with Aboriginal and Torres Strait Islander peoples, and is highlighted as a key message providing visibility and connection to our Reconciliation Action Plan.

## 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.

We advise our employees on how to avoid conflicts of interests, how to respond to offers of gifts and how we deal with misconduct.

We comply with the *Public Administration Act 2004*. Employees are selected on the basis of ability, knowledge and skills in a fair and open process 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*.

We employ four 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

Barwon Water continued on its cultural transformation program throughout 2019-20 to deliver its Strategy 2030. In doing so, we implemented our High Performance Strategy which included the delivery of initiatives to build inclusive leadership, as well as capability and competency with all team members.

Our in-house leadership program, LEAD 2030, continues to be a highlight shared by leaders. More than 100 leaders have now participated in this program, and it will continue to be rolled out further across the organisation due to the exceptional feedback received from participants.

Our programs have transformed to deliver high value for employees through new online delivery models during the coronavirus pandemic. Employees participating in programs are supported not only through online workshops and e-learning, but also through social learning during group coaching and learning partner sessions. Additionally, employees develop and implement their own action plans to ensure learning is applied on the job, which are supported by their leaders.

Development is supported through the annual personal performance planning process, where employees also set goals that contribute to Barwon Water delivering its strategy and plans. Additionally, teams across the organisation continue to have 'team commitments' which capture their purpose, goals and agreed behaviours which not only support the development of team dynamics, but also provide alignment with Strategy 2030 and our values.

## 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 our 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 our 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

We have 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](http://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.

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

The action plan guides our 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.

Results of the 2019 Victorian public sector’s People Matter survey demonstrate our 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).

In June, 2020, we conducted a voluntary Diversity and Inclusion survey for all employees, following a similar exercise in December, 2018. The survey results provided workforce demographic data as well as qualitative information relating to employees’ sense of belonging. The data collected in December 2018 provided us with a strong platform and baseline, while the most recent survey allowed us to measure our performance towards the ‘Belonging @ Barwon Water’ Action Plan targets.

The following table outlines our actual progress towards ‘Belonging @ Barwon Water’ Action Plan targets in 2019-20 and 2018-19, with the organisation tracking above targets for all indicators.

Workforce Inclusion policy initiative	Target	Actual progress in 2019-20	Actual progress in 2018-19
Balanced gender profile at executive and management level.	By July, 2020: 40 per cent male; 40 per cent female; 20 per cent flexible	50% male, 50% female	Executives and managers: 50 per cent male; 50 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	2.0%	1.9* per cent <i>*figure is inclusive of trainee and agency engagements</i>
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	15.0%	20 per cent
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	5.0%	16 per cent

## Traineeship program

*Barwon Water's traineeship program continues to provide access as an early career pathway from target communities, by providing appropriate education, work training and support, and achievement of a nationally recognised qualification.*

Due to coronavirus, the 2020 program commencement date was delayed until May. Using technology platforms, both the graduation event for the outgoing 2019 trainee group, and onboarding of the new 2020 trainee group, was successfully facilitated via a virtual environment. This year the traineeship intake is twelve, seven females, and five trainees who identify as Aboriginal, with two who are completing traineeships at Barwon Asset Solutions.

Through ongoing collaboration with Wan-Yaari and Gforce Employment Solutions, we also committed 2020 traineeship opportunities to Aboriginal and/or Torres Strait Islander applicants. The organisations will work closely over the 2020 traineeship program to provide ongoing support to these trainees and deliver successful outcomes.

Of the ten trainees from the 2019 program, one completed the program early to take on fulltime employment, four trainees have obtained employment on a casual basis with Barwon Water, and another is employed ongoing in our Infrastructure Operations department. The trainee program provides us with additional skilled resources to support operational needs.

The program not only supports diversity across cultural and socio economic demographics, and supports our Strategy 2030, it has served to increase females into traditional male dominated roles specifically in operations and construction.

The program is an excellent way to contribute to the community by providing valuable work experience and upskilling trainees, whilst also providing Barwon Water and Barwon Asset Solutions with a talent pipeline by identifying strong performers which can be retained when roles and opportunities are available.

## Compliance with the Disability Act 2006

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

*Absolutely everyone: State disability plan for 2017-2020* is the Victorian Government's framework for enabling people with disability to participate and contribute to the social, economic and civic life of their community.

Our '*Belonging @ Barwon Water - Inclusion action plan 2018-2020*' supports the principals of the *Disability Act 2006* and will continue to address how as an employer and member of the community we will ensure we reduce the following areas:

- Reducing barriers to accessing goods, services and facilities
- Reducing barriers to persons with a disability obtaining and maintaining employment
- Promoting inclusion and participation in the community
- Achieving tangible changes in attitudes and practices that discriminate against people with a disability.

## Employment statistics

	2020					
	Casual	Part-time	Full-time	Total (Headcount) 2020	Total (Percentage) 2020	FTE 2020
<b>Gender</b>						
Women	4	46	73	123	37%	105.27
Men	1	6	204	211	63%	208.62
Self-described	0	0	0	0	0%	0
Prefer not to answer	0	0	0	0	0%	0
<b>Age</b>						
15-24	5	0	0	5	1%	.13
25-34	0	7	57	64	19%	60.73
35-44	0	25	98	123	37%	116.91
45-54	0	10	73	83	25%	79.92
55-64	0	10	45	55	16%	52.19
65+	0	0	4	4	1%	4
<b>TOTAL</b>	<b>5</b>	<b>52</b>	<b>277</b>	<b>334</b>	<b>100%</b>	<b>313.89</b>

### Notes

- Excludes external contractors/consultants and temporary staff employed by employment agencies.
- Excludes eight (8) State Government appointed Board Directors 0.5 FTE as at June 30, 2018.
- FTE means full-time employee equivalent.
- Casual set as 1 hour



## Employment statistics

2019						
	Casual	Part-time	Full-time	Total (Headcount) 2019	Total (Percentage) 2019	FTE 2019
<b>Gender</b>						
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
<b>Age</b>						
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
<b>TOTAL</b>	<b>5</b>	<b>46</b>	<b>282</b>	<b>333</b>	<b>100%</b>	<b>314.13</b>

**Notes**

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

## ANZSCO – 2020

ANZSCO Occupation Classification	Headcount
Managers	19
Professionals	161
Technicians and Trade Workers	40
Clerical and Administrative Workers	72
Machinery Operators and Drivers	42
<b>TOTAL</b>	<b>334</b>

## 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
<b>TOTAL</b>	<b>333</b>

**Notes**

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

# Health, Safety and Wellbeing (HSW)

## HSW management system

The HSW team maintained system improvements under the 2019–20 HSW management plan. Key components delivered included:

- Revision and design of HSW KPI framework to reflect Key Business Risks, Strategy 2030, Compliance and Key Safety Risks
- Design and roll out of Safety Leadership program for the Senior Leadership team
- Procured contractor safety management software in preparation of implementation
- Development of site/ asset risk registers
- Established an effective safety governance framework including a dedicated Safety Executive Team to oversee the Beyond Zero Safety Strategy implementation
- Implementation of regular Executive Leadership Team safety deep dive audits focused on key risk activities and incidents of note
- Promoted HSW Business Partnering model and shared accountability framework

- Further enhancement of a mental health management program aligned with the mental health first aiders model with 17 mental health first aiders currently trained
- Reviewing and consolidating procedures in the SQE integrated management system to transition from AS/NZS 4801 to the new ISO 45001 Occupational health and safety management systems standard
- Updating working from home ergonomics assessment
- Identifying individual safety objectives that staff can select as part of their PPP
- Review of driving / vehicle incidents to determine trends and improvement opportunities.

- Men's Health week
- flu vaccinations
- ride to work day
- health checks
- bowel cancer awareness month
- National diabetes awareness week
- Sleep awareness week
- Yoga Classes
- Breast Cancer awareness
- Summer and Winter Sneakers
- Dementia awareness month
- Women's Health week
- Sleep awareness week
- Monthly Well at Work Newsletter communicated
- Regular Health topics communicated via the Intranet and Connections articles
- Coronavirus processes and information communicated regularly
- Working from home ergonomic risk assessments conducted.

## Health and Wellbeing program

The Health and Wellbeing program continued throughout the 2019–20 reporting period and included the following activities:

- Red 25 blood donation focus
- Mindfulness room sessions
- Skin checks
- Reducing sedentary work
- R U OK? Day

## HSW performance

The number of injuries that resulted in a claim continued to decrease on the previous years, the cost per claim decreased significantly, due to minor medical claims and 1 lost time claim, the premium increased marginally in line with industry rate rises.

## Occupational Health and Safety performance

Measure	KPI	2019–20	2018–19	2017–18	2016–17	2016–15
Injuries	First aid injuries	14	11	7	6	7
	Medical treatment only injuries	1	8	6	16	6
	Lost time injuries	1	1	3	5	0
	<b>Total injuries</b>	<b>16</b>	<b>20</b>	<b>16</b>	<b>26</b>	<b>13</b>
Incidents	Number of incidents	59	130	114	102	89
	Rate per 100 FTE	18.09	39.5	35.6	31.8	27.8
Claims	Number of standard claims	2	5	7	2	2
	Number of time lost claims	1	1	0	1	0
	Rate per 100 FTE	0.92	1.82	0.00	0.31	0.00
	Average cost per standard claim*	\$1959	\$15,341	\$10,610	\$15,063	\$49,998
Risk Management	Number of OHS meetings held	36**	1,453	–	–	–
	Percentage of internal audits/ inspections conducted as planned***	89%	91.3%	–	–	–
	Percentage of reported incidents investigated****	90%	74.6%	–	–	–

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

\*\* There was a change in reporting methodology between 2018–19 and 2019–20. The 2019–20 figure is derived from Corporate HSW Committee meetings and numerous Designated Work Group Committee meetings, and does not include meetings held at a functional level.

\*\*\* Based on the business level audit plan and functional level inspections schedule for HSW team.

\*\*\*\* As per the criteria that triggers an investigation

## HSW training

The 2019–20 training program was proceeding to schedule until the coronavirus state of emergency was declared. As a result of restrictions enforced, training providers ceased operating as normal, and the training program was put on hold.

Employees whose training had expired, and were considered not competent in accordance with legislation, did not undertake these activities in the workplace.

The time was used to review the HSW training program and content of material available within the ELMO Learning Management System.

The HSW competency framework has been updated to align with regulatory requirements and incorporates verification of competency. It identifies the training to be delivered by external providers (high risk licences and associated with high risk work) and what can be developed and delivered in-house.

As training providers have diversified their methods of servicing customers,

we have participated in training run from ‘virtual classrooms’ or in areas where strict social distancing can be achieved. This is expected to proceed into the immediate future.

# Environmental performance

## Highlights

The certification of our Environmental Management System under ISO 14001:20015 continued following the successful completion of a recertification audit in 2019.

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
- development of an Environmental Protection Amendment Act Transition Plan
- the Environmental Policy was updated following the completion of a review process with the Environmental Advisory Committee. The new policy reflects our commitment to the environment and reflects the commitments within Strategy 2030.

- the development of a Tree Management Plan to reduce risks from trees at our publically accessible sites
- obtained planning and environmental approvals for the capital works program
- update of internal environmental management tools.

We continue to enhance and adapt our management processes to meet both regulatory requirements and industry best practice.

# Safety, Quality, Environment (SQE) information

## SQE integrated management system

We continue to enhance our integrated management system and we have maintained certification to AS/NZS 4801 Occupational Health and Safety, ISO 9001 Quality, ISO 14001 Environmental and HACCP food safety management systems standards.

Recent enhancements include amending documentation to meet the requirements of ISO 45001, the new OHS management system standard.

## Emergency management

Barwon Water continued to foster effective Emergency Management skills throughout 2019–20 by providing ongoing training for designated response personnel at all levels, such as:

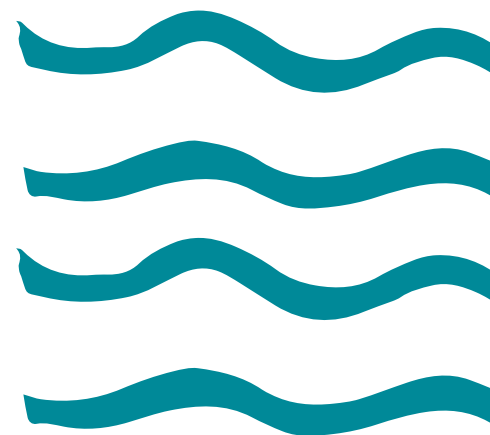
- crisis management Board workshop
- AIIMS based incident management team training
- warden and chief warden training
- general staff evacuation and information training
- fire ready sessions, including increasing numbers of Fire Ready Coordinators.

We participated in a number of inter-agency emergency exercises over the year, including an SES (All Hazards) Earthquake Masterclass, to continue to build significant interagency relationships and response capability.

We have implemented a number of improvements to our Fire Ready program. Uplifts to communications strategy and risk assessment of local fire activity has led to improved response to other incidents also, e.g. Severe Weather warnings. Further uplift to the Fire Ready program continues, in preparation for the next fire season, for improved resilience of assets and personnel safety on Extreme and Code Red days.

We also responded successfully to a number of events, where an Incident Management Team (supported by our Crisis Management team leaders), was activated to ensure effective and efficient response to the issue, while maintaining a business continuity and safety of our people. Incidents included a CBD power and Telecommunications outage, impacting our main office, a cyber-threat and of course the ongoing coronavirus Pandemic event (which continues to be overseen by a Pandemic Incident Management Team, reporting to and supported by an active Crisis Leader and ELT).

*We continue to be actively involved in emergency management committees across the region, enhancing cooperation and understanding between agencies and communities. The key agencies that we interact with include Emergency Management Victoria, emergency services, regulators, infrastructure operators and local government.*



# Access to information

## Privacy and Data Protection Act 2014

Barwon Water complies with the Information Privacy Principles set out under the *Privacy and Data Protection Act 2014*.

Our Customer Charter and Privacy Charter both refer to our commitment to protect the privacy of customers. We ensure the information we hold is protected and actively prevent any unauthorised access to, and improper use of, customer information.

A copy of our Privacy Charter can be viewed at [www.barwonwater.vic.gov.au](http://www.barwonwater.vic.gov.au).

## Freedom of Information Act

### Freedom of Information Act 1982

The *Freedom of Information Act 1982* (the FOI Act) allows the public a right of access to documents held by Barwon Water. The purpose of the FOI 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 FOI 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 our 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 us in-confidence.

The Act was amended on 1 September 2017 to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35, the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

If an applicant is not satisfied by a decision made by 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.

Freedom of Information requests can be lodged online at [www.ovic.vic.gov.au](http://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 our Freedom of Information Manager, as detailed in section 17 of the *Freedom of Information Act 1982*.

When making a request under the FOI Act, 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](mailto:foi@barwonwater.vic.gov.au)

## FOI statistics/timeliness

During 2019-20, Barwon Water received 12 FOI's.

Of these applications, we received 4 from law and insurance firms, 7 from the general public and 1 from a health services provider.

We made 6 decisions during 2019-20. All 6 decisions were made within the statutory time period. The average time taken to finalise requests in 2019-20 was 23.6 days.

During 2019-20, 1 request was subject to complaint/internal review by OVIC, and was subsequently dismissed.

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

Fol statistics/timeliness	
Full access granted	5
Partial access granted	1
Withdrawn	0
Not proceeded with	4
No documents	0
Outside the Act	1
Not yet finalised	1

## Further information

Further information regarding the operation and scope of Freedom of Information can be obtained from the FOI Act; regulations made under the FOI Act; and [www.foi.vic.gov.au](http://www.foi.vic.gov.au). *Financial Management Act 1994*

## Other information

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.

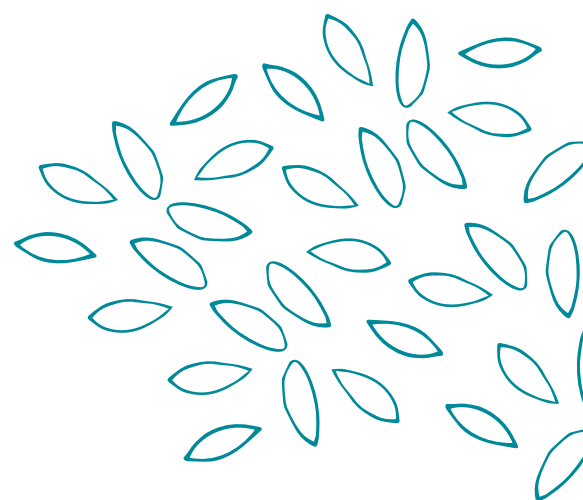
We require that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by Barwon Water and that their work and services comply with current building standards. All such consultants and contractors are required to have appropriate mechanisms in place 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 Group's facilities function is responsible for planned maintenance schedules to maintain building assets in accordance with relevant standards and essential safety measure requirements.

We employ an intranet-based work order system for staff to notify the organisation of maintenance and safety issues. In addition we conduct routine site inspections and also receive security and failure alerts through a variety of automated alarms.

## During 2019-20:

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



## Other Acts

### *Carers Recognition Act 2012*

Barwon Water has taken all practical measures to comply with its obligations under the *Carers Recognition Act 2012* (the Act).

**These include:**

- ensuring our employment policies such as flexible working arrangements and leave provisions comply with the statement of principles in the Act, and that they are accessible to carers
- reviewing the act for additional actions in line with the principles and assessing priorities.

### *Public Interest Disclosures Act 2012*

#### *Compliance with the Public Interest Disclosures Act 2012*

The *Public Interest Disclosures Act 2012* (the 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 public interest disclosure?**

A public interest 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:

- corrupt conduct
- criminal offence
- serious professional misconduct
- dishonest performance of public functions
- intentional or reckless breach of public trust
- intentional or reckless misuse of information
- substantial mismanagement of public resources
- substantial risk to health or safety of a person
- substantial risk to the environment
- conduct of any person that adversely affects the honest performance by a public officer of their functions
- conduct of any person that is intended to adversely affect the effective performance by a public officer of their functions for the benefit of the other person.

Conduct that is trivial will not constitute improper conduct for the purpose of the Act.

### **How do I make a ‘public interest disclosure’?**

You can make a public interest disclosure about Barwon Water or its Board members, officers or employees by contacting the Independent Broad-based Anti-corruption Commission (IBAC), the Victorian Inspectorate (VI) or the Victorian Ombudsman (VO) on the contact details provided below.

Barwon Water is not able to receive public interest disclosures.

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

We have established procedures for the protection of persons from detrimental action in reprisal for making a public interest disclosure about Barwon Water or its employees. You can access our procedures on our website: [www.barwonwater.vic.gov.au](http://www.barwonwater.vic.gov.au).

### **Contacts**

As noted earlier, the Act does not permit us to receive public interest disclosures. If you wish to make a disclosure about Barwon Water or any of its staff, please make that disclosure directly to the IBAC, the VO or the VI.

The IBAC can be contacted in writing at:

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

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

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3001

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

Phone: 1300 735 135

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

The VO can be contacted in writing at:

#### **Victorian Ombudsman**

Level 2, 570 Bourke Street  
Melbourne VIC 3000

The VO also offers an online form, available at; <https://www.ombudsman.vic.gov.au/complaints/>

## 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 2019–20, Barwon Water commenced five Local Jobs First – VIPP or Local Industry Development Plan (LIDP) applicable procurements totalling \$9,705,883 (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 94.8 per cent of local content commitment was made
- a total of 34.9 jobs (annualised employee equivalent (AEE)) were committed, including creation of 0.7 new jobs and retention of 34.2 existing jobs (AEE)
- a total of 4.3 positions for apprentices/trainees were committed, including 0.4 new apprenticeships/traineeships and retention of 3.9 existing apprenticeships/traineeships
- We did not commence any projects that met requirements of the MPSG.

### Projects completed:

During 2019–20, Barwon Water completed four Local Jobs First – VIPP applicable projects collectively valued at \$8,675,836 (excluding GST). All projects were located in regional Victoria. The MSPG 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 88.5 per cent of local content commitment was made
- a total of 31 jobs (AEE) were committed, including the creation of 5 new jobs and the retention of 26 existing jobs
- a total of ten positions for apprentices/trainees were committed, including the creation of two new apprenticeships/traineeships
- the retention of the remaining eight existing apprenticeships/traineeships
- MPSG applicable projects provided a total of 0 hours to apprentices/trainees and engaged 0 apprentices/trainees (MPSG did not apply).

During 2019–20, there were three small to medium sized businesses that prepared a VIPP Plan or LIDP for contracts, with none prepared by large businesses.

During 2019–20 five projects had the minimum formal weighting of 10 per cent applied for local content in the tender evaluation of the VIPP Plan or LIDP.

We commenced four contracts greater than \$1 million to which a VIPP Plan or LIDP was required.

### Social Procurement

Barwon Water's first social procurement strategy was approved by the Department of Treasury and Finance in March 2020 and has prioritised the following five objectives from the Victorian Government's Social Procurement Framework:

- Opportunities for Victorian Aboriginal people
- Opportunities for Victorians with disability
- Women's equality and safety
- Sustainable Victorian regions (regions experiencing entrenched disadvantage)
- Implementation of the Climate Change Policy Objectives.

The social procurement strategy has a range of social procurement priority actions including procurement opportunities, employee capability development and supplier engagement.

During the year, we achieved the following:

- Renewal of nursery services contract with genU, an accredited Australian Disability Enterprise that provides direct economic and social benefit through employment and training of employees with a disability. The contract provides for on-going full-time employment and training of four employees and nine supported employees.
- Ongoing signatory to GROW Compaction Action Plan. The primary, underlying objective of GROW is to address long-term, entrenched, placed based disadvantage in the G21 Region.



- Appointment to Barwon Water’s Maintenance Services Panel of My Maintenance Crew, a social enterprise and a project of Diversitat, a not-for-profit community organisation with a long history of caring and supporting the disadvantaged and disengaged youth in the Geelong region.
- Social Procurement Plan developed for the \$30M+ Colac Water Reclamation Plant Upgrade construction contract.

### ‘Competitive Neutrality’ policy

The principle of Competitive Neutrality seeks to enable fair competition between government and private sector business. Any advantages or disadvantages that a government business may experience, simply as a result of government ownership should be neutralised.

The Barwon Water Group continues to comply with the requirements of the Victorian Government’s Competitive Neutrality Policy.

### Consultancy and contract expenditure

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

In 2019–20, there were 69 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2019–20 in relation to these consultancies was \$4,330,665 (excl. GST). Details of individual consultancies are outlined on our website: [www.barwonwater.vic.gov.au](http://www.barwonwater.vic.gov.au).

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

In 2019–20, there were 47 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2019–20 in relation to these consultancies was \$172,992 (excl. 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 2019–20 reporting period on government campaign expenditure did not exceed \$100,000.

### Information and Communications Technology (ICT) expenditure

For the 2019–20 reporting period, Barwon Water had a total ICT expenditure of \$13,294,805 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)
\$6,609,491 (Total)	(Total = Operational expenditure and capital expenditure)	\$2,301,950	\$4,383,364	

“**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.

Minister’s Letter of Expectations -

# 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.	<b>E2 Emission reductions</b> Demonstrate reasonable progress toward achievement of the entity’s emission reduction pledge.	<b>E2</b> Total net emissions of CO2 equivalent tonnes.	<ul style="list-style-type: none"> <li>• Driven by Strategy 2030 targets of 100 per cent renewable electricity by 2025 and zero net emissions by 2030.</li> <li>• Pursuing improved energy efficiency at high energy using activities and operations</li> <li>• Operating renewable energy assets forecast to produce 5.2 GWh of zero emissions electricity in 2019/20 including:               <ul style="list-style-type: none"> <li>• Black Rock 3 megawatt solar farm, supplying almost fifteen per cent of our total electricity consumption</li> <li>• Wurdee Boluc 300 kilowatt solar array, coupled with our first battery energy storage system</li> <li>• Torquay 240 kilowatt solar array</li> </ul> </li> <li>• Delivering significant new renewable energy generation projects, bringing our overall capacity to around 50 per cent renewable:</li> <li>• Zero Emissions Water Power Purchase Agreement (ZEW PPA), supplying up to 30 per cent of our needs</li> <li>• Colac biogas generation, supplying around 5 per cent of our needs</li> <li>• Reviewing current and future energy and emissions growth challenges, for example the use of more energy intensive water resources</li> </ul>
	<b>E3 Climate adaptation</b> <b>A.</b> 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"> <li>• Their application in drought preparedness and urban water strategies (Urban water corporations).</li> <li>• Rural water corporations (as applicable) develop low flow contingency plans that include an appropriate range of climate scenarios.</li> </ul> <b>B.</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"> <li>• source waters and demand</li> <li>• built assets</li> <li>• natural environment</li> <li>• people and workplace</li> <li>• interdependencies</li> <li>• customer and product delivery.</li> </ul>	<b>E3</b> 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"> <li>• Completed a Guidelines Gap Analysis – to check alignment with the DELWP Guidelines and identify any gaps to be addressed through the upcoming Climate Resilience Plan.</li> <li>• Developing a new Climate Resilience Plan that will set the strategic direction for managing both physical and transition risks and opportunities across the business.</li> <li>• Developing a Monitoring and Implementation plan to support the on-going implementation of the Climate Resilience Plan and ensure adaptation is occurring across the six business areas.</li> </ul>



Priority area	Key Performance Indicator	Measure	Barwon Water activity/response
<p><b>Customer and community outcomes</b> All aspects of service delivery will be customer and community centred.</p>	<p><b>C1 Customer satisfaction</b> 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.</p>	<p><b>A. C1(U)</b> Customer satisfaction survey The ESC will collect customer satisfaction survey data on an ongoing quarterly basis.</p>	<ul style="list-style-type: none"> <li>Barwon Water has developed a Customer Experience (CX) Strategy, during which we engaged customers and community on the outcomes they are looking for. This builds on our previous engagements. Including our pricing submission engagement process.</li> <li>The CX Strategy has informed a range of initiatives and improvements, including:                             <ul style="list-style-type: none"> <li>Voice of Customer Program, Call Quality Uplift, Customer Support Program and overall improvement focus on customer interactions and customer journeys,</li> </ul> </li> </ul>
		<p><b>B. CR1</b> Water quality complaints</p>	<ul style="list-style-type: none"> <li>Water quality complaints for 2019–20 were 1.19 per 1,000 customers, below the current target of 3.00.</li> <li>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 a continued reduction of the three year rolling average of water quality complaints received per 1,000 properties. This is despite the impacts of supply system changes made to balance water storage levels across our different reservoir catchments</li> </ul>
		<p><b>C. CR4</b> Number of billing payment issues</p>	<ul style="list-style-type: none"> <li>Billing complaints for 2019–20 were 0.46 per 1,000 customers, below the current target of 1.20.</li> <li>Barwon Water undertakes ongoing coaching and training with Customer Service staff to ensure that all aspects of a customer’s individual situation are taken into consideration when working with billing and payment issue complaints.</li> <li>This is supported by our call quality framework, voice of customer program and focus on effective call handling and complaints management. This enables a holistic approach to assist in reducing the number of complaints received.</li> </ul>
	<p><b>C2 Customer and community engagement</b> Stakeholder engagement based on best practice that demonstrates approaches to engagement that are open, honest and occur frequently. The DEL WP Community Charter or IAP2 framework could be considered as a guide.</p>	<p><b>C2</b> Development and delivery of an engagement strategy/ plan/policy and publication of the engagement strategy/ plan/policy or equivalent explanation (via the water corporation’s website).</p>	<p>Barwon Water has been engaging extensively on a number of initiatives during the 2019/20 period including:</p> <ul style="list-style-type: none"> <li>Water for our Future program</li> <li>Anglesea Borefield activation</li> <li>Boundary Creek remediation</li> <li>Forrest Wastewater options</li> <li>Aqueduct and Porronggitj Karrong opportunity</li> <li>Recycled water including Class A switch on</li> <li>Capital projects delivery, planned/Unplanned outages</li> <li>Planned/Unplanned outages</li> </ul> <p>Barwon Water will continue to engage extensively on a number of initiatives including:</p> <ul style="list-style-type: none"> <li>Water for our Future program phase 1 – deliberative panel engaging on vision and criteria</li> <li>Water for our Future program phase 2 – engaging on future water options aligned to agreed vision and criteria</li> <li>Aqueduct and Porronggitj Karrong</li> <li>Geelong and Colac Renewable Organics Network</li> <li>Birregurra Sustainable Communities</li> <li>Boundary Creek and Big Swamp remediation</li> <li>Apollo Bay water supply upgrade and customer water efficiency</li> </ul>



Priority area	Key Performance Indicator	Measure	Barwon Water activity/response
<p><b>Water for Aboriginal cultural, spiritual and economic values</b> Recognise and support Aboriginal cultural values and economic inclusion in the water sector.</p>	<p><b>AC1 Engagement of Aboriginal communities</b> 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.</p>	<p><b>AC1.1</b> 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.</p>	<p>Over the last 12 months Barwon Water has continued to deliver the actions outlined within our current RAP. Some of the key outcomes relating directly to the creation of opportunities within the water sector for the Aboriginal and Torres Islander Community and Businesses include:</p> <ul style="list-style-type: none"> <li>• Barwon Water’s Social Procurement Strategy (SPS) has been approved by the Department of Treasury and Finance with the objective to provide opportunities for Victorian Aboriginal people by purchasing from Victorian Aboriginal businesses and employment for Victorian Aboriginal people by suppliers to Barwon Water.</li> <li>• All tender and quotation documentation has been reviewed to ensure there are no barriers to procuring goods and services from Aboriginal and Torres Strait Islander businesses</li> <li>• We have developed an Indigenous Procurement section within our internal Intranet. Staff can identify accredited Indigenous businesses through a link to Kinaway. Kinaway is an Aboriginal Chamber of Commerce based in Melbourne through which Aboriginal and/or Torres Strait Islander businesses and entrepreneurs have a collective voice both within the Aboriginal and/or Torres Strait Islander business community and the general business community.</li> <li>• We have numerous commercial relationships with Aboriginal and Torres Strait Islander owned businesses. Some of the services and goods we have procured through these businesses include stationary, cultural awareness training, facilitation, employment, catering, clothing, consulting works, graphic design, artwork etc.</li> <li>• Through our Traineeship Program we are providing employment opportunities to Aboriginal and Torres Strait Islander people.</li> </ul>
		<p><b>AC1.2</b> Number/ explanation of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships.</p>	<ul style="list-style-type: none"> <li>• Driven by our Reconciliation Action Plan we will work with employment agencies to provide opportunities for Aboriginal and Torres Strait Islander people to undertake and complete our Traineeship program</li> </ul>
		<p><b>AC1.3</b> Number of staff within the water corporation who have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last 5 years.</p>	<ul style="list-style-type: none"> <li>• We will continue to provide cultural awareness training to all staff periodically throughout the year. This training will be conducted by Traditional Owner groups.</li> <li>• Teams where Aboriginal or Torres Strait Islander staff will be working in, will have specific training provided to ensure that the new employee is entering a culturally safe working environment.</li> </ul>
		<p><b>AC2 Engagement of Traditional Owners</b> 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.</p>	<p><b>AC2.1</b> Number of engagements with Traditional Owners in water planning and management and report on outcomes.</p>



Priority area	Key Performance Indicator	Measure	Barwon Water activity/response
<b>Water for Aboriginal cultural, spiritual and economic values (Continued)</b>		<b>AC2.2</b> Number of pilot programs to test different ways to achieve shared benefits.	<ul style="list-style-type: none"> <li>• 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"> <li>– Porronggitj Karrong – Barwon Water and Wadawurrung will work in partnership to develop a park that is designed and managed using traditional land management practices.</li> <li>– Providing funding support to Wadawurrung to develop a Country Plan.</li> <li>– Development of a Partnership Agreement with Wadawurrung.</li> <li>– Appointing our own Aboriginal Partnerships Advisor to work closely with this position, and other Traditional Owner and Aboriginal communities.</li> <li>– Supporting the Djilang initiative with the Geelong Football Club.</li> <li>– Exploring Caring for Country principles with Traditional Owners in the region.</li> </ul> </li> </ul>
	<b>AC3 Aboriginal Inclusion Plan/ Reconciliation Action Plan</b> To be considered in conjunction with AC1 and AC2, taking into account the relevant local context.	<b>AC3</b> 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"> <li>• We have been implementing an Innovate Reconciliation Action Plan that ran until June 2020.</li> <li>• A new Reconciliation Action Plan will be developed, approved and implemented.</li> <li>• The new Reconciliation Action Plan will include actions to address previous measures (AC1.1 to AC1.3 and AC2.1) along with a range of other actions.</li> </ul>
<b>Resilient and liveable cities and towns</b> Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.	<b>L1 Integrated Water Management (urban)</b> 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.	<b>L1 Progress towards:</b> <b>A.</b> establishment of and participation in IWM forum(s) in your region <b>B.</b> development of and contribution to Strategic Direction Statement(s) in your region <b>C.</b> Implementation of priority IWM plans and projects, as applicable <b>D.</b> delivering IWM outcomes for the region	<ul style="list-style-type: none"> <li>• Barwon Water actively contributes to the functioning of the Barwon IMW Forum through chairing, and providing executive support to, the Forum.</li> <li>• We are monitoring implementation of priority projects identified in the 2018 Barwon Strategic Direction Statement, (SDS). All the identified priority projects in the SDS are currently being progressed with some complete such as the Winchelsea IWM Plan.</li> <li>• Continuing to embed integrated water cycle management early in urban planning for Geelong's long-term growth areas by leading with the City of Greater Geelong the preparation of an IWM Plan for the Western and Northern Geelong Growth Areas.</li> <li>• Leading and facilitating the IWM Barwon Region Network to deliver IWM projects across the region</li> <li>• Leading and contributing to significant IWM projects and processes including the establishment of an IWM planning template, Deakin University IWM Plan, Forrest Wastewater Management Plan and Stead Park Recycled Water Project</li> <li>• Clear progress on priority IWM projects and the establishment of partnerships is delivering IWM outcomes for the region.</li> </ul>

Priority area	Key Performance Indicator	Measure	Barwon Water activity/response
Resilient and liveable cities and towns (Continued)	<b>L2 Water efficiency (urban)</b> Implement water efficiency programs aligned with Target 155 (Metros) and Target Your Water Use (Regional Urban).	<b>L2</b> 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"> <li>Barwon Water is a member of the Victorian Water Efficiency Resources Group to work collaboratively with other water corporations to develop state wide initiatives.</li> <li>We have implemented residential and non-residential initiatives as part of our 5-year Sustainable Water Use Plan, including the Target Your Water Use summer campaign, WaterAssist Home Program, Coastal Partnerships Program and business data logger programs.</li> <li>We are providing support to assist schools to participate in the Schools Water Efficiency Program (SWEPE) by subsidising SWEPE fees and providing leak repair rebates.</li> <li>We have promoted the Permanent Water Savings Rules (PWSR) through its website, social media, events and bill inserts.</li> <li>We have provided support to 118 customers as part of the community rebate program (in 2019/20), with an estimated water saving of 5.9ML per year.</li> </ul>
	<b>L3 Water bills (urban)</b> Victorian water bills are amongst the lowest in Australia. (not applicable to MW)	<b>L3</b> Total residential bill based on: <b>A.</b> average consumption <b>B.</b> 200kl consumption.	<ul style="list-style-type: none"> <li>The 2018-19 BoM National Performance Report showed Barwon Water having the lowest bill across Australia among its peers (businesses with 100,000+ customers), with Sydney Water, City West Water, ranking 2nd and 3rd.</li> </ul> <p><b>'200kL consumption'</b></p> <ul style="list-style-type: none"> <li>National average \$1,345</li> <li>Barwon Water bill \$1,102</li> <li>For 2020/21 customer bills for average residential owner-occupiers and tenants (160kL) will increase to \$1,062 and \$335 respectively.</li> </ul>
Financial Sustainability Delivering safe and cost-effective water and wastewater services in a financially sustainable way.	<b>L4 Payment management and hardship (not applicable to MW)</b> Overall improved access to instalment plans for management of payments. Understand year on year trends in hardship grants.	<b>L4</b> <b>A.</b> Number of instalment plans at the end of the reporting period <b>B.</b> Number of customers awarded hardship grants	<ul style="list-style-type: none"> <li>Barwon Water's number of instalment plans was 7,402 at the end of 19/20, an increase of 4.5% or 316 additional customers from the 7,086 recorded at the end of 18/19. Several broad-based efforts have been implemented to increase the number of customers on formal instalment plans, including soft skills training of customer service agents and both passive and proactive outbound communication with customers to encourage them to contact us for help. These measures have resulted in a positive impact on the total number of instalment plans.</li> <li>In addition, we have significantly increased our efforts under our Customer Support (hardship) Program, which has indirectly contributed to the uplift in the overall number of instalment plans. We have observed a 25% year-on year increase in the number of customers awarded hardship grants, from 1,920 during 18/19 up to 2,405 during 19/20.</li> <li>These numbers have increased recently as a result of growth in our customer support offering, led by the launch of our Customer Support (hardship) Program and supported by an investment in staff capability uplift. We have activated several additional initiatives including: improved customer awareness via bill and reminder inserts, improved direct communication, additional staff cross-training and recruitment, and new outbound calling campaigns to encourage assistance program uptake. We expect these passive and proactive measures to continue to result in an ongoing increase in these numbers.</li> <li>We expect both the number of instalment plans and the number of customers awarded hardship grants to continue to increase as a result of COVID-19. Measures have been implemented to increase our capability to respond to the growth in requests for assistance.</li> </ul>

Priority area	Key Performance Indicator	Measure	Barwon Water activity/response
<p><b>Recognising recreational values</b> Support the wellbeing of rural and regional communities by considering recreational values in water management.</p>	<p><b>Rec1 Recreational values</b> 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.</p>	<ol style="list-style-type: none"> <li>1. Efforts taken around the following four themes of Water for Victoria, including numbers where available:               <ol style="list-style-type: none"> <li>A. Community engagement in order to understand recreational objectives relating to water and waterways</li> <li>B. Planning and management that incorporates consideration of recreational values objectives</li> <li>C. Availability of accessible, user-friendly information to help recreational users to plan their activities</li> <li>D. Collaboration with other organisations and government agencies to explore and progress opportunities to support recreational objectives</li> </ol> </li> <li>2. 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.</li> </ol>	<ul style="list-style-type: none"> <li>• Barwon Water will continue to improve the visitor experience at our major water storages through partnering with our Traditional Owners to identify opportunities.</li> <li>• Projects will focus on increasing public amenity value of our facilities and developing new partnerships with the community, in exploring opportunities to enhance the social and recreational values associated with water and water assets.</li> <li>• The key reservoirs sites include Bostock, Upper Stoney, Wurdee Boluc, Painkalac, and West Barwon, and works may include:               <ul style="list-style-type: none"> <li>– walking/bush trails.</li> <li>– cultural interpretative information, including signage, sculptures and artwork.</li> <li>– native revegetation.</li> <li>– picnic areas.</li> </ul> </li> <li>• We are also proposing to restore the ecological balance of 66 hectares of landscape on the Barwon River, in Breakwater, 5 km from the Geelong town centre.</li> <li>• The project will promote regional prosperity through provision of a significant regional community asset where traditional owner practices, aboriginal heritage, European heritage and community and environmental values can be brought together on country, including:               <ul style="list-style-type: none"> <li>• Safe public access to the 66 ha surrounding the Ovoid Sewer Aqueduct;</li> <li>• Re-establishment of access and circulation throughout the site for the broader Geelong community on both land and the Barwon River;</li> <li>• Interpretation of Aboriginal and European cultural heritage values;</li> <li>• Community education about Wadawurrung living culture;</li> <li>• ‘On the ground’ indigenous land management and water conservation practices;</li> <li>• Contribution to regional priorities for healthy communities, including the Barwon River Parklands and the Barwon River Ministerial Advisory Committee recommendations.</li> </ul> </li> <li>• In addition, Barwon Water continues to:               <ul style="list-style-type: none"> <li>– Consider recreational benefits and multiple uses of water and waterways in annual and long-term planning.</li> <li>– Support Colac Otway Shire to deliver the Forrest Mountain Bike Trails Revitalisation project which will include development of new trails and enhancement of existing trails located on Barwon Water land.</li> <li>– Coordinate fish stocking at reservoirs through collaboration with Fisheries Victoria and community groups.</li> <li>– Enhance community understanding and access to information regarding recreational opportunities.</li> <li>– Support community events through usage of our reservoir sites for regionally significant mountain bike, running and festival events.</li> </ul> </li> </ul>

Priority area	Key Performance Indicator	Measure	Barwon Water activity/response
<b>Leadership and Culture</b> Water corporations reflect the needs of our diverse communities.	<b>G1 Diversity and inclusion</b> 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.	<b>G1.1</b> Development and delivery of a Diversity Inclusion Plan/s and publication (via the water corporation's website) of the Inclusion Plan or equivalent explanation.	Continuing to implement Barwon Water's Diversity, Inclusion and Gender Equity Strategy through implementing the Belonging@Barwon Water Action Plan. The Plan has this year focussed on: <ul style="list-style-type: none"> <li>• Developing inclusive leadership through Barwon Water's LEAD 2030 program</li> <li>• Roll out of water industry online diversity training and unconscious bias workshops</li> <li>• Participation in annual events celebrating difference including IDAHOBIT, NAIDOC and Social Inclusion Week</li> <li>• Overhaul of recruitment, selection and retention strategies and traineeship program with a focus on diversity and inclusion</li> <li>• Inclusion of Diversity and Inclusion targets in balanced scorecard</li> <li>• Building capacity of employees on the importance and benefits on diversity in the workplace</li> <li>• The formation of a Diversity Advocacy Group providing valuable feedback from the business and cultural audit of the business to gather baseline data</li> <li>• Applying a diversity lens to attract and retain the right people, through a reviewed recruitment strategy that supports inclusion and diversity.</li> </ul>
		<b>G1.2</b> Number of females occupying senior executive positions over projected five-year period.	<ul style="list-style-type: none"> <li>• Barwon Water is driving diversity, inclusion and gender equity at all levels of the organisation.</li> <li>• Representation at senior leadership level is currently 50% male and 50% female, and intention is to maintain the gender balance on an ongoing basis.</li> <li>• Barwon Water aims to maintain 50 per cent females in senior leadership positions over the 5-year period.</li> </ul>
		<b>G1.3</b> 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"> <li>• 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 1.5 per cent of people who identify as ATSI.</li> <li>• As at June, 2020, the number of ATSI people in the business was 2.0 per cent.</li> </ul> <p>We are working towards a stretch target through two programs:</p> <p>Barwon Water Traineeship Program:</p> <ul style="list-style-type: none"> <li>• Aim is to have four Aboriginal or Torres Straight Island trainees</li> <li>• Welcome to Country &amp; Smoking Ceremony</li> <li>• Partnering with Wan-Yaari Aboriginal Consultancy</li> <li>• Wan-Yaari job board.</li> </ul> <p>Traineeship program (sourcing candidates, job ready training, post-employment cultural support)</p> <ul style="list-style-type: none"> <li>• Co-branding recruitment campaigns where relevant</li> <li>• Aboriginal Cultural Awareness workshops and training</li> <li>• Aboriginal Career Expo</li> <li>• Cultural Awareness Training Day (off site) in the new starter on-boarding (Wadawurrung)</li> <li>• Reconciliation Action Plan in the new starter on-boarding.</li> </ul>





Priority area	Key Performance Indicator	Measure	Barwon Water activity/response
		<p><b>G1.4</b> Actions taken to improve participation by Traditional Owners in Board committees and other organisational Committees.</p> <p><b>G1.5</b> 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.</p>	<ul style="list-style-type: none"> <li>In October 2019 we welcomed Wadawurrung woman Corrina Eccles to the Barwon Water Board as a non-executive Director. Corrina, who is a Wadawurrung Traditional Owner and has worked for more than 20 years with Aboriginal organisations, brings to the Board a unique insight into Indigenous culture, perspectives and values relating to water.</li> <li>During 2019/20 we have continued to implement our partnership agreement with Wadawurrung Aboriginal Corporation. We have worked on a range of projects as part of the partnership including “Working with Traditional Owners to Care for Country”, Porrongitj Karrong, Cultural Awareness Training and many more.</li> <li>Barwon Water employs a dedicated Aboriginal Partnerships Advisor, whose role includes, amongst a range of things, increasing Aboriginal participation across our business.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Barwon Water has confirmed participation in the People Matter Survey from 4 – 15 May 2020</li> <li>Engagement plan developed to maximise participation rates including communications and learning campaign, and targeted actions for areas based on monitored response rates</li> <li>Barwon Water participated in the previous People Matter survey in June, 2019, with 39 per cent of staff completing the survey. <ul style="list-style-type: none"> <li>Results 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)</li> </ul> </li> </ul>
<b>Leadership and Culture (Continued)</b>	<b>G2 Board performance review</b> Annual Board performance review to help monitor and improve the Board’s effectiveness in leading the organisation.	<b>G2</b> 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"> <li>Board Assessment undertaken annually in accord with the Ministers directions.</li> <li>The resulting Board action plans for individual Directors and as a unified Board provide personal and group development with whole of Board actions reviewed by Directors at each Board Meeting.</li> </ul>
	<b>G3 Health and Safety</b> Sustained annual improvement against H&S performance benchmarks (AS/NZS standard 4801).	<b>G3</b> Performance indicators adopted to monitor occupational health and safety in line with FRD 22H, section 6.10.	<ul style="list-style-type: none"> <li>Barwon Water has used the performance information to inform initiatives and strategies associated with reducing the overall incident frequency rate and severity of injuries.</li> <li>This has been reflected in a steady decline of the organisations total reportable injury frequency rate (TRIFR) which reduced from 18.16 on July 1, 2019 to 3.85 at end of June, 2020.</li> <li>The business continues to work with WSAA to ensure safety performance management is aligned with industry best practice.</li> </ul>
<b>Financial Sustainability</b> Delivering safe and cost-effective water and wastewater services in a financially sustainable way.	<b>F1-F8 Financial Indicators</b> Overall reporting on these measures should demonstrate financial sustainability and provide a positive picture of a corporations’ financial sustainability over time.	<p><b>F1</b> interest cover <b>F2</b> gearing ratio <b>F3</b> internal financing ratio <b>F4</b> current ratio <b>F5</b> return on Assets <b>F6</b> return on equity <b>F7</b> EBITDA Margin</p>	<ul style="list-style-type: none"> <li>Barwon Water continues to remain financially sustainable with all financial indicators remaining within VAGO benchmarks.</li> <li>This set of indicators are reported within the Performance Report contained within the Annual Report following the annual audit process undertaken by VAGO.</li> </ul>
		<b>F8</b> Credit rating	<ul style="list-style-type: none"> <li>Barwon Water’s current independent credit rating expires on 30th June 2020, being BBB+ and FAL rate is 0.97% in 2019/20 (BBB 1.09%).</li> <li>At this time Barwon Water are not seeking to obtain a new independent rating and will instead await DTF’s desktop rating which will be determined at a later date.</li> </ul>

# PART 5. Performance Report

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*Photo taken May 2020 (pre-coronavirus restrictions)*

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

# Consolidated Performance Report 2019-20

## 1. Financial Performance Indicators

KPI NO.	Key Performance indicator	2018-19 Result	2019-20 Result	2019-20 Target	Variance to prior year	Notes	Variance to target	Notes
F1	<b>Cash Interest Cover</b> – Net operating cash flows before net interest and tax / net interest payments	3.17 times*	3.10 times	3.43 times	-2.2%		-9.6%	
F2	<b>Gearing Ratio</b> – Total debt (including finance leases) / total assets * 100	21.20%	21.70%	20.34%	2.4%		6.7%	
F3	<b>Internal Financing Ratio</b> – Net operating cash flow less dividends / net capital expenditure * 100	100.91%*	103.90%	157.21%	3.0%		-33.9%	1b
F4	<b>Current Ratio</b> – Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.71 times	0.88 times	0.62 times	23.9%	2a	41.9%	2b
F5	<b>Return on Assets</b> – Earnings before net interest and tax / average assets * 100	2.29%	2.23%	2.19%	-2.6%		1.8%	
F6	<b>Return on Equity</b> – Net profit after tax / average total equity * 100	1.03%	1.11%	0.99%	7.8%		12.1%	3b
F7	<b>EBITDA Margin</b> – Earnings before interest, tax, depreciation and amortisation / total revenue * 100	54.90%	53.59%	53.24%	-2.4%		0.7%	

\* Note – the 2018-19 results as indicated have been updated to reflect a change in the comparative consolidated cash flow statement as reported in the 2019-20 Consolidated General Purpose Financial Report.

### Notes:

- 1b** The unfavourable internal financial ratio verses the 2019-20 target is an outcome of lower net cash from operating activities, higher capital expenditure than budget and lower proceeds from asset sales than target. The net cash from operating activities was impacted by the timing in creditor payments and the impact of the Government directive to pay creditors within 10-days. The proceeds from asset sales is lower than target due to the timing of property realisation program activities.
- 2a,b** The favourable current ratio result compared to 2018-19 and the 2019-20 target is an outcome of a higher current assets result for 2019-20 which is attributable to the increase in cash and cash equivalents held at June 30, 2020. The increase in cash and cash equivalents is a result of an increase in borrowings in line with Barwon Water's borrowings accommodation limits.
- 3b** The favourable return on equity ratio compared to the 2018-20 target is an outcome of revenue generated from customer contributions being above target and an unbudgeted sale of bulk water entitlements, having a favourable impact on the after tax result.

## 2. Water and Sewerage Service Performance Indicators

KPI NO.	Key Performance indicator	2018-19 Result	2019-20 Result	2019-20 Target	Variance to prior year	Notes	Variance to target	Notes
WS1	<b>Unplanned water supply interruptions</b> - No. of customers receiving five unplanned interruptions in the year / total number of water (domestic and non-domestic) customers * 100	0.00%	0.00%	0.20%	0%		-100.0%	4b
WS2	<b>Interruption time</b> - Average duration of unplanned water supply interruptions	94.4 minutes	89.2 minutes	125.0 minutes	-5.5%	5a	-28.6%	5b
WS3	<b>Restoration of unplanned water supply</b> - Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions *100	96.9%	97.3%	96.5%	0.4%		0.8%	
SS1	<b>Containment of sewer spills</b> - Sewer spills from reticulation and branch sewers contained within five hours / total sewer spills from reticulation and branch sewers *100	100.0%	99.6%	98.0%	-0.4%		1.6%	
SS2	<b>Sewer spills interruptions</b> - No. of residential sewerage customers affected by sewerage interruptions restored within five hours	97.3%	96.5%	91.0%	-0.8%		6.0%	6b

### Notes:

- 4b** A favourable variance to target is due to reducing system pressure and risk based prioritisation and improvements in the delivery of the mains replacement program resulting in a gradual reduction in failure rates for water mains.
- 5a,b** A favourable variance is due to an ongoing focus on meeting unplanned water supply interruptions restored within 5 hours.
- 6b** A favourable variance to target is due to an ongoing focus on meeting sewerage interruptions restored within 5 hours.

### 3. Customer Responsiveness Performance Indicators

KPI NO.	Key Performance indicator	2018-19 Result	2019-20 Result	2019-20 Target	Variance to prior year	Notes	Variance to target	Notes
CR1	<b>Water quality complaints</b> No. of complaints per 1,000 customers	1.08	1.19	3.00	10.1%	7a	-60.3%	7b
CR4	<b>Billing Complaints</b> No. of complaints per 1,000 customers	0.31	0.39	1.20	25.8%	8a	-67.5%	8b

#### Notes:

- 7a** An unfavourable variance to the prior year is due to normal yearly variation of water quality complaints over the past 3 years.
- 7b** The favourable variance to the target in 2019/20 continues the favourable trend in recent years following the upgrade to the Moorabool Water Treatment Plant in 2016/17, which has led to a reduction in seasonal organic taste and odour compounds in the treated water. The 2019/20 result provides evidence for a review of the target level with the potential for a reduction.
- 8a** 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 this year, hence small movements can impact the measure significantly.
- 8b** A favourable variance to target is due to a low number of complaints for our customer base.

### 4. Environmental Performance Indicators

KPI NO.	Key Performance indicator	2018-19 Result	2019-20 Result	2019-20 Target	Variance to prior year	Notes	Variance to target	Notes
E1	<b>Effluent re-use volume (end use)</b>	21.1%	15.2%	25.0%	-28.0%	9a	-39.2%	9b
E2	<b>Total net CO2 emissions</b> Net tonnes CO2 equivalent	43,238	44,259	35,659	2.4%		24.1%	10b

#### Notes:

- 9a** An unfavourable variance to prior year is due to increased inflow and new sludge dryers at Black Rock.
- 9b** An unfavourable variance to target is due to increased inflow and new sludge dryers at Black Rock and 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.
- 10b** Exceedance of target was primarily due to a significant increase electricity use, as well as a delay in the commencement of the Zero Emissions Water PPA. Reduced surface water resource availability necessitated the use of more energy intensive water sources. Significant emissions reductions are expected going forward, with a number of renewable energy projects due to commence operation in coming years including the Zero Emissions Water PPA (solar) and Colac Renewable Organics Network (biogas).

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# Certification of Performance Report for 2019–2020

We certify that the accompanying Performance Report for the Group in respect of the 2019–20 financial year is presented fairly in accordance with the Financial Management Act 1994.

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

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



**J Plummer**  
Chair



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



**M Stephens**  
General Manager Organisational Performance  
(Chief Financial Officer)

Dated this 2nd day of October 2020.

## Independent Auditor's Report

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

**Opinion** I have audited the accompanying performance report of the Barwon Region Water Corporation (the corporation) for the year ended 30 June 2020, which comprises the:

- financial performance indicators
- water and sewerage service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- certification of performance report.

In my opinion, the performance report of the Barwon Region Water Corporation in respect of the year ended 30 June 2020, presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

**Basis for Opinion** I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the performance report* section of my report.

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

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

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

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

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

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

- identify and assess the risks of material misstatement of 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.

MELBOURNE  
5 October 2020



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



# **PART 6.** **Financial** **Statements**



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

# Consolidated General Purpose Financial Report

## For the Year Ended 30 June 2020

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

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# Consolidated Comprehensive Operating Statement

For the financial year ended 30 June 2020.

		2020	2019
	Notes	\$'000	\$'000
<b>Revenue and income from continuing operations</b>			
Service, usage and trade waste charges	2.11	193,181	193,222
Government contributions		389	511
Developer contributions	2.12	44,026	36,989
Other income		10,177	8,693
Interest income		82	64
Net gain/(loss) on disposal of non-financial assets	4.1.4	1,401	(5)
Rental income		645	604
<b>Total revenue and income from continuing operations</b>		<b>249,901</b>	<b>240,078</b>
<b>Expenses</b>			
Services and supplies	3.2	61,565	55,336
Interest expense	6.1.2	36,845	37,712
Depreciation, amortisation and impairment	4.1.2	70,816	68,424
Employee benefits	3.1.1	45,706	44,315
Environmental contribution	8.2	8,410	8,410
Other operating expense		309	189
<b>Total expenses</b>		<b>223,651</b>	<b>214,386</b>
<b>Net result before tax</b>		<b>26,250</b>	<b>25,692</b>
<b>Income tax expense</b>	8.1.1	<b>6,468</b>	<b>7,574</b>
<b>Net result for the period</b>		<b>19,782</b>	<b>18,118</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to net result			
(Increase)/decrease in impairment of property, plant & equipment	9.1.2	(102)	-
Increase/(decrease) in revaluation of property, plant & equipment	9.1.2	-	33,996
Income tax relating to components of other comprehensive income	8.1.1	30	(7,445)
<b>Total other comprehensive income</b>		<b>(72)</b>	<b>26,551</b>
<b>Comprehensive result</b>		<b>19,710</b>	<b>44,669</b>

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

## Consolidated Balance Sheet as at 30 June 2020

		2020	2019
	Notes	\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.2	35,012	8,527
Receivables	5.1	17,350	33,694
Contract assets	2.1.3	15,590	-
Inventories		1,350	1,339
Prepayments	5.3	2,207	6,966
Land Assets classified as held for sale	4.3	12,161	19,918
<b>Total current assets</b>		<b>83,670</b>	<b>70,444</b>
<b>Non-current assets</b>			
Receivables		36	734
Infrastructure, property, plant and equipment	4.1	2,745,263	2,714,975
Right-of-use assets		119	-
Intangible assets	4.2	15,605	11,051
<b>Total non-current assets</b>		<b>2,761,023</b>	<b>2,726,760</b>
<b>Total assets</b>		<b>2,844,693</b>	<b>2,797,204</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5.2	26,435	40,410
Contract liabilities	2.1.3	7,756	-
Lease liabilities		15	-
Interest bearing liabilities	6.1	62,930	59,058
Employee benefits - Provisions	3.1.2	12,621	11,670
Other Provisions	5.4	1,544	865
<b>Total current liabilities</b>		<b>111,301</b>	<b>112,003</b>
<b>Non-current liabilities</b>			
Payables		149	269
Lease liabilities		107	-
Interest bearing liabilities	6.1	554,322	534,653
Employee benefits - Provisions	3.1.2	909	664
Other Provisions	5.4	3,722	1,579
Net Deferred tax liabilities	8.1.2	379,786	373,349
<b>Total non-current liabilities</b>		<b>938,995</b>	<b>910,514</b>
<b>Total liabilities</b>		<b>1,050,296</b>	<b>1,022,517</b>
<b>Net assets</b>		<b>1,794,397</b>	<b>1,774,687</b>
<b>EQUITY</b>			
Reserves	9.1.2	645,015	645,087
Contributed Capital	9.1.1	459,098	459,098
Accumulated funds	9.1.3	690,284	670,502
<b>Total equity</b>		<b>1,794,397</b>	<b>1,774,687</b>

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 2020

		Contributed Capital	Reserves	Accumulated Funds	Total
	Notes	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Balance at 1 July 2018</b>		<b>459,098</b>	<b>618,536</b>	<b>652,394</b>	<b>1,730,028</b>
Opening balance adjustment		-	-	(10)	(10)
<b>Restated opening balance as at 1 July 2018</b>		<b>459,098</b>	<b>618,536</b>	<b>652,384</b>	<b>1,730,018</b>
<b>Comprehensive income for the year</b>					
Net result for the year	9.1.3	-	-	18,118	18,118
Increase/(decrease) in infrastructure, property, plant and equipment as a result of revaluation, net of income tax	9.1.2	-	26,551	-	26,551
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>26,551</b>	<b>18,118</b>	<b>44,669</b>
<b>Balance at 30 June 2019</b>		<b>459,098</b>	<b>645,087</b>	<b>670,502</b>	<b>1,774,687</b>
<b>Balance at 1 July 2019</b>		<b>459,098</b>	<b>645,087</b>	<b>670,502</b>	<b>1,774,687</b>
<b>Comprehensive income for the year</b>					
Net result for the year	9.1.3	-	-	19,782	19,782
Increase/(decrease) in infrastructure, property, plant and equipment as a result of revaluation, net of income tax	9.1.2	-	(72)	-	(72)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(72)</b>	<b>19,782</b>	<b>19,710</b>
<b>Balance at 30 June 2020</b>		<b>459,098</b>	<b>645,015</b>	<b>690,284</b>	<b>1,794,397</b>

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 2020

		2020	2019
	Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		<i>Inflows</i>	<i>Inflows</i>
		<i>(Outflows)</i>	<i>(Outflows)</i>
<b>Receipts</b>			
Service, usage and tradewaste charges		197,660	191,936
Interest received		83	67
Developer contributions fees		12,436	13,692
Government contributions		389	511
GST received from the ATO		11,920	12,732
Other receipts		18,366	8,037
<b>Payments</b>			
Employees		(45,167)	(43,742)
Suppliers		(72,523)	(56,600)
Interest and other costs of finance paid		(37,055)	(38,008)
Environmental contribution paid		(8,410)	(6,308)
<b>Net cash (outflow)/inflow from operating activities</b>	6.2.2	<b>77,699</b>	<b>82,317</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of infrastructure, property, plant and equipment		(79,299)	(82,408)
Proceeds from sale of infrastructure, property, plant and equipment	4.1.4	4,518	830
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(74,781)</b>	<b>(81,578)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new and paid down and refinanced borrowings		82,600	52,000
Payment of maturing borrowings paid down and refinanced		(58,000)	(51,000)
Repayment of lease liabilities		(1,033)	(792)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>23,567</b>	<b>208</b>
Net increase/(decrease) in cash held		26,485	947
Cash and cash equivalents at the beginning of the financial year		8,527	7,580
<b>Cash and cash equivalents at the end of the financial year</b>	6.2	<b>35,012</b>	<b>8,527</b>

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 2020.

The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASs), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Barwon Water is a state government owned corporation which has been classified as a not-for-profit entity for the purpose of preparing the consolidated 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 and other external entities.

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 the 2nd day of October 2020.

### 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.

Information relating to the Parent is disclosed in Note 9.11. 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 9.10.

## 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 standards have been adopted by the Group:

- **AASB 15 Revenue from Contracts with Customers**

AASB 15 *Revenue from Contracts with Customers*, which replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations requires the Group to recognise revenue when the Group satisfies a performance obligation by transferring a promised good or service to a customer. The Group has adopted AASB 15 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 121 Transitional requirements on the application of

AASB 15 *Revenue from Contracts with Customers*. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated.

Application of the standard has not required any adjustment for the financial year ended 30 June 2020. Further disclosures in relation to AASB 15 are at note 2.1 and 9.12 of this report.

- **AASB 16 Leases**

AASB 16 *Leases* was issued in February 2016 and replaces AASB 117 *Leases*. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay the obligation for lease payments are recognised. The Group has adopted AASB 16 as at 1 July 2019 and has applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 123 Transitional requirements on the application of AASB 16 *Leases*. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated.

Application of the standard resulted in an opening balance adjustment for the financial year ended 30 June 2020. Further disclosures in relation to AASB 16 are at note 9.12 of this report.

- **AASB 1058 Income for Not-for-Profits**

AASB 1058 *Income for Not-for-Profits* replaces requirements of income transactions previously accounted for under AASB 1004 *Contributions*. It establishes principles for not-for-profit entities that apply to (a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit Corporation to further its objectives; and (b) the receipt of volunteer services. It will apply to capital grants from government and grants with no sufficiently specific performance obligation. The Group needs to determine whether a transaction falls under AASB 1058 or actually a contract with a customer under AASB 15. The Group has adopted AASB 1058 as at 1 July 2019 and has





applied the new rules on a modified retrospective basis as mandated by the DTF through FRD 122 Transitional requirements on the application of AASB 1058 *Income of Not-for-Profit Entities*. As a result, comparatives for 2018/19 in our 30 June 2020 accounts have not been restated.

Application of the standard has not required any adjustment for the financial year ended 30 June 2020. Further disclosures in relation to AASB 1058 are at note 9.12 of this report.

• **AASB 1059 Service Concession Arrangements effective as of 1 January 2020 (Early adopted)**

The Australian Accounting Standards Board (AASB) has issued AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) to account for service concession arrangements from the grantor's perspective. The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a grantor for a specified period of time and managing at least some of those services under its own discretion. While the application date of the Standard has been deferred to 1 January 2020, DTF mandates early adoption of AASB 1059 using full retrospective approach, applicable for annual reporting periods commencing on or after 1 January 2019 as mandated by the DTF through FRD 124 Transitional requirements on the application of AASB 1059 *Service Concession Arrangements: Grantors*. Therefore, the Group has adopted AASB 1059 as at 1 July 2019 using a full retrospective approach with 1 July 2018 ('being the date of initial application'). As a result, all comparative information in the financial statements are prepared as if AASB 1059 had always been in effect with a cumulative adjustment between the recognition of service concession assets and financial liabilities as at 1 July 2018.

Application of the standard has not required any adjustment for the financial year ended 30 June 2020.

Further disclosures in relation to AASB 1059 are at Note 6.4 and 9.12 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 judgements 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 discussed in the following notes:
  - The fair value of land, buildings, infrastructure, plant and equipment (Note 7.3)
  - Estimation of useful life (Note 4.1.2)
  - 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)
  - Determining whether the performance obligations are sufficiently specific so as to determine whether the arrangement is within the scope of AASB 15 or AASB 1058 (Note 2.1)
  - The timing of satisfaction of performance obligations (Note 2.1.1 and 2.1.2)
  - Determining transaction price and amounts allocated to performance obligations (Note 2.1.1)
  - For leases, determining whether the arrangement is in substance short-term arrangement (Note 9.12)
  - Estimating discount rate when not implicit in the lease (Note 9.12)

## COVID-19 Pandemic

A state of emergency was declared in Victoria on 16 March 2020 as a result of the ongoing worldwide pandemic of the coronavirus disease 2019 (“COVID-19”) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). In response to the challenge faced by the pandemic, the state government has put in place measures including:

- Declaration of a State of Emergency in Victoria
- Staged government restrictions within communities to halt the spread of the pandemic, supported by social distancing and mandatory face masks
- Federal relief was provided in the form of JobKeeper and JobSeeker to support workplaces and the community
- Policy was amended for government entities to expedite payment of suppliers within 10 days
- Rent relief in the form of grants for households experiencing financial hardship.

The pandemic has had a significant impact on the Australian and local economy with the unemployment rate at its highest level since November 1998. Consequentially, there has been an increase of individuals and families

encountering financial hardship. In response to the impacts on its customers, the Group have put in place the following measures to identify and support those facing financial hardship:

- Weekly reporting on hardship support provided (Concessions, payment plans & support programs)
- Monthly review of Barwon Water’s attestation to National Hardship Principles
- Outbound call strategies to reach out and support customers experiencing hardship
- External relationships and partnerships: Financial Inclusion Action Plan (FIAP) program, Thriving Communities, local support agency networks, Local, State and Federal Government networks.

The staff at both Barwon Water and Barwon Asset Solutions have also been impacted by the COVID-19 pandemic resulting in changes in working conditions:

- Approximately 73% of personnel are now working from home full time
- Those in the field are now working in segregated cells. These cells do not cross-over unless there is a critical safety or operational reason to do so.

- All personnel working outside their homes follow strict physical distancing and hygiene protocols and as per government directions, including wearing a mask at all times unless an exemption applies.

The following account balances have been deemed affected by COVID-19 due to management’s judgements and assumptions about the future and a source of estimate uncertainty:

- Receivables and expected credit loss provision (Note 5.1.1)
- Payables (Note 5.2.1)
- Fair value of non-financial assets (Note 4.1.1)
- Impairment of non-financial assets (Note 4.1.2)
- Superannuation Defined benefit assets and liabilities (Note 3.1.3)
- Going concern (Note 9.3)
- Events occurring after the balance date. (Note 9.2)

## 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 Revenue from contracts with customers

**2.1.1** Service, usage and trade waste charges

**2.1.2** Developer contributions

**2.1.3** Contract assets and contract liabilities

## 2.1 Revenue from contracts with customers

The Group derives revenue from the transfer of goods and/or services over time and at a point in time in the following revenue streams. Revenue is recognised when, or as, the performance obligations to the customer are satisfied. Consideration received in advance of

recognising the associated revenue from the customer is recorded as a contractual liability (refer Note 2.1.3). Where the performance obligations are satisfied but not yet billed, an accrued charge is recorded (refer Note 2.1.3).

### 2.1.1 Service, usage and trade waste charges

	2020	2019
	\$'000	\$'000
<b>Service Charges</b>		
- Water service charges	24,353	24,781
- Sewerage service charges	81,796	79,331
- Recycled water service charges	1,322	1,126
	107,471	105,238
<b>Usage Charges</b>		
- Water usage charges	70,545	73,160
- Sewage disposal charges	6,079	6,116
- Recycled water usage charges	605	1,075
	77,229	80,351
<b>Tradewaste charges</b>		
- Trade waste usage charges	4,632	4,444
- Trade waste other fees and charges	3,849	3,189
	8,481	7,633
<b>Total service, usage and trade waste charges</b>	<b>193,181</b>	<b>193,222</b>

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

Service charges are billed quarterly based on a fixed fee and revenue is recognised over time as the customer simultaneously receives and consumes the services provided by the Group. Where payments are made in advance by customers to unbilled accounts at reporting date, these payments are classified as contract liabilities as the Group has yet to provide the service. AASB 15 usually requires the disclosure of the aggregate amount of revenue expected to be derived from performance obligations which are unsatisfied as at the end of the reporting period. Management consider that such an amount cannot be reliably estimated, primarily because the Group's obligation

to supply customers with major services will continue in perpetuity. As a result, the Group has applied the practical expedient given in AASB 15, paragraph 121(b), not to disclose this amount in relation to service charges.

Usage charges are billed quarterly in arrears and revenue is recognised over time as the Group has the right to receive an amount of consideration based on the unit of water consumed by and sewage, recycled water and trade waste disposed of during the financial year and the regulated price. Usage & trade waste charges are accrued, and contract assets are booked.

The Group has applied the practical expedient given in AASB 15, paragraph B16, where revenue can be recognised in the amount which it has a right to invoice, since the amount is considered by the Group to correspond directly with the value to the customer of the Group's performance to date. The amount of right to invoice is based on

meter readings. As meter reading is cyclical, an estimate is made at the end of the accounting period for water and recycled water usage and sewerage and trade waste disposal by customers. This revenue stream includes an estimate of the amount of water and recycled water consumed by, and sewage disposed, and trade waste disposed for customers that are not yet billed at the end of the period. 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. Any difference between the amount invoiced and actual consumption is adjusted in the period in which the meter readings are finalised and are recovered or paid as part of the next period's charges. This estimated amount is included in contract assets (2.1.3).

The impact of COVID-19 on revenue derived for the financial year ending 30 June 2020 was identified by management as not significant.

## 2.1.2 Developer contributions

	2020	2019
	\$'000	\$'000
<b>Developer contributions</b>		
– Assets received from developers	29,576	25,573
– Fees paid by developers	14,309	11,219
– Customer capital contributions	141	197
<b>Total Developer contributions</b>	<b>44,026</b>	<b>36,989</b>

Assets received from developers arise when developers pay for the cost of the construction of new infrastructure assets, predominately in new land subdivisions and, on completion, gift these assets to the Group to maintain in perpetuity. Revenue in respect to 'assets received from developers' is recognised at the fair value of the gifted assets by assessing the value of the works using a schedule of rates. Revenue recognition occurs in respect to these assets at the point in time when the Group has satisfied its performance obligation. Depending on the type of developer application, this can result in the performance obligation being satisfied when the Statement of Compliance is issued to the customer, or; when the

customer is connected to the Group's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued.

New customer contributions represent non-refundable upfront charges applicable when customers request to build or develop a property and connect to the Group's water supply and sewerage infrastructure network. The rates applied to calculate the new customer contributions are regulated by the Essential Services Commission and these charges contribute towards the cost of augmenting the Group's water supply distribution systems and sewerage disposal systems.

Revenue from new customer contributions is recognised at a point in time when the Group has satisfied its performance obligation. Depending on the type of new customer contribution application, this obligation will vary depending on the type of application submitted by the customer. As a result, a performance obligation can occur when, the Statement of Compliance is issued to the customer, or the customer is connected to the Group's infrastructure network for the provision of water and sewerage services when no Statement of Compliance is required to be issued, or the customer receives consent from the Group to proceed with their application.

## 2.1.3 Contract assets and contract liabilities

<b>Contract assets</b>	2020
	\$'000
<b>Closing balance as at 30 June 2019</b>	-
Contract assets reclassified on application of AASB 15 at 1 July 2019	12,718
Add: Goods & Services provided that are recoverable from the customer	15,590
Less: Transfer to receivables during the year	(12,718)
<b>Total contract assets</b>	<b>15,590</b>
<i>Represented by</i>	
Current contract assets	15,590
Non-current contract assets	-

Contract assets relate to the Group's right to consideration in exchange for goods & services transferred to customers for works completed, but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional, at this time an invoice is issued. The services are expected to be completed and recovered early next year.

**Accrued revenue relating to service and usage charges**

Accrued revenue is recognised for water and sewage usage as well as other works and services that have been provided to customers at balance date but not yet invoiced. Usage charges are all recognised as revenue when the service has been provided. An accrual is done to

account for water and sewage services provided for but not billed at the end of the reporting period.

**Contract liabilities**

	2020
	\$'000
<b>Closing balance as at 30 June 2019</b>	-
Contract liabilities reclassified on application of AASB 15 at 1 July 2019	8,902
Add: Payments received for performance obligations yet to be completed during the period	7,756
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(8,902)
<b>Total contract liabilities</b>	<b>7,756</b>
<i>Represented by</i>	
Current contract liabilities	7,756
Non-current contract liabilities	-

**Contract liabilities relating to service and usage charges:**

Payments received in advance of the provision of goods or services or performance obligation required to be performed by the Group to settle the terms of receipt of income is considered as customers paid in advance. The Group will recognise these advance payments as revenue, once it has performed the performance obligations associated with the payments.

**Contract liabilities relating to developer contributions:**

Unearned income represents developer contributed assets, new customer contributions, application fees and rental received in the reporting period, but the performance obligations are outstanding at balance date.

## 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

	2020	2019
	\$'000	\$'000
<b>Employee benefits</b>		
– Salaries and wages	35,274	33,983
– Annual leave	2,937	2,699
– Long service leave	1,158	1,959
– Employer superannuation contributions	4,200	3,761
– Termination benefit	240	147
– Other	1,897	1,766
<b>Total employee benefit costs</b>	<b>45,706</b>	<b>44,315</b>

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

The amount charged to the 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 annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2020	2019
	\$'000	\$'000
<b>Current provisions</b>		
Employee benefits		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	3,119	2,482
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	706	601
Unconditional and expected to settle after 12 months	7,302	7,023
<i>Other</i>		
Unconditional and expected to settle within 12 months	17	22
<i>Provision for on-costs</i>		
Unconditional and expected to settle within 12 months	543	473
Unconditional and expected to settle after 12 months	934	1,069
<b>Total current provisions for employee benefits</b>	<b>12,621</b>	<b>11,670</b>
<b>Non-current provisions</b>		
Employee benefits – Long service leave	807	577
On-costs	102	87
<b>Total non-current provisions for employee benefits</b>	<b>909</b>	<b>664</b>
<b>Total provisions for employee benefits</b>	<b>13,530</b>	<b>12,334</b>

	2020	2019
	\$'000	\$'000
<b>Reconciliation of movement in on-cost provision</b>		
Opening balance	1,629	1,485
Net provisions recognised	(50)	144
<b>Closing balance</b>	<b>1,579</b>	<b>1,629</b>
Current	1,477	1,542
Non-current	102	87
	<b>1,579</b>	<b>1,629</b>

#### 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

- 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 2019*

\*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 Vision Super (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which

is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement, when they are made or due.

Contributions by the Group (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 & 30 June 2019 are detailed below:

Scheme	Type of scheme	Rate	2020	2019
			\$'000	\$'000
Vision Super	Defined Benefits	9.50% – 19.56%	874	858
Vision Super	Accumulation Plan	9.50%	1,737	1,649
Other Funds	Accumulation Plan	9.50%	1,326	1,069

There was \$45,556 in outstanding contributions owing to the above schemes at 30 June 2020 (2019: \$32,502).

The expected contributions to be paid by the Group to the defined benefits category of Vision Super for the year ending 30 June 2021 is estimated to be \$822,231.

### 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 *Employee Benefits*.

### 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.

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, an interim actuarial investigation of the Defined Benefit category of which the Group was a

member of was held. The vested benefit index (VBI) was 107.1%.

The financial assumptions used to calculate the VBIs were:

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

Vision Super has advised that the VBI as at 30 June 2020 was 104.6%. The Group have not received any further advice from the Fund on the impact of COVID-19 on the assumptions used to calculate the VBI for 30 June 2020.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 2019 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.



**The 2019 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 2019 and full actuarial investigation was conducted as at 30 June 2017.

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

	2019	2017
	\$'000	\$'000
• A VBI surplus	151.3	69.8
• A total service liability surplus	233.4	193.5
• A discounted accrued benefits surplus	256.7	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 2019.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

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

**The 2020 triennial actuarial investigation**

An triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated

that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

	2020	2017
	Triennial investigation	Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.50% pa for the first two years and 2.75% pa thereafter	3.5% pa
Price inflation	2.0% pa	2.5% pa

## Employer contributions

### Regular contributions

On the basis of the results of the 2017 full 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 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation

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.

	2020	2019
	\$'000	\$'000
<b>Supplies and services</b>		
- Direct operating expenses	38,747	39,226
- Administration expenses	15,276	10,389
- Bulk water supplies	7,542	5,721
<b>Total Supplies and services</b>	<b>61,565</b>	<b>55,336</b>

## 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
- 4.2 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

Asset class	Gross carrying amount		Accumulated depreciation and impairment		Net carrying amount	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land at fair value	146,248	144,949	-	-	146,248	144,949
Buildings at fair value	52,907	56,809	(3,856)	(6,609)	49,051	50,200
Infrastructure – Water Distribution at fair value	1,055,126	1,038,227	(91,749)	(68,490)	963,377	969,737
Infrastructure – Water Harvesting & Major Transfer at fair value	367,915	367,492	(15,755)	(11,766)	352,160	355,726
Infrastructure – Water Quality at fair value	101,559	95,072	(13,712)	(10,356)	87,847	84,716
Infrastructure – Sewer Collection at fair value	820,739	788,284	(75,723)	(56,894)	745,016	731,390
Infrastructure – Sewer Treatment & Disposal at fair value	289,603	285,865	(58,659)	(47,132)	230,944	238,732
Service concession assets*	42,351	42,351	(10,470)	(7,852)	31,881	34,499
Plant, Equipment & Other at fair value	54,479	54,953	(38,823)	(38,933)	15,656	16,020
Capital Works in Progress at cost	123,083	89,006	-	-	123,083	89,006
<b>Total infrastructure, property, plant and equipment</b>	<b>3,054,010</b>	<b>2,963,007</b>	<b>(308,747)</b>	<b>(248,032)</b>	<b>2,745,263</b>	<b>2,714,975</b>

\* The group has reclassified the biosolids drying facility as a service concession asset and has measured the asset at its current replacement cost as at the date of reclassification.

**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 (2018/19 \$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 the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Items of infrastructure, plant & equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

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. This asset is recognised as a service concession asset under AASB 1059 *Service concession arrangements: grantors*.

The Group recognises a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the Group, when the Group controls the asset. The Group controls or regulates the services the operator must provide with the asset, price, and any significant residual interest in the asset at the end of the term of the arrangement.

The Group initially measures service concession assets at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. Subsequent to the initial recognition, or reclassification of the asset, the Corporation measures the service concession asset in accordance with AASB 16 *Property Plant and Equipment* or AASB 138 *Intangible Assets* as appropriate as relevant (refer to Note 6.5).

**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*. Fair value is determined with regards to the assets highest value in use.

**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.

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.

A fair value assessment in respect to the Group's land assets was undertaken using the compounded impact of the Valuer-General Victoria indices for the year ended 30 June 2019 which resulted in a managerial revaluation.

The 30 June 2020 fair value assessment of infrastructure, property, plant and equipment was performed using the VGV indices (for land and buildings as obtained from the Department of Treasury and Finance) and ABS Infrastructure index data for infrastructure assets.

Both the VGV indices and ABS infrastructure index, were based on data to March 2020.

The VGV indices indicated an average decrease of 4.4% across all land parcels and an 8.4% increase in buildings, while the ABS infrastructure index indicated an increase of 7.3% in infrastructure assets.

Management regards the VGV indices and ABS infrastructure index to be a reliable and relevant data set to form the basis of their estimates. Whilst these indices and index are applicable at 30 June 2020, the fair value of land, buildings and infrastructure will continue to be subjected to the impacts of COVID-19 in future accounting periods.

As the accumulative movement was less than 10% for land, buildings and infrastructure, no managerial revaluation was required.

The land, building and infrastructure are considered to be sensitive to market conditions. To trigger a managerial revaluation, a decrease in the land indice of 5.6%, a decrease in the building indice of 18.4% and a decrease in the ABS infrastructure index of 17.3% would be required.

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 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.

		2020	2019
	Notes	\$'000	\$'000
Depreciation of infrastructure, property, plant and equipment	4.1.3	65,258	64,350
Depreciation of service concession assets	4.1.3	2,618	2,617
Depreciation of right of use assets		18	-
Impairment	4.1.3	655	-
<i>less impairment recognised through asset revaluation reserve</i>	9.1.2	(102)	-
<b>Total Depreciation and impairment</b>		<b>68,447</b>	<b>66,967</b>
Amortisation	4.2	2,369	1,457
<b>Total Depreciation, impairment and amortisation</b>		<b>70,816</b>	<b>68,424</b>

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated.

Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation is 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.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Property, Plant & Equipment Class	Useful life: years
Buildings	25 – 75 years
Infrastructure – distribution	25 – 80 years
Infrastructure – harvesting and major transfer	75 – 345 years
Infrastructure – quality	60 – 80 years
Infrastructure – collection	25 – 80 years
Infrastructure – treatment and disposal	25 – 120 years
Service concession asset	20 years
Plant, equipment and other	3.7 – 15 years

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

#### Indefinite life assets

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

#### Impairment

Non-financial assets, including items of infrastructure, property, plant and equipment, are 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.

Management have deemed there to be no COVID-19 impact on the impairment assessment of non-financial assets as at 30 June 2020.

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

	Carrying amount at 1 July	Additions	Disposals	Revaluation	Impairments	Transfers between Asset Classes	* Fair values of assets received free of charge	Depreciation	Closing WDV at 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019/20</b>									
Land	144,949	-	(2,035)	-	(451)	3,785	-	-	146,248
Buildings	50,200	-	(83)	-	-	140	-	(1,206)	49,051
Water distribution	969,737	-	-	-	-	3,150	13,780	(23,290)	963,377
Water harvesting and major transfer	355,726	-	-	-	-	424	-	(3,990)	352,160
Water quality	84,716	-	(11)	-	-	6,499	-	(3,357)	87,847
Sewer collection	731,390	-	(714)	-	-	17,713	15,796	(19,169)	745,016
Sewer treatment and disposal	238,732	-	(1)	-	(1)	3,877	-	(11,663)	230,944
Service concession assets^	34,499	-	-	-	-	-	-	(2,618)	31,881
Plant, equipment and other	16,020	38	(220)	-	-	2,401	-	(2,583)	15,656
Capital works in progress	89,006	108,821	(53)	-	(203)	(44,912)	(29,576)	-	123,083
<b>Total Property plant and equipment</b>	<b>2,714,975</b>	<b>108,859</b>	<b>(3,117)</b>	<b>-</b>	<b>(655)</b>	<b>(6,923)</b>	<b>-</b>	<b>(67,876)</b>	<b>2,745,263</b>

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

\* Developer contributions

<sup>^</sup> The group has reclassified assets under finance lease as a service concession asset (Note 4.1.1)

#### 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:

	2020	2019
	\$'000	\$'000
Proceeds on sale of infrastructure, property, plant and equipment	4,518	830
Less written down value	(3,117)	(835)
<b>Net profit/(loss) on disposal</b>	<b>1,401</b>	<b>(5)</b>

#### 4.2 Intangible assets

	2020	2019
	\$'000	\$'000
At cost	35,826	31,150
Less: accumulated amortisation	(20,221)	(20,099)
<b>Total intangible assets</b>	<b>15,605</b>	<b>11,051</b>

	Software	Bulk Water Entitlement	Total
	\$'000	\$'000	\$'000
<b>Year ended 30 June 2020</b>			
Opening WDV at 1 July 2019	5,129	5,922	11,051
Additions	6,923	0	6,923
Impairment	-	0	-
Amortisation	(2,369)	0	(2,369)
<b>Closing WDV at 30 June 2020</b>	<b>9,683</b>	<b>5,922</b>	<b>15,605</b>
<b>Year ended 30 June 2019</b>			
Opening WDV at 1 July 2018	6,586	5,922	12,508
Additions	-	0	-
Impairment	-	0	-
Amortisation	(1,457)	0	(1,457)
<b>Closing WDV at 30 June 2019</b>	<b>5,129</b>	<b>5,922</b>	<b>11,051</b>

Note: The consumption of intangible assets is included in the 'depreciation, amortisation and impairment' line item on the Consolidated 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 are tested annually for impairment.

### 4.3 Assets classified as held for sale

	2020	2019
	\$'000	\$'000
<b>Category</b>		
Freehold Land held for sale	12,161	19,780
Buildings held for sale	-	138
<b>Total Assets classified as held for sale</b>	<b>12,161</b>	<b>19,918</b>



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 2020 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

	2020	2019
	\$'000	\$'000
<b>Current</b>		
<b>Contractual</b>		
Tariff and sundry	14,941	16,939
Accrued charges	-	12,718
Allowance for expected credit losses	(290)	(230)
Other receivables	782	820
<b>Statutory</b>		
Amount owing from Victorian Government	16	1,131
GST input tax credit receivables	1,901	2,316
<b>Total current receivables</b>	<b>17,350</b>	<b>33,694</b>

Receivables consist of:

- contractual receivables, such as debtors in relation to tariff and sundry debtors (including for water, sewerage and tradewaste services), accrued charges (2019) 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 financial assets at amortised cost.

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. Accrued charges are recognised for water and sewerage usage as well as other works and services that have been provided to customers at balance date but not yet invoiced. Usage charges are all recognised as revenue when the service has been provided.

On applying AASB 15, these are disclosed as contract assets under Note 2.1.3.

Payments received from customers in advance have been separated out from debtors and on applying AASB 15, disclosed as a contract liability under Note 2.1.3.

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 2020 and 30 June 2019 was determined as follows for receivables – service and usage charges and other receivables:

30 June 2020	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate %	0.06%	0.42%	0.42%	6.33%	1.84%
Gross carrying amount – receivables from tariffs and sundry \$'000	7,466	2,081	1,099	4,295	14,941
Gross carrying amount – other receivables \$'000	782	-	-	-	782
<b>Loss allowance \$'000</b>	<b>5</b>	<b>9</b>	<b>5</b>	<b>272</b>	<b>290</b>

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	-	-	-	820
<b>Loss allowance \$'000</b>	<b>7</b>	<b>9</b>	<b>13</b>	<b>201</b>	<b>230</b>

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.

The impact of COVID-19 on the expected credit loss model was identified by

management as not significant. Whilst there have been customers who have utilised the measures put in place by the Group to support those impacted by financial hardship, it is expected that recovery of debts owed at 30 June 2020 will not be impacted as a result of COVID-19.

## 5.2 Payables

	2020	2019
	\$'000	\$'000
<b>Current</b>		
<b>Contractual</b>		
Trade creditors	9,744	13,934
Accrued expenses	14,986	15,045
Other creditors	1,542	11,249
<b>Statutory</b>		
Payroll tax payable	89	124
Withholding tax payable	74	58
<b>Total current payables</b>	<b>26,435</b>	<b>40,410</b>

### Payables consist of:

- Other creditors primarily include accrued developer contributions & overpaid debtors. On applying AASB 15, accrued developer contributions & overpaid debtors are disclosed as contract liabilities (Note 2.1.3); and
- 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. Other creditors primarily include accrued developer contributions & overpaid debtors. On applying AASB 15, accrued developer contributions & overpaid debtors are disclosed as contract liabilities (Note 2.1.3); 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.

Contractual payables are unsecured and under normal circumstances, paid within 30 days of recognition. Due to COVID-19, the Company has complied with a State Government directive to reduce its payment terms in accordance with its policy to suppliers from 30 days to 10 days.

## 5.2.1 Ageing Analysis of contractual payables

	Total	Maturity Dates				
		Less than 1 month	1-3 months	3 months - 1 year	1-5 Years	5+ years
30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>						
Supplies and services	9,744	9,744	-	-	-	-
Other payables	16,528	16,528	-	-	-	-
<b>Total</b>	<b>26,272</b>	<b>26,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2019</b>						
Supplies and services	13,934	13,893	41	-	-	-
Other payables	26,294	26,294	-	-	-	-
<b>Total</b>	<b>40,228</b>	<b>40,187</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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.

## 5.4 Other provisions

	2020	2019
	\$'000	\$'000
<b>Current provisions</b>		
Remediation works	1,544	865
<b>Non-current provisions</b>		
Remediation works	3,722	1,579
<b>Total other provisions</b>	<b>5,266</b>	<b>2,444</b>

### 5.4.1 Reconciliation of movements in other provisions

	2020
	\$'000
<b>Opening balance</b>	<b>2,444</b>
Additional provisions recognised	3,914
Reductions arising from payments for costs incurred	(1,092)
<b>Closing balance</b>	<b>5,266</b>

As a result of the Group utilising a borefield as a water source intermittently over the past 37 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 2020 to remediate the creek and swamp and surrounding area. The remediation works provision is currently planned to be incurred over 5-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 Service concession arrangement expenditure commitments

#### 6.4 Service concession arrangements

### 6.1 Interest bearing liabilities

	2020	2019
	\$'000	\$'000
<b>Current interest bearing liabilities</b>		
Borrowings*	61,600	58,000
Financial liabilities – Service concession arrangements (refer Note 6.4)	1,330	1,058
<b>Total current interest bearing liabilities</b>	<b>62,930</b>	<b>59,058</b>
<b>Non-Current interest bearing liabilities</b>		
Borrowings*	509,400	488,400
Financial liabilities – Service concession arrangements (refer Note 6.4)	44,922	46,253
<b>Total non-current interest bearing liabilities</b>	<b>554,322</b>	<b>534,653</b>
<b>Total interest bearing liabilities</b>	<b>617,252</b>	<b>593,711</b>

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

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Financial liabilities – Service concession arrangements (“SCA”) are measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the Group and the operator. 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

	Carrying Amount \$'000	Nominal Amount \$'000	Maturity dates				
			Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	5+ years \$'000
<b>2020</b>							
Borrowings	571,000	571,000	26,600	20,000	15,000	193,500	315,900
Financial liabilities – SCA	46,252	46,252	100	205	1,024	8,783	36,140
<b>Total</b>	<b>617,252</b>	<b>617,252</b>	<b>26,700</b>	<b>20,205</b>	<b>16,024</b>	<b>202,283</b>	<b>352,040</b>
<b>2019</b>							
Borrowings	546,400	546,400	22,000	20,000	16,000	177,500	310,900
Financial liabilities – SCA	47,311	47,311	79	161	817	7,313	38,941
<b>Total</b>	<b>593,711</b>	<b>593,711</b>	<b>22,079</b>	<b>20,161</b>	<b>16,817</b>	<b>184,813</b>	<b>349,841</b>

## 6.1.2 Interest expense

	2020 \$'000	2019 \$'000
Interest on government borrowings	24,744	25,745
Interest on lease of right-of-use assets (AASB 16)	6	-
Financial accommodation levy	7,192	6,966
Interest on financial liabilities – service concession arrangements	4,903	5,001
<b>Total interest expense</b>	<b>36,845</b>	<b>37,712</b>

Interest expense' includes costs incurred in connection with the borrowing of funds. Interest costs include short term and long-term borrowings, financial liabilities recognised for service concession arrangements, amortisation of discounts or premiums relating to borrowings and lease charges.

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 Group 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.

	2020 \$'000	2019 \$'000
Cash at bank (These bank accounts are bearing floating interest rates of 0.50% 2019/20 (2018/19: 1.25%))	35,012	8,527
<b>Balance as per consolidated cash flow statement</b>	<b>35,012</b>	<b>8,527</b>

## 6.2.1 Borrowings

### Financing Facilities

	2020	2019
	\$'000	\$'000
<b>Secured bank overdraft facility, reviewed annually and payable at call</b>		
Amount used at balance date	-	-
Amount unused at balance date	-	350
<b>Total</b>	<b>-</b>	<b>350</b>
<b>Secured loan facilities</b>		
Amount used at balance date	571,000	546,400
Amount unused at balance date	-	28,500
<b>Total</b>	<b>571,000</b>	<b>574,900</b>

The Group had an overdraft facility of \$350,000 at 30 June 2019 which was subject to annual review by its bankers. During the year ending 30 June 2020, this facility was terminated under direction from management.

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 12.3 years (2019 13.3 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 2020 which included refinancing of \$35 million (2019 \$36 million) of loans maturing in 2020-21 and obtaining new loans of \$16.5 million (2019 \$24.6 million) between 1 July 2020 and 30 June 2021. The treasurer's approval also includes \$20.0 million refinancing of non-maturing debts and \$5.0 million in temporary finance accommodation.

Borrowings was increased by \$24.6 million to ensure maximum liquidity during the current uncertainty resulting from the pandemic. This has enabled the Group to comply with the State Government directive to reduce our payment terms to suppliers from 30 days down to 10 days and has provided a buffer for any reductions in customer receipts should these materialise.

The Group has \$200,000 credit card facilities of which \$29,726 was utilised at 30 June 2020 (2019: \$45,230) and bank guarantees of \$2,201,037 of which \$2,159,005 was utilised at 30 June 2020 (2019: \$100,000).

The Group has \$5,450,000 in facilities with Transaction Negotiation Authority of which nil was utilised at 30 June 2020 (2019: \$0).

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

	2020	2019
	\$'000	\$'000
<b>Net result for the period after income tax</b>	<b>19,782</b>	<b>18,118</b>
<b>Add/(less) non-cash flows in net profit</b>		
Depreciation, amortisation and impairment	70,816	68,424
(Profit)/Loss on disposal of infrastructure, property, plant and equipment	(1,401)	5
Non-cash capital contributions	(29,576)	(25,573)
Non-cash interest expense on finance lease	5	-
Increase/(decrease) in net deferred tax liability	6,437	7,558
Other non-cash adjustment	-	(42)
<b>Changes in assets and liabilities</b>		
Increase/(decrease) in employee benefits provisions	1,195	1,029
Increase/(decrease) in other provisions	2,822	2,444
Decrease/(increase) in trade & other receivables	4,326	(3,060)
Decrease/(increase) in contract assets	(2,872)	-
Decrease/(increase) in assets held for sale	7,757	-
Decrease/(increase) in inventories	(12)	1
Decrease/(increase) in prepayments	4,758	5,004
Increase/(decrease) in payables	(5,193)	8,431
Increase/(decrease) in contract liabilities	(1,145)	-
Changes in amount payable for the service concession liability	-	(24)
<b>Net cash provided by operating activities</b>	<b>77,699</b>	<b>82,317</b>

## 6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from non-cancellable contractual sources.

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

		2020	2020	2019	2019
	Note	\$'000	\$'000	\$'000	\$'000
<b>Total commitments payable</b>		<b>Nominal value</b>	<b>Present value</b>	<b>Nominal value</b>	<b>Present value</b>
Environmental contribution commitments	8.2.1	38,393		8,410	
Operating commitments	6.3.2	3,325		7,684	
Capital commitments	6.3.3	18,482		19,772	
Service concession arrangement expenditure commitments - Biosolids drying facility	6.3.4	107,544	72,773	90,431	59,346
Commissioned SCA related payable	6.4	83,612	46,252	89,574	47,312
<b>Total commitments (inclusive of GST)</b>		<b>251,356</b>		<b>215,871</b>	
Less GST recoverable		19,360		18,860	
<b>Total commitments (exclusive of GST)</b>		<b>231,996</b>		<b>197,011</b>	

### 6.3.2 Operating commitments

	Less than 1 year	Between 1 and 5 years	Total
Nominal \$ - 2020	\$'000	\$'000	\$'000
<b>Operating commitments payable</b>			
Annual licence fees and software maintenance	-	-	-
External consultants	-	-	-
Maintenance and meter services	117	465	582
Other operating expenditure	548	2,195	2,743
<b>Total operating commitments payable (inclusive of GST)</b>	<b>665</b>	<b>2,660</b>	<b>3,325</b>
Less GST recoverable	60	242	302
<b>Total operating commitments payable (exclusive of GST)</b>	<b>605</b>	<b>2,418</b>	<b>3,023</b>
<b>Nominal \$ - 2019</b>			
<b>Operating commitments payable</b>			
Annual licence fees and software maintenance	34	-	34
External consultants	124	-	124
Maintenance and meter services	794	582	1,376
Other operating expenditure	3,407	2,743	6,150
<b>Total operating commitments payable (inclusive of GST)</b>	<b>4,359</b>	<b>3,325</b>	<b>7,684</b>
Less GST recoverable	396	303	699
<b>Total operating commitments payable (exclusive of GST)</b>	<b>3,963</b>	<b>3,022</b>	<b>6,985</b>

### 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.

	2020	2019
	\$'000	\$'000
<b>Capital expenditure commitments payable</b>		
Infrastructure, property, plant and equipment		
Less than 1 year	7,329	16,248
Longer than 1 year but not longer than 5 years	11,153	3,524
<b>Total commitments (inclusive of GST)</b>	<b>18,482</b>	<b>19,772</b>
Less GST recoverable	1,848	1,797
<b>Total commitments (exclusive of GST)</b>	<b>16,634</b>	<b>17,975</b>

### 6.3.4 Service concession arrangement expenditure commitments

	2020	2019
	\$'000	\$'000
<b>Service concession arrangement expenditure commitments</b>		
Less than 1 year	7,807	6,010
Longer than 1 year but not longer than 5 years	33,230	25,579
Longer than 5 years	66,507	58,842
<b>Total commitments (inclusive of GST)</b>	<b>107,544</b>	<b>90,431</b>
Less GST recoverable	9,777	8,221
<b>Total commitments (exclusive of GST)</b>	<b>97,767</b>	<b>82,210</b>

Refer to the table in Note 6.4 for the financial liability associated with this arrangement.



## 6.4 Service concession arrangements

The Group sometimes enters into arrangements with private/public sector participants to design and construct or upgrade assets used to provide public services. These arrangements usually include the provision of operational and maintenance services for a specified period of time. These arrangements are often referred to as public private partnerships (PPPs).

The Group has adopted AASB 1059 *Service Concession Arrangements: Grantors* to account for PPP arrangements that meet the definition of a service concession arrangements (SCAs) in accordance with AASB 1059. Where a PPP is not considered a SCA, the Group determines whether the arrangement is a lease (and accounted for under AASB 16) or a construction contract (and accounted for under AASB 116 and AASB 9) and accounts for them under those relevant standards.

The Group has taken up the SCA under the 'financial liability' model where the Group pays the operator over the arrangement period, subject to specified performance criteria being met. At the date of commitment to the

principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset, and the components related to the ongoing operation and maintenance of the asset.

For arrangements within the scope of AASB 1059 that use the 'financial liability' model, the Group records the asset used in the SCAs at current replacement cost in accordance with the cost approach to Fair Value under AASB 13: *Fair Value Measurement* (AASB 13), with a related financial liability(s).

The Group entered into an arrangement with a third party to build a thermal drying plant at Black Rock which was commissioned on 3 September 2012. Under the arrangement, the third party would continue to operate the plant on the Groups behalf for a period of 20 years. At the time of commissioning, 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 financial liability consist of monthly repayments comprising a service charge associated with the throughput of the plant, recognised in the Consolidated Comprehensive Operating Statement, and a component incorporating both interest and repayments based on an implicit interest rate of 10.99% (2018-19 10.99%). Please refer to Note 6.3.4 for SCA operating expenditure commitments.

For the year ended 30 June 2019 the arrangement was recognised and disclosed under AASB 117 *Leases* as a finance lease commitment. Using the full retrospective application of AASB 1059 as at 1 July 2018, the finance lease was reclassified as a financial liability.

The table below illustrates the commitments for the service concession arrangement.

	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
	Minimum future lease payments		Present value of minimum future lease payments	
<b>Commissioned SCA related payable</b>				
Less than 1 year	6,110	5,961	5,776	5,636
Longer than 1 year but not longer than 5 years	26,008	25,374	19,014	18,551
5 years or more	51,494	58,239	21,462	23,124
	<b>83,612</b>	<b>89,574</b>	<b>46,252</b>	<b>47,311</b>
<b>Minimum future lease payments</b>				
less future finance charges	(37,360)	(42,263)	-	-
<b>Present value of minimum lease payments</b>	<b>46,252</b>	<b>47,311</b>	<b>46,252</b>	<b>47,311</b>
<b>Included in the financial statements as:</b>				
Current liabilities (Note 6.1)			1,330	1,058
Non-current liabilities (Note 6.1)			44,922	46,253
			<b>46,252</b>	<b>47,311</b>

## 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 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 2020-21 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
<p><b>Cash and deposits</b></p> <p><b>Receivables:</b></p> <ul style="list-style-type: none"> <li>Tariffs and sundry</li> <li>Other receivables</li> <li>Investment in Zero Emission Water (ZEW)</li> </ul>	<p><b>Payables:</b></p> <ul style="list-style-type: none"> <li>Trade creditors</li> <li>Other payables</li> </ul> <p><b>Interest bearing liabilities:</b></p> <ul style="list-style-type: none"> <li>Borrowings</li> <li>Lease Liabilities</li> </ul>

### 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
- 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
- Receivables (excluding statutory receivables).

Financial liabilities 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)
- 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 Board provides written principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk, non-derivative financial instruments and investment of excess liquidity.

The main risks 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. Under a current State Government directive resulting from COVID-19, the Group's policy is to settle financial obligations within 30 days has reduced to 10 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. Exposure to changes in interest rates has been deemed immaterial to the Group.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the table that follows. Disclosure is limited to financial instruments exposed to interest rate risks:

30 June 2020	Floating interest rate \$'000	Fixed interest maturing In						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	
<b>Financial assets</b>								
Cash and cash equivalents	35,012	-	-	-	-	-	-	35,012
<b>Total financial assets</b>	<b>35,012</b>	-	-	-	-	-	-	<b>35,012</b>
<b>Financial liabilities</b>								
Borrowings	(26,600)	(35,000)	(45,000)	(47,500)	(50,000)	(51,000)	(315,900)	(571,000)
Service concession liability	-	(1,330)	(1,636)	(1,981)	(2,366)	(2,799)	(2,799)	(46,252)
Lease liabilities	-	(8)	(8)	(9)	(9)	(10)	(78)	(122)
<b>Total financial liabilities</b>	<b>(26,600)</b>	<b>(36,338)</b>	<b>(46,644)</b>	<b>(49,490)</b>	<b>(52,375)</b>	<b>(53,809)</b>	<b>(352,118)</b>	<b>(617,374)</b>
<b>Net financial assets/liabilities</b>	<b>8,412</b>	<b>(36,338)</b>	<b>(46,644)</b>	<b>(49,490)</b>	<b>(52,375)</b>	<b>(53,809)</b>	<b>(352,118)</b>	<b>(582,362)</b>
Weighted average interest rate	0.42%	5.80%	4.71%	4.71%	4.50%	4.48%	4.31%	

30 June 2019	Floating interest rate \$'000	Fixed interest maturing In						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	
<b>Financial assets</b>								
Cash and cash equivalents	8,527	-	-	-	-	-	-	8,527
<b>Total financial assets</b>	<b>8,527</b>	-	-	-	-	-	-	<b>8,527</b>
<b>Financial liabilities</b>								
Borrowings	(22,000)	(36,000)	(35,000)	(45,000)	(47,500)	(50,000)	(310,900)	(546,400)
Service concession liability	-	(1,058)	(1,330)	(1,636)	(1,981)	(2,366)	(38,940)	(47,311)
<b>Total financial liabilities</b>	<b>(22,000)</b>	<b>(37,058)</b>	<b>(36,330)</b>	<b>(46,636)</b>	<b>(49,481)</b>	<b>(52,366)</b>	<b>(349,840)</b>	<b>(634,208)</b>
<b>Net financial assets/liabilities</b>	<b>(13,473)</b>	<b>(37,058)</b>	<b>(36,330)</b>	<b>(46,636)</b>	<b>(49,481)</b>	<b>(52,366)</b>	<b>(349,840)</b>	<b>(594,700)</b>
Weighted average interest rate	1.42%	5.14%	5.38%	4.71%	4.71%	4.50%	4.77%	

**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 \$669,591,615, (\$638,039,040 in 2018/19) 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 2020 (2018/19 \$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:

	2020	2019
	\$'000	\$'000
<b>Contingent liabilities</b>		
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.	1,258	1,231
<b>Total Contingent liabilities</b>	<b>1,258</b>	<b>1,231</b>

## 7.2.1 Power Purchase Agreement specific disclosure

The Group 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/facilities 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 which were due to be satisfied during the 2019/20 financial year.

The solar farm energy generator experienced a construction delay due to redesign of electrical infrastructure and a connection delay relating to generator restrictions and revised connection procedures advised by the Australian Electricity Market Operator (AEMO). Renegotiated terms have resulted in an extension of the target commercial operation date to 1 October 2020 and a compensation settlement to ZEW for the delay. Barwon Water's share of the settlement is \$291,783 which has been recognised in the Comprehensive Operating Statement as other income.

At 30 June 2020 the conditions precedent in the PPA are not completed and ZEW does not have a contractual obligation for the CFD derivative. Therefore, there are no other transactions to be recognised.

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

The members' agreement specifies that ZEW may call on the Group to make a loan available to ZEW amounting to \$167,490. The loan, if requested by ZEW would meet 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. As at 30 June 2020, no request has been made by ZEW.

Once the facility is operational, the financial impact of the members' agreement with ZEW is expected to be an increase in revenue, expenses, and recognition of LGCs as intangible assets or asset held for sale (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 2020 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 2020	\$'000	\$'000	\$'000
Specialised Land	-	-	146,248
Specialised Buildings	-	-	49,051
Infrastructure – water distribution	-	-	963,377
Infrastructure – water harvesting	-	-	352,160
Infrastructure – water quality	-	-	87,847
Infrastructure – sewer collection	-	-	745,016
Infrastructure – sewer treatment (ii)	-	-	230,944
Plant and Equipment	-	-	15,656
<b>Total</b>			<b>2,590,299</b>

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
<b>Total</b>			<b>2,625,971</b>

Notes:

(i) Classified in accordance with the fair value hierarchy, see Note 7.3,

(ii) Includes service concession assets.

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.

**Non-specialised land and non-specialised buildings**

Non-specialised land and non-specialised buildings are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

**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 further fair value assessment was undertaken using the compounded impact of the Valuer-General Victoria indices for the year ended 30 June 2019 which resulted in a managerial revaluation. The Group conducted an assessment at 30 June 2020 with no material movement identified since the 2019 valuation.

#### 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 2020. The Group conducted an assessment at 30 June 2020 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 and service concession assets

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. Economic obsolescence has also been factored into the current replacement cost calculation. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

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 service concession arrangement (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 2020.

The Group conducted an assessment at 30 June 2020 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.

2020	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
<b>Opening balance</b>	144,949	50,200	969,737	355,726	84,716	731,390	273,230	16,020
Purchases (sales)/Adjustments	1,750	58	16,930	424	6,488	32,795	3,876	2,219
Depreciation	-	(1,206)	(23,290)	(3,990)	(3,357)	(19,169)	(14,281)	(2,583)
Impairment loss	(451)	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>1,299</b>	<b>(1,149)</b>	<b>(6,360)</b>	<b>(3,566)</b>	<b>3,131</b>	<b>13,626</b>	<b>(10,405)</b>	<b>(364)</b>
Revaluation	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>146,248</b>	<b>49,051</b>	<b>963,377</b>	<b>352,160</b>	<b>87,847</b>	<b>745,016</b>	<b>262,825</b>	<b>15,656</b>



	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
<b>2019</b>								
<b>Opening balance</b>	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	-	-	19,186	19,644	5,364
Depreciation	-	(1,202)	(22,870)	(3,988)	(3,303)	(18,899)	(13,974)	(2,732)
Impairment loss	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>(4,887)</b>	<b>3,525</b>	<b>3,284</b>	<b>(3,988)</b>	<b>(3,303)</b>	<b>287</b>	<b>5,670</b>	<b>2,632</b>
Revaluation	33,996	-	-	-	-	-	-	-
Subtotal	33,996	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>144,949</b>	<b>50,200</b>	<b>969,737</b>	<b>355,726</b>	<b>84,716</b>	<b>731,390</b>	<b>273,230</b>	<b>16,020</b>

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

2020 and 2019	Valuation technique	Significant unobservable inputs
<b>Specialised land</b>	Market/Direct comparison approach	<ul style="list-style-type: none"> <li>Average cost per square metre adjusted for community service obligations</li> </ul>
<b>Specialised buildings</b>	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per asset</li> <li>Useful life of specialised buildings</li> </ul>
<b>Infrastructure - Sewer Collection</b>		
Sewer Retic Mains	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per square metre</li> <li>Useful life of the infrastructure</li> </ul>
Sewer Rising Mains	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per square metre</li> <li>Useful life of the infrastructure</li> </ul>
Sewer Pump Station	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per facility</li> <li>Number of pump stations</li> <li>Useful life of the infrastructure</li> </ul>
<b>Infrastructure - Sewer Treatment</b>		
Wastewater Treatment Plants	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per facility</li> <li>Number of treatment plants</li> <li>Useful life of the infrastructure</li> </ul>
Wastewater Treatment Plants Mechanical/Electrical	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per asset</li> <li>Useful life of the infrastructure</li> </ul>
Specialised Buildings	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per asset</li> <li>Useful life of the infrastructure</li> </ul>
<b>Infrastructure - Water Distribution</b>		
Reticulation Mains	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per square metre</li> <li>Useful life of the infrastructure</li> </ul>
Service Basins & Tanks	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per facility</li> <li>Number of facilities</li> <li>Useful life of the infrastructure</li> </ul>
<b>Infrastructure - Water Harvesting</b>		
Channels	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per facility</li> <li>Number of facilities</li> <li>Useful life of the infrastructure</li> </ul>
Reservoirs	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per facility</li> <li>Number of facilities</li> <li>Useful life of the infrastructure</li> </ul>
Groundwater	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per facility</li> <li>Number of facilities</li> <li>Useful life of the infrastructure</li> </ul>
<b>Infrastructure - Water Quality</b>		
Specialised Buildings	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per asset</li> <li>Useful life of the infrastructure</li> </ul>
Water Treatment Plants	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per facility</li> <li>Number of facilities</li> <li>Useful life of the infrastructure</li> </ul>
Water Treatment Plants Mechanical/Electrical	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per asset</li> <li>Useful life of the infrastructure</li> </ul>
<b>Plant &amp; Equipment</b>		
Computer Hardware	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per asset</li> <li>Useful life of the asset</li> </ul>
Vehicles	Depreciated replacement cost	<ul style="list-style-type: none"> <li>Average cost per asset</li> <li>Useful life of the asset</li> </ul>

## 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:

	2020	2019
	\$'000	\$'000
<b>Income statement</b>		
Current income tax expense	10,934	14,650
Deferred income tax expense		
Temporary differences	(3,689)	(7,058)
Adjustments to prior years	-	-
Under/(over) provided in current year	(777)	(18)
<b>Income tax on net result before tax</b>	<b>6,468</b>	<b>7,574</b>
<b>Tax reconciliation</b>		
Net result before income tax expense	26,250	25,692
Tax at the Australian tax rate of 30% (2019: 30%)	7,875	7,708
Under/(over) provided in current year	(777)	(18)
Non deductible items	9	12
Pre-CGT Gains on Properties and CGT Indexation discounts *	(355)	(78)
Other	(284)	(50)
<b>Income tax on profit before tax</b>	<b>6,468</b>	<b>7,574</b>
<b>Statement of Changes in Equity</b>		
Net deferred tax - debited/(credited) directly to Equity (refer Note 9.1.2)	(30)	7,445
<b>Income tax reported in Equity</b>	<b>(30)</b>	<b>7,445</b>

\* 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.

	2020	2019
<b>Deferred tax assets</b>	<b>\$'000</b>	<b>\$'000</b>
The balance comprises temporary differences attributable to:		
Amounts recognised in consolidated operating statement		
Provisions and accrued expenditure not deductible	20,860	20,436
Tax losses	37,752	47,910
<b>Deferred Tax Assets</b>	<b>58,612</b>	<b>68,346</b>
<b>Movements</b>		
Opening balance at 1 July	68,345	81,321
Adjustment related to change in accounting standards	-	5
Credited/(charged) to the consolidated operating statement	424	1,651
(Under)/over provided in current year	-	18
Tax losses utilised	(10,157)	(14,650)
<b>Closing balance at 30 June</b>	<b>58,612</b>	<b>68,345</b>
Deferred tax asset to be recovered after more than 12 months	57,474	68,277
Deferred tax asset to be recovered within 12 months	1,138	68
	<b>58,612</b>	<b>68,345</b>
	2020	2019
<b>Deferred tax liabilities</b>	<b>\$'000</b>	<b>\$'000</b>
The balance comprises temporary differences attributable to:		
Amounts recognised in consolidated operating statement		
Depreciation	131,887	139,568
Expenditure capitalised	22,877	18,462
Amounts recognised in equity:		
Asset revaluations	283,634	283,664
<b>Deferred Tax Liabilities</b>	<b>438,398</b>	<b>441,694</b>
<b>Movements</b>		
Opening balance at 1 July	441,694	439,666
Credited/(charged) to the consolidated operating statement	(3,266)	(5,417)
Under/(over) provided in prior years	-	-
Other adjustment to asset revaluation	(30)	7,445
<b>Closing balance at 30 June</b>	<b>438,398</b>	<b>441,694</b>
Deferred tax liability to be recovered after more than 12 months	438,398	441,694
Deferred tax liability to be recovered within 12 months	-	-
	<b>438,398</b>	<b>441,694</b>
<b>Net deferred tax liabilities</b>	<b>(379,786)</b>	<b>(373,349)</b>

## 8.2 Environmental contribution

	2020	2019
	\$'000	\$'000
<b>Environmental contribution levy</b>	<b>8,410</b>	<b>8,410</b>

The *Water Industry (Environmental Contributions) Act 2004* amended the *Water Industry Act 1994* to make provision for environmental contributions to be paid by water supply authorities. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments,

which sets out the amounts payable by each corporation. The Victorian Government has committed to a fifth round or ('tranche') of the environmental contribution. The four-year tranche commenced on 1 July 2020 to 30 June 2024.

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
<b>2020</b>				
Environmental Contribution expenditure commitments (i)	9,598	28,795	-	38,393
<b>2019</b>				
Environmental Contribution expenditure commitments (i)	8,410	-	-	8,410

(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 Going Concern

#### 9.4 Remuneration of executives

#### 9.5 Responsible persons

#### 9.6 Remuneration of auditors

#### 9.7 Related parties

#### 9.8 Ex-gratia expense

#### 9.9 Goods and services tax

#### 9.10 Controlled entity

#### 9.11 Parent entity information – Barwon Region Water Corporation

#### 9.12 Change in accounting policies

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

## 9.1 Equity

### 9.1.1 Contributed capital

	2020	2019
	\$'000	\$'000
Contributed capital at 1 July	459,098	459,098
Closing balance at 30 June	<b>459,098</b>	<b>459,098</b>

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

	2020	2019
	\$'000	\$'000
Balance at 1 July	645,087	618,536
Revaluation increment on non-current assets	-	33,996
Impairment (increment) on non-current assets	(102)	-
Tax effect of impairment of assets/revaluation of non-current assets	30	(7,445)
Balance at 30 June	<b>645,015</b>	<b>645,087</b>

### 9.1.3 Accumulated funds

		2020	2019
	Note	\$'000	\$'000
Opening balance at 30 June		670,502	652,394
Opening balance adjustment (2019: AASB 9)	9.11	-	(10)
Net result for the period		19,782	18,118
Closing balance at 30 June		<b>690,284</b>	<b>670,502</b>

## 9.2 Events occurring after the balance date

Since 30 June 2020, there have been further developments relating to COVID-19 that have impacted the operations of the Group to the date of this report. These developments include the move to stage 3 restrictions in regional Victoria, the significant increase in active cases reflecting a second wave in Victorian and the extension of Job Keeper & Job Seeker but at lower amounts.

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the Group at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact

of the pandemic after the reporting date on the Group, its operations, its future results and financial position. The state of emergency in Victoria was extended on 13 September 2020 until 11 October 2020 with the state of disaster still in place.

Other than the preceding development, the directors are not aware of any significant events since the end of the reporting period which has 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

Management are of the opinion that it is appropriate for the financial report to be prepared using the going concern assumption.

## 9.3 Going concern

The impact of COVID-19 on the Groups ability to continue as a going concern has been factored into management's assessment. This assessment has considered the Groups current and forecast financial performance.

## 9.4 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.

	2020	2019
	\$'000	\$'000
<b>Executive remuneration</b>		
<b>Remuneration</b>		
Short-term employee benefits	3,597	3,613
Post-employment benefits	329	334
Other long-term benefits	24	28
Termination Benefits	-	-
<b>Total remuneration (a)</b>	<b>3,950</b>	<b>3,975</b>
<b>Number of executive officers</b>	<b>24</b>	<b>22</b>
<b>Total annualised employee equivalent (AEE) (b)</b>	<b>19</b>	<b>19.6</b>

### 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 9.7).

(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.

## 9.5 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 2019 to 30 June 2020
J E Plummer *	Director – Chair	1 July 2019 to 30 June 2020
E C Carbines	Director – Deputy Chair	1 July 2019 to 30 June 2020
R M Leonard	Director	1 July 2019 to 30 June 2020
J J Gavens *	Director	1 July 2019 to 30 June 2020
B C Walsh *	Director	1 July 2019 to 30 June 2020
D Powell	Director	1 July 2019 to 30 June 2020
A E Lansberry	Director	1 July 2019 to 30 June 2020
C Eccles	Director	1 October 2019 to 30 June 2020
T A Slatter *	Managing Director (Accountable Officer)	1 July 2019 to 30 June 2020

\* 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 \$26,280 for the period 1 July 2019 to 30 June 2020 (1 July 2018 to 30 June 2019 \$26,258).

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

**Responsible persons remuneration**

	\$	\$	2020	2019
	0	9,999	-	-
	10,000	19,999	-	-
	20,000	29,999	1	-
	30,000	39,999	3	3
	40,000	49,999	3	3
	80,000	89,999	-	-
	90,000	99,999	-	1
	110,000	119,999	1	-
	410,000	419,999	-	1
	420,000	429,000	1	-
<b>Total Numbers</b>			<b>9</b>	<b>8</b>
<b>Total Remuneration Amount</b>			<b>807,204</b>	<b>751,933</b>

Remuneration received or receivable by the Accountable Officer in connection with the management of the Group during the reporting period was in the range: \$420,000 – \$429,999 (\$410,000 – \$419,999 in 2018-19).

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

**9.6 Remuneration of auditors**

	2020	2019
	\$	\$
Amounts received, or due and receivable, by the Victorian Auditor-General for auditing the financial report.	124,900	120,200

**9.7 Related parties**

The Barwon Region Water Corporation 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**

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

		2020	2019
Entity name	Brief description of main activity	\$'000	\$'000
<b>Government-related entity receipts</b>			
Central Highland Water	Services and minor project works	21	-
Department of Education and Training	Land development fees and charges	43	-
Department of Environment, Land, Water and Planning (DELWP)	Other Operational funding grant, Anglesea River Project Operation, Community rebate, Other	925	441
Department of Health and Human Services (DHHS)	Customer rebate reimbursements – water, sewerage and dialysis, Other	11,798	10,017
Department of Justice & Community Safety	Return of security deposit	137	-
Treasury Corporation Victoria (TCV)	Net borrowing drawn, Sale of large scale generation certificates, Net repayment during the year	24,745	(4,909)
Wannon Water	Services and minor project works	79	-
Western Water	Assignment of water allocation	1,425	-
<b>Government-related entity receivables</b>			
Central Highland Water	Services and minor project works	24	-
Department of Environment, Land, Water and Planning (DELWP)	Operational funding grant	-	322
Department of Health and Human Services (DHHS)	Customer rebate reimbursements – water, sewerage and dialysis	-	1,111
Department of Education and Training	Customer construction contract and audit fee	-	45
Wannon Water	Services and minor project works	36	-
<b>Government-related entity payments</b>			
Barwon Health	Shared water asset payment	102	-
Central Highlands Water	Contribution to reservoir	67	2
Corangamite Catchment Management Authority	River health programs	335	43
Department of Environment, Land, Water and Planning (DELWP)	Environmental Contribution Levy, Monitoring program, Other	9,333	6,801
Department of Health and Human Services (DHHS)	SDW Act Administration Levy	111	-
Department of Treasury and Finance (DTF)	Financial Accommodation Levy, License fee	7,153	7,141
Environment Protection Authority	License fee	201	189
Essential Services Commission	Regulatory recovery fee	90	-
Melbourne Water	Melbourne Geelong Pipeline water supply, Other	2,128	214
South East Water	Managing Network Faults	348	75
Treasury Corporation Victoria (TCV)	Finance costs	24,995	26,011
<b>Government-related entity payments</b>			
Corangamite Catchment Management Authority	River health programs	130	-
Department of Environment, Land, Water and Planning (DELWP)	Environmental Contribution Levy, Other	2,326	2,105
Department of Health and Human Services (DHHS)	SDW Act Administration Levy	78	-
Melbourne Water	Melbourne Geelong Pipeline water supply	96	-
Treasury Corporation Victoria (TCV)	Finance costs	6,164	6,417



**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 2020 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. In addition, Barwon Water also provides BAS with a daily cash flow facility equivalent to a loan facility outlined in Note 9.11.

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group (comprising the company and subsidiary), directly or indirectly, this comprises

independent Directors and the Managing Director. Key management personnel (as defined in AASB 124 *Related Party Disclosures*) includes the Portfolio Minister and all Directors listed under responsible persons in Note 9.5 and B Windmeyer – Executive Director of BAS (appointed 30/3/2020) who have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, during the financial year.

	2020	2019
	\$'000	\$'000
<b>Compensation of KMPs</b>		
Short-term employee benefits	963	689
Post-employment benefits	73	63
<b>Total</b>	<b>1,036</b>	<b>752</b>

**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 2019–20.

	2020	2019
	\$'000	\$'000
<b>Victorian Water Industry Association (VicWater)</b>		
Barwon Water payments to VicWater during the year included Barwon Water's 2019–20 Intelligent Water Networks (IWN) Program Funding Contribution, membership fees and other transactions being minor or commercial in nature.	173	176

- **John Gavens** – Barwon Water Director during 2019–20.

	2020	2019
	\$'000	\$'000
<b>Related party transactions</b>		
Barwon Water agreed payments to a related party of John Gavens in relation to the provision of specialised pipe fitting installation services during 2019–20. 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.	69	86

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.

Refer to Note 7.2.1 for related party disclosures related to ZEWA.

## 9.8 Ex-gratia expense

	2020	2019
	\$'000	\$'000
<b>Barwon Water made the following ex-gratia payments:</b>		
Forgiveness or waiver of debt (i)	448	167
Other (ii)	193	220
<b>Total ex-gratia expenses</b>	<b>641</b>	<b>387</b>

Notes:

(i) Grants or forgiveness of debt provided under Barwon Water's various Customer Support (Hardship) programs. These programs assist customers who are in financial hardship by offering credits to reduce the value of their debt. Major grant programs include Arrange & Save (payment plans where a customer is provided a "bonus credit" of one instalment payment if they meet their payment plan for five consecutive instalments), Utility Relief Grant matching, and leak allowances for hardship reasons.

(ii) Other ex-gratia expenses: Reductions of charges due to leaks or unexplained high consumption events experienced by customers who satisfy the requirements of our write-off policy (\$188k during 2019-2020). Rebates offered to customers undertaking dialysis or suffering severe medical conditions that require higher than usual water consumption (\$5k during 2019-2020) 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.

## 9.9 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.

## 9.10 Controlled entity

The consolidated financial statements at 30 June 2020 include the following controlled entity. The financial reporting period for the controlled entity is 1 July 2019 to 30 June 2020.

Controlled Entity	Place of incorporation	Book value of parent entity's investment		% shares held		Contribution to the results in \$'000	
		2020	2019	2020	2019	2020	2019
Barwon Asset Solutions Pty Ltd	Australia	\$2	\$2	100	100	168	412

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.

## 9.11 Parent entity information – Barwon Region Water Corporation

	2020	2019
	\$'000	\$'000
Current assets	81,849	69,007
Non-current assets	2,762,277	2,727,507
<b>Total assets</b>	<b>2,844,125</b>	<b>2,796,514</b>
Current liabilities	111,229	111,817
Non-current liabilities	939,520	910,862
<b>Total liabilities</b>	<b>1,050,749</b>	<b>1,022,679</b>
Reserves	645,014	645,087
Contributed Capital	459,098	459,098
Accumulated funds	689,264	669,650
<b>Total equity</b>	<b>1,793,376</b>	<b>1,773,835</b>
<b>Net result after income tax of the parent entity</b>	<b>19,614</b>	<b>17,706</b>
<b>Comprehensive result of the parent entity</b>	<b>19,686</b>	<b>44,256</b>

### 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. The interest rate payable by BAS on the funding balance will be the aggregate of the Treasury Corporation Victoria (TCV) 11am loan rate and Barwon Water's Financial Accommodation Levy (FAL) rate applicable on the date the interest accrues. The only borrowing limit that BAS is subject to is that total borrowings of Barwon Water do not exceed the Treasurer approved annual limit. This loan facility is repayable at call.

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.

### 9.12 Changes in accounting policies

#### **AASB 15 Revenue from Contracts with Customers**

The Group has transitioned to AASB 15 *Revenue from contracts with customers* from 1 July 2019 (date of initial application). In accordance with the transition provisions in AASB 15 and as mandated by FRD 121 *Transitional requirements on the application of AASB 15 Revenue from Contracts with Customers*, this new standard has been adopted retrospectively (under the modified retrospective method). Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from this new standard are therefore recognised in the opening balance of retained earnings on 1 July 2019 only for contracts that are not 'completed contracts' at the date of initial application.

Additionally, as mandated by the DTF, the Group applied the practical expedient described in AASB16.C5 (c), for contracts that were modified before the date of initial application. In applying this practical expedient, the Group, did not retrospectively restate the contract for those modifications in accordance with AASB15.20-21. Instead, it reflected the aggregate effect of all of the modifications that occur before the date of initial application when:

- Identifying the satisfied and unsatisfied performance obligations
- Determining the transaction price
- Allocating the transaction price to the satisfied and unsatisfied performance obligation

The Group has applied this practical expedient consistently to all contracts within the current reporting period.

The Group's application has not identified any impact to revenue sources from adoption of AASB 15. The accounting policies for AASB 15 are disclosed in Note 2.1.1 & 2.1.2. Accrued revenue was reclassified to contract assets and unearned revenue to contract liabilities on application of the standard at 1 July 2019.

#### **AASB 1058 Income for not-for-profits**

The Group has transitioned to AASB 1058 *Income for not-for-profits* from 1 July 2019. In accordance with the transition provisions in AASB 1058 and as mandated by FRD 122 *Transitional requirements on the application of AASB 1058 Income of Not-for-Profit Entities*, this new standard has been adopted retrospectively (under the modified retrospective method). Under this transition method, the entity has elected to apply this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application. A completed contract is a contract or transaction

for which the entity has recognised all of the income in accordance with AASB 1004 *Contributions*. Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from this new standard are therefore recognised in the opening balance of retained earnings on 1 July 2019.

The Group has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

The Group's application has not identified any impacts to income sources from adoption of AASB 1058.

#### **AASB 16 Leases**

The Group has transitioned to AASB 16 *Leases* from 1 July 2019. In accordance with the transition provisions in AASB 16 and as mandated by FRD 123 *Transitional requirements on the application of AASB 16 Leases*, the new rules have been adopted retrospectively (under the modified retrospective method). Comparatives for the 2019 financial year have not been restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of retained earnings on 1

July 2019. The Group has applied this approach to transition consistently to all of its leases for which it is a lessee.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.43%. On transition, DTF mandates measurement of ROU assets at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

#### **(i) Practical expedients applied**

In applying AASB 16 for the first time, the Group has used the following practical expedients to all its contracts as permitted by the standard and as

mandated by the DTF:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- accounting for low value leases.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining Whether an arrangement contains a lease*

#### **(ii) Reconciliation of operating lease commitment to lease liability**

	\$'000
<b>Operating lease commitments as at 30 June 2019*</b>	<b>186</b>
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(41)
(Less): low-value leases not recognised as a liability	(8)
<b>Lease liability recognised as at 1 July 2019</b>	<b>137</b>
<b>Of which are:</b>	
Current lease liabilities	15
Non-current lease liabilities	122

**(iii) Peppercorn leases**

Peppercorn leases are leases where the lease payments do not reflect the fair value of the property being leased. In other words, the consideration paid by the lessee is significantly less than the fair value.

The transition approach mandated by the DTF to measure ROU assets related to peppercorn leases is at cost.

**(iv) Low value leases**

The Group is not required to make any adjustments on transition for leases for which the underlying asset is of low value. The Group shall recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The Group shall apply another systematic basis if that basis is more representative of the pattern of the Group's benefit. The Group shall account for those leases applying this Standard from the date of initial application

**(v) Adjustments recognised in the balance sheet on 1 July 2019**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- **right-of-use asset** – increase by \$136,710
- **lease liabilities** – increase by \$136,710

**(vi) Lessor and Intermediate lessor**

A Group as a lessor is not required to make any adjustments on transition for leases in which it is a lessor and accounts for those leases applying this Standard from the date of initial application.

**(vii) Investment property**

The Group is not required to make any adjustments on transition for leases previously accounted for as investment property using the fair value model in AASB 140 *Investment Property*. The lessee shall account for the right-of-use asset and the lease liability arising from those leases applying AASB 140 and this Standard from the date of initial application.

**AASB 1059 Service Concession Arrangements: Grantors ("SCA")**

Prior to the issuance of AASB 1059, there was no definitive accounting guidance in Australia for service concession arrangements, which include a number of public private partnership (PPP) arrangements. The AASB issued the new standard to address the lack of specific accounting guidance and based the content thereof broadly on its international equivalent: International Public Sector Accounting Standard 32: Service Concession Arrangements: Grantor.

For arrangements within the scope of AASB 1059, the Group is required to record the asset(s) used in the service concession arrangement at current replacement cost in accordance with cost approach to fair value under AASB 13 *Fair Value Measurement*, with a related liability, which could be a financial liability, an accrued revenue liability (referred to as the "Grant Of A Right To The Operator" or GORTO liability) or a combination of both.

The AASB announced a one-year deferral on the new accounting requirements for public sector grantors in service concession arrangements. As a result,

AASB 1059 will apply to annual periods beginning on or after 1 January 2020, rather than 1 January 2019. However, the Group has early adopted AASB 1059 in line with the original adoption date of 1 January 2019, i.e. the 2019-20 financial year, as mandated by FRD 124 *Transitional requirements on the application of AASB 1059 Service Concession Arrangements: Grantors*.

The Group has applied the standard using a full retrospective approach to prior reporting periods from 1 July 2018 (transition date) as mandated by FRD 124. As a result, all comparative information in the financial statements have been prepared as if AASB 1059 had always been in effect with a cumulative adjustment between the recognition of service concession assets and financial liabilities and/or GORTO liabilities recognised in accumulated surplus as at 1 July 2018.

Section 6.4 contains information about the service concession arrangements of the Group and the AASB 1059 accounting policies.

As a result of the Group's recognition of the SCA at 30 June 2019 as a finance lease under AASB 117, the Group has not been required to restate the balance at 1 July 2018. The adoption of AASB 1059 has resulted in a reclassification with no financial adjustment.

Balance Sheet	Ref	Before new accounting standard amount at 30 June 2018	Net impact of AASB 1095	After new accounting standard 1 July 2018	30 June 2019
Asset under finance lease at fair value	4.1.3	37,116	(37,116)	-	-
Service concession assets	4.1.3	-	37,116	37,116	34,499
Finance lease	6.1	(48,125)	48,125	-	-
Financial liabilities - SCA	6.1	-	(48,125)	(48,125)	(47,311)
		<b>(11,009)</b>	<b>-</b>	<b>(11,009)</b>	<b>(12,812)</b>

There has been no financial impact on depreciation and interest expense on application of AASB 1059 for the years ended 30 June 2019 and 30 June 2020.

## 9.13 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

2020 reporting period. As at 30 June 2020, the following applicable standards and interpretations had been issued but were not mandatory for financial year ended 30 June 2020. 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 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	This Standard principally amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	1 July 2020	The assessment has indicated that there will be no significant impact for the Group.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022	1 July 2022	<ul style="list-style-type: none"> <li>The assessment has indicated that there will be no significant impact for the Group.</li> </ul>

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 2020 and financial position of the Group at 30 June 2020.

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

We authorise the attached financial statements for issue on 02 October 2020.

**J Plummer**  
Chair

**T Slatter**  
Managing Director

**M Stephens**  
Chief Finance and Accounting Officer

*Dated this 2nd day of October 2020.*



Victorian Auditor-General's Office

## Independent Auditor's Report

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

<b>Opinion</b>	<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"> <li>• consolidated balance sheet as at 30 June 2020</li> <li>• consolidated comprehensive operating statement for the year then ended</li> <li>• consolidated statement of changes in equity for the year then ended</li> <li>• consolidated cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• director's and chief finance and accounting officer's declaration.</li> </ul> <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 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the 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 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 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 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  
5 October 2020



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

# PART 7. Disclosure Index

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# Disclosure Index

The 2019–20 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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Strategy	Web address
Strategy 2030	<a href="http://www.barwonwater.vic.gov.au/about-us/strategy-2030">www.barwonwater.vic.gov.au/about-us/strategy-2030</a>
Reconciliation Action Plan	<a href="http://www.barwonwater.vic.gov.au/about-us/reconciliation">www.barwonwater.vic.gov.au/about-us/reconciliation</a>
Urban Water Strategy	<a href="http://www.barwonwater.vic.gov.au/water-and-waste/urban-water-strategy">www.barwonwater.vic.gov.au/water-and-waste/urban-water-strategy</a>

## Additional copies

This annual report is available for viewing or download from Barwon Water's website [www.barwonwater.vic.gov.au](http://www.barwonwater.vic.gov.au).

As part of our goal to continually improve environmental performance, we encourage those with internet access to view the report online. If you require a printed copy, please telephone Barwon Water 1300 656 007.

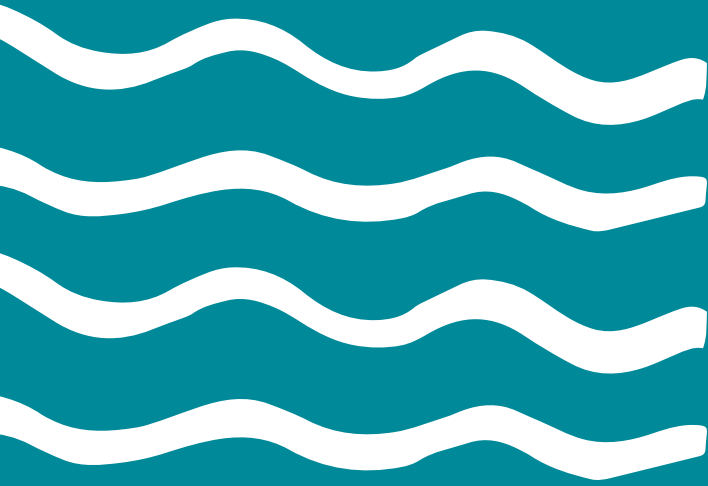
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We are always looking for ways to improve our practices to reduce our environmental footprint. This extends to the paper and processes we use.



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