



City West  
Water™

# Annual Report 2020

### Acknowledgement of Country

City West Water respectfully acknowledges the Traditional Custodians of the lands and waters upon which we work and operate, the Bunurong, Boon Wurrung, Wurundjeri/Woiwurrung, and Wadawurrung people of the Kulin Nations. We pay our deepest respects to the Traditional Custodians past, present and emerging. We acknowledge the continued cultural and spiritual connections to the land and water, and we recognise and value their continued knowledge and values in protecting country. We value and continue to strengthen our partnership with the Traditional Custodians and the First Nations Community, and we hope to share our journey together in water management and implementing First Nations values.

This document is available as a PDF  
or Word document on our website:



[citywestwater.com.au/publications](https://citywestwater.com.au/publications)

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# Our Year in Review

**David Middleton**  
Chair



**Maree Lang**  
Managing Director



## Message from the Chair and Managing Director

City West Water is proud to serve the people, households, businesses and industries of Melbourne's CBD, inner-city and western suburbs, providing them with safe, reliable and affordable water and sewerage services.

This year, more than ever, we are drawing on the strengths of our people and our communities. We are living in difficult times. Coronavirus (COVID-19) is changing the environment we operate in each day and, in response, we've changed the way we work, live and deliver services.

We are proud of our people who are stepping up to meet the challenges presented by the pandemic. We know our customers are feeling these challenges too, and we're with them.

### Our customers

Our customers are our reason for being and we are setting a pathway to become a truly customer-driven business through the implementation of our Customers First strategy. Our strategy commits us to deliver initiatives consistent with our guiding principles – safe, reliable and affordable service delivery, by a workforce that is easy to deal with and accessible.

This year, we have taken great steps in improving the experience of our customers, while continuing to offer the lowest average residential water bill in Melbourne. Our service offerings have improved significantly with the introduction of estimated call wait times, position in queue announcements and customer call back capability.

We launched our MyAccount customer portal in May, with 21,000 registrations completed in the first six weeks. Online options for change of tenancy applications and notices of acquisition have reduced backlogs and sped up process times.

Since the onset of the coronavirus pandemic, we have been mindful of the impact it has and will continue to have on our customers. We have established a hardship team to assist customers and we are increasing our support through additional grants, tailored payment extensions and flexible payment plans for households and businesses. We are also supporting businesses by increasing the turnaround of payments so that contractors are paid for their services within a week.

### Our community

Our vision commits us to always explore the many ways we can benefit our community and improve liveability and wellbeing.

Resilient, liveable cities, towns and suburbs need quality public open space the community can enjoy. We continue to partner with other organisations to incorporate open spaces into community assets through integrated water and greening initiatives. By joining with local councils to fund stormwater harvesting projects we are providing water for irrigating our parklands and recreation reserves, while reducing our reliance on precious drinking water. Our participation in projects such as Greening the West, Greening the Pipeline and Living Melbourne is helping create a greener, more liveable city and region.

We are also continuing to invest in our community's future through significant asset management, including our major capital works program. Our work on the Carlton

Water Main Renewal project is nearing completion and is delivering excellent community outcomes, such as more trees, bike hoops and drinking fountains. The Lonsdale Street sewer upgrade is progressing well and is expected to be completed late 2020. It is the second stage of a four-stage strategy to replace Melbourne CBD's 120-year-old sewer network and cater for the growing inner-city population. These projects are essential to continue to supply Melbourne with water and sewerage services, and we continued to safely progress these projects during the coronavirus pandemic. Our capital works program delivers consistent work across our service area, which will contribute to economic recovery and employment during and after the pandemic.

A changing climate and growing city drive us to seek efficiencies in water use and alternative sources of water. To support our community to take positive action, we delivered water efficiency campaigns and community awareness programs, from Make Every Drop Count and Target 155 to National Water Week. Our digital metering proof of concept trial is continuing to save millions of litres of water while informing us of the potential of digital systems in creating an intelligent water network.

City West Water continues to support the United Nations (UN) Global Compact – the world's largest corporate sustainability initiative. As a signatory to the Compact, we continued our commitment to embed the 17 UN Sustainable Development Goals (SDGs) into our operations, with a focus on six priority goals: Clean Water and Sanitation, Good Health and Wellbeing, Climate Action, Gender Equality, Sustainable Cities and Communities, and Partnerships for the Goals. In 2019, we launched our own *Sustainable Development Goals* handbook to outline our key initiatives toward sustainable development and identify the measures and targets that will help us get there.

### Our people

This year we launched our People Strategy. The strategy sets out a plan of action for the next three years to become an organisation where our people thrive, that is prepared for tomorrow, and that actively contributes to our community.

Choose Exceptional, our personal leadership development program, continues to guide our efforts to set expectations for our achievement culture. It is now an integral part of employee orientation, setting an expectation of achievement from day one.

We continued to focus on achieving diversity and inclusion and gender equity across our organisation. This year we launched our Accessibility Inclusion Plan, which reinforces our commitment to create an accessible workplace, products and services. We continued our active involvement in the Pride in Water Network, which is connecting LGBTIQ+ employees and allies across the industry.

Our response to the pandemic is aligned with our achievement culture, and we have held safety and wellbeing for our customers and our people at the heart of our response. We asked our people leaders to establish new operating rhythms within their teams and engage in new ways of working. We encouraged all our people to rise to this challenge. Mobilising around 400 people to work from home was a major organisational achievement.

We are very proud and appreciative of the effort we see being applied across the business every day by a team of talented people – people who are dedicated to delivering exceptional services for our customers. We also thank our partners in government and the private sector who we work with every day. We are proud to continue to safely deliver essential services to our customers even in the most difficult circumstances. And we are learning, growing and shifting into a more connected business and more resilient team.

We also acknowledge and thank departing Board Directors Elizabeth Parkin and Constantina Dertimanis, and former Managing Director David Ryan. Each have made a significant contribution to the organisation and to achieving our goals for our people, customers and community.



**David Middleton**  
Chair

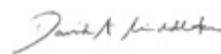
25 August 2020



**Maree Lang**  
Managing Director

25 August 2020

In accordance with the *Financial Management Act 1994*, I am pleased to present City West Water's Annual Report for the year ending 30 June 2020.



**David Middleton**  
Chair  
City West Water

# About Us

City West Water provides water, sewerage, trade waste and recycled water services to residential, commercial and industrial customers across Melbourne's CBD, inner-city areas and the growing western suburbs.

We service approximately 446,000 residential properties, 42,000 non-residential properties (including schools, councils and industrial, commercial and small businesses), and a population of more than one million people. We manage \$2 billion of infrastructure across a service area of more than 700km<sup>2</sup>.

In 2019–20, we supplied approximately 103 billion litres of drinking water, 2.8 billion litres of recycled water and collected 96 billion litres of wastewater. We continued to support growth in the city, established suburbs and western growth corridor through the construction of 105 kilometres of water mains, 106 kilometres of sewer and 91 kilometres of recycled water mains. We assisted in creating 6,349 greenfield lots and 6,919 brownfield lots, in preparation for future suburbs and communities.

City West Water is one of 19 water corporations established by the State Government of Victoria under the Water Act 1989, that provide a range of services to customers and communities across the state, and one of three retail water corporations in metropolitan Melbourne. The Minister for Water for the period 1 July 2019 to 30 June 2020 was the Hon. Lisa Neville MP.

We operate under Statements of Obligations issued by the Minister for Water under section 41 of the *Water Industry Act 1994*. The statements impose obligations on us regarding the performance of our functions and exercise of powers. We are required to monitor compliance with the obligations set out in the statements, report on non-compliance and take remedial action as required.

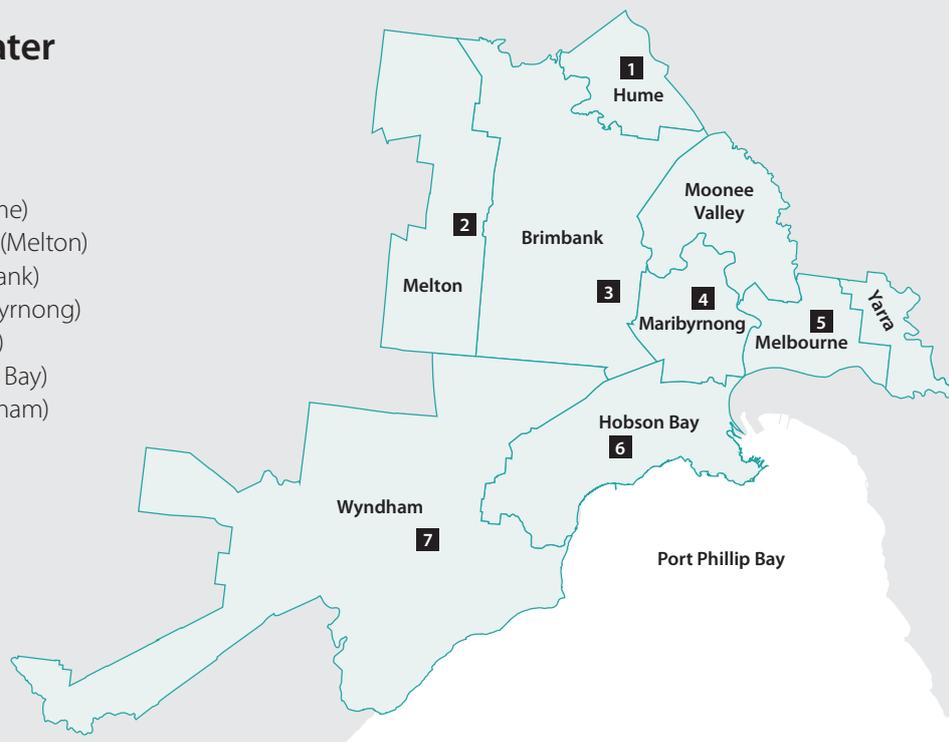
The Essential Services Commission is our economic regulator. It approves the prices we charge our customers, as well as the standards of service we deliver. We are required to submit a five-year Pricing Submission to the Essential Services Commission which details outcomes we intend to achieve, as well as proposed prices. The commission undertakes a public review of our Pricing Submission in consultation with all stakeholders. Our current Pricing Determination took effect from 1 July 2018 and is effective for five years.

Our drinking water quality is regulated by the Department of Health and Human Services under the *Safe Drinking Water Act 2003*. Our recycled water quality is regulated by the Environment Protection Authority under the *Environment Protection Act 1970*. The operation of our sewage treatment plant is also regulated by the Environment Protection Authority.

## City West Water service area

### Key suburbs:

- 1 Tullamarine (Hume)
- 2 Caroline Springs (Melton)
- 3 Sunshine (Brimbank)
- 4 Footscray (Maribyrnong)
- 5 CBD (Melbourne)
- 6 Altona (Hobsons Bay)
- 7 Werribee (Wyndham)



## Our vision

To be an exceptional service provider that puts customers first and benefits the community.

### Our ambition

*Customer value is at the heart of all we do.*

We are driven to:

- deliver exceptional services that are affordable, safe and reliable
- be accessible and easy to deal with
- make all decisions in our customers' best interests and with future generations in mind.

*We are passionate about community liveability and wellbeing.*

We are driven to:

- care for, and where possible, to enhance the environment – with an eye to the future and the challenges imposed by a changing climate
- be vibrant partners in the life of our community
- anticipate community needs and to take the lead within our areas of influence
- provide a fair return to our shareholder, the State Government of Victoria, to support it to meet its objectives to improve the lives of all Victorians.

### Our people

*Our ambition is enabled by our people.*

Our people are:

- agile – responsive to customer needs and a changing world
- diverse – reflect the community we serve
- trusted – make evidence-driven judgements, exercised with integrity.

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*We service approximately 446,000 residential properties, 42,000 non-residential properties and a population of more than one million people.*

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## Successful achievement of our ambition is built on six strong foundations



### Achievement culture

We value people, learn and grow, and drive performance.



### Dynamic technology

We leverage technology to enhance service safety, security and reliability.



### Streamlined delivery

We aim to deliver services that are efficient, relevant to our customers' needs and represent best value.



### Great partnerships

We partner with our stakeholders to positively contribute to the lives of our customers, the communities we serve and our industry.



### Purposeful leadership

We are prepared to take the lead – providing insights, marshalling resources and offering timely solutions..



### Extensive knowledge of the water cycle

We use our knowledge to assist our partners and engage in purposeful industry leadership.

## Key initiatives and projects 2020



### Achievement culture

# 400

People mobilised to work from home, providing a safe and supported environment

- Launched our People Strategy, which provides a three-year plan to becoming an employer of choice.
- Launched our *Accessibility Inclusion Plan 2019–21* to improve access for our people, customers and communities.
- Reflecting the diversity of our community, our employees come from 37 countries, with 42 per cent speaking a language other than English, well above our 2020 target of 25 per cent.
- Redesigned our employee reward and recognition program to better build workplace engagement, satisfaction and motivation.
- Mobilised around 400 people to work from home, providing a safe and supported environment.
- Launched H2GROW, our new onboarding and induction program, to provide an exceptional introduction for new employees and improve long-term engagement.
- Achieved improved scores in our Culture and Engagement survey, reflecting a more connected and empowered workforce – Culture (79 per cent, up from 71 per cent in June 2019 and above our target of 62 per cent) and Engagement (69 per cent, up from 60 per cent in June 2019 and above our target of 66 per cent). Conducted our first contractor survey, which achieved scores of Culture (80 per cent) and Engagement (89 per cent).

# 37

Our employees come from 37 countries, with 42 per cent speaking a language other than English



### Dynamic technology

# 3 million

Almost three million litres of water saved through quick leak detection and repair in the Digital Metering proof of concept trial

- Conducted the first field trials of our Augmented Reality – Remote Assist proof of concept allowing staff to ‘virtually’ attend and assist with commissioning works.
- Continued the Digital Metering proof of concept trial – saving almost three million litres of water through quick leak detection and repair.
- Introduced online options for change of tenancy applications and notices of acquisition, reducing backlogs and speeding up process times.
- Introduced integration and automation technology, improving connectivity and enabling digital processes.



### Streamlined delivery

# 21,000

MyAccount customer portal registrations in the first six weeks

- Improved Customer Service Centre response by providing estimated wait times, position in queue announcements and customer call back capability.
- Delivered better service response and resolution times for sewer works through improvements to service vans.
- Partnered with Maribyrnong City Council to deliver a pilot service offering face-to-face billing, account, residential and business services.
- Launched the MyAccount customer portal, with 21,000 registrations in the first six weeks.
- Supported local businesses through reduced trade waste fees and reduced paperwork.
- Improved the trade waste agreement and consent application process through electronic signature capabilities and an enhanced website.



### Great partnerships

# Online Hub

Launched to support our delivery partners, sharing information and resources

- Worked with Melbourne Water, South East Water and Yarra Valley Water on the Make Every Drop Count campaign, increasing household action to reduce water use.
- Worked with the community, City of Yarra and City of Melbourne to identify community projects as part of the Carlton Water Main renewal project.
- Worked with our delivery partners to continue to deliver essential services in a safe manner during the pandemic, including a focus on maintaining community confidence and mental wellbeing.
- Launched an online hub to support our delivery partners, sharing information and resources.
- Developed our first Social Procurement Strategic Plan and partnered with social enterprises including the Asylum Seeker Resource Centre and Outlook Environmental and purchased advertising from the *Koori Mail* and Wan Place.
- Supported major government infrastructure projects, including the Metro Tunnel Project, West Gate Tunnel, Western Roads Upgrade, Level Crossing Removal Project, Melbourne Airport Rail, Nicholson Street Tram Upgrade, Streamlining Hoddle Street, and Australian Rail Track Corporation Inland Rail.



### Purposeful leadership

# 900m

New sewer line under Lonsdale Street in Melbourne's CBD

- Continued to lead in delivering our services with safety as a priority. Worked with delivery partners on critical risk reduction and launched safety leadership program to further develop safe practices across the business.
- Began work to install 900 metres of new sewer line under Lonsdale Street in Melbourne's CBD and led a community and stakeholder engagement program working with the City of Melbourne, State Government, transport agencies and operators, traders, residents and commuters.
- Celebrated First Nations art through a project that transforms electrical cabinets into works of art. Appointed a First Nations Advisor to work with Traditional Owner and Registered Aboriginal parties and the First Nations community.
- Participated in the Pride in Water Network, connecting LGBTIQ+ employees and allies across the industry.
- General Manager Infrastructure and Delivery, Amanda Smith, was recognised for her achievements as one of Victoria's Top 50 Public Sector Women for 2019.



### Extensive knowledge of the water cycle

# 6

Additional stormwater harvesting partnership projects progressed across our service area

- Commissioned the recycled water plant at West Werribee to collect, store and deliver recycled water and reduce reliance on drinking water supplies.
- Continued to deliver on our greenhouse pledge, generating 217MWh of renewable energy from our roof-mounted solar array on the Altona Salt Reduction Plant, and supporting the development of Zero Emissions Water to deliver renewable energy in 2020/21.
- Progressed an additional six stormwater harvesting partnership projects across our service area.
- Participated in a partnership to develop a wetlands centre on Laverton Creek to increase community education and help to preserve the environment.
- Partnered with Traditional Elder Trevor Abrahams to learn about traditional ecological knowledge practices.

# 217MWh

Renewable energy generated from our solar array on the Altona Salt Reduction Plant

## Advancing sustainability

At City West Water, we recognise the value that water and sewerage services bring to the health, prosperity and liveability of communities. As custodians of urban water resources and infrastructure, we contribute to enhancing the environment within our service area. We also understand that local action can translate into far-reaching, global outcomes.

Because of this, we are a proud signatory to the United Nations Global Compact – a network dedicated to advancing sustainable development to realise a world free from poverty, where communities enjoy peace and environments prosper.

The Global Compact supports organisations to operate responsibly and advance societal goals, such as the 17 UN Sustainable Development Goals (SDGs). Ten

principles are used to guide actions to meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

The UN SDGs provide a lens through which we can view our operations, to lift our gaze and broaden our reach to tackle important issues facing organisations across the globe – issues such as equality, health, justice and education.

Our *Sustainable Development Goals* handbook, available on our website, outlines our six focus goals and key initiatives towards helping create a sustainable future for our communities.

Icons are used throughout this report to indicate where our activities are contributing to the SDGs. Appendix 3 lists our commitments and actions in embedding the 17 goals in our work every day and describes our actions against the 10 Global Compact Principles.





# Our Customers

At City West Water, we choose to be an exceptional service provider that adopts a ‘customers first’ approach to everything we do. Being exceptional means we always strive to deliver services that are affordable, safe and reliable; to be accessible and easy to deal with; and to make decisions in our customers’ best interests.

## 103 billion

Litres of drinking water delivered to approximately 446,000 homes and 42,400 businesses

## 2.8 billion

Litres of high-quality recycled water delivered, saving precious drinking water

## 96 billion

Litres of wastewater collected for treatment

## 1.8 million

Meter readings completed

## 7,600

Trade waste customers served

## Customer service results

In 2019–20, our customer operations centres responded to more than 395,000 calls and approximately 400,000 emails or customer applications, assisting with enquiries including faults and emergencies, moving house, setting up payment plans, connecting to our assets, and information on usage and network charges.

Our Customer Service Centre responded to emails in one business day and, in line with our *Customers First* strategy, we improved telephone responses by providing customers with estimated wait times, position in queue announcements and call back capability. Our average

speed to answer a customer’s call shortened from 222 seconds in 2018–19 to just 36 seconds in 2019–20, despite an overall increase in total calls. The percentage of calls abandoned by customers declined from 13 per cent in 2018–19 to 3.5 per cent in 2019–20. This was achieved while providing high first point of contact resolution.

We also delivered our Voice of the Customer program, implementing a customer feedback post-call program that asks customers for feedback about their experience.

In March 2020, we enhanced our capability to better support customers experiencing financial hardship due to the coronavirus pandemic. We provided special payment

extension capability and established a specialist team to support our most vulnerable customers.

We continued to help customers through implementation of our financial hardship and family violence policies. We provide information about these policies in our *Customer Charter Summary 2018–2023* given to new customers and available on our website.

Our field staff continued to provide essential network services throughout the year to maintain water and wastewater service reliability. In 2019–20, we attended to more than 27,300 service requests to repair disrupted water or sewer services and carried out 5,300 preventative activities that ensured our assets would continue to provide appropriate levels of service.

To improve our responsiveness, we have invested in new sewer first response vans with new technology and equipment which better supports a quick response and first-time repairs. This helps to ensure we meet our customer service obligations, resolve customer issues in a timely manner and keep our costs down.

### Customer satisfaction research

Annual customer satisfaction for 2019–20 shows an increase in satisfaction levels amongst our residential customers, with an overall satisfaction score of 93 per cent for 2019–20, up from 87 per cent in 2018–19. The uplift in satisfaction is due in part to initiatives introduced across our business, including the launch of the 'MyAccount' customer portal, targeted customer service centre training, interactive voice recognition services, and robotic processes that have reduced our turnaround times for several transactions.

Non-residential customer satisfaction was 82 per cent, down from 91 per cent in 2018–19, indicating that we have work to do to improve the experience of our non-residential customers. Initiatives being developed include non-residential e-billing and continued support during the coronavirus pandemic.

In 2019–20, we independently measured 'Reputation in the Community'. The result of 74.8 per cent fell just short of our 75 per cent target; however, it was an improvement on last year's result of 73 per cent. Survey scores during the coronavirus period (March to June 2020) have averaged almost 80 per cent, showing a strong customer endorsement of our response to the situation and the assistance measures in place to support our customers during this time.

### Support for customers affected by a data security incident

In February 2020, City West Water was notified of a third-party cyber security incident impacting our customer information. The third-party company was engaged to help us understand the type of services our customers would like from us in the future, in a research project collaboration with several other water utilities. The information compromised by the incident included approximately 4,000 City West Water customer records including billing account, account name and address. No financial details, credit card or driver licence information was accessed. As soon as we were notified, we prioritised a team to investigate the issue, notify authorities and support all impacted customers.

We take our responsibility to protect our customers' personal information seriously. Impacted customers were identified and contacted as quickly as possible, with a dedicated support line established. Following a thorough independent review of this incident, additional security measures were put in place and we developed communication to help educate our customers how to stay safe online. Following this incident, several improvements were initiated. For example, we heightened awareness on secure data sharing practices, developed secure file sharing systems, audited our external data sharing practices, and developed an action plan to increase data security.

### Putting customers first

City West Water exists to provide exceptional water supply and wastewater services, all day, every day for our customers in their homes, businesses, places and spaces – now and for the future.

Our *Customers First* strategy has been guided by what our customers want and value. It commits us to delivering services that are safe, affordable and reliable, while being accessible and easy to deal with.

### Piloting face-to-face services in the community

Over four weeks in 2019 (23 September to 18 October), we partnered with Maribyrnong City Council to deliver a pilot face-to-face service from the council's customer service centre in Footscray. Customer service officers provided billing, account, residential and business services. The aim was to address the needs of customers who prefer face-to-face interaction, such as those who speak a language other than English, have limited or no access to digital channels, or have complex enquiries.

A total of 116 customers engaged with the service with enquiries about development plans and bills (72 per cent), concessions (8.6 per cent), bill payments (6.9 per cent) and change of tenancy (six per cent).

The pilot proved the service was highly valued with:

- 97 per cent of customers scoring City West Water 100 per cent in satisfaction rating
- 87 per cent of enquiries resolved first time
- 99 per cent of customers saying they would use the service again.

This pilot acknowledged that our customer needs are diverse and one size does not fit all in customer service. City West Water will continue to build and leverage partnerships with councils to enhance customer service.

### Tenancy and ownership applications online

During the year we introduced online avenues that are making change of tenancy and ownership seamless and quick. Since July 2019, real estate agents, aggregators and tenants have been able to submit change of tenancy updates online and, since November 2019, solicitors and conveyancers have had the option to provide electronic lodgement records for changes of ownership. Customers can now complete an online change of tenancy form application which is automatically processed within 24 hours and most new customers receive a welcome email within 10 minutes of applying.

### MyAccount launched

Our customer portal, MyAccount, was launched on 13 May 2020 to provide eligible residential customers with a self-serve option for a range of transactions. Since then, more than 21,000 customers have registered and more than 2,000 digital transactions that otherwise would have been completed via the phone, email or post, have been completed online. MyAccount provides a flexible and user-friendly portal for customers. We continue to listen to our customers and make improvements to the MyAccount experience.

### New water and sewer network renewals delivery approach

Our Network Renewals Program supports delivery of our asset management objectives and our network service level commitments to customers. The work includes the abandonment, replacement or rehabilitation of existing water and sewer reticulation mains. The nature of the work frequently requires us to occupy streets, private

properties and visible locations for days and often months at a time. This work can be complex and has the potential to be highly impactful on residents, businesses and commuters.

We have designed a new approach to delivery of these works to improve safety and maximise customer value. Continuous improvement and adaptability are key objectives of the new model, which entails entering into partnerships with two delivery partners to deliver the programs for a minimum term of three years. This approach also supports a consistent works program that delivers employment opportunities from the works in our service area. We have begun procurement for this new delivery approach.

### Integrated and automated technology

Integrated and automated technologies are giving us the capability to evolve into an effective and efficient digital utility.

In 2019–20, we implemented technologies that enable us to interconnect our systems and our partners' systems in a flexible, secure and adaptable way. This simplifies data entry, improves data integrity, improves access to data to support customer service, and gives customers online options for information and transactions.

The technologies enable:

- online self-service options for customers to maintain their details, check bills and make direct debit requests
- customer, place and asset insights, such as our outage mapping, which helps customers see current and planned outages in their areas
- real time collection of data and metrics to support analytical and evidence-based approaches and decision making, and give us information as things happen, so we can respond quickly
- optimised business processes that support a mobile workforce and direct customer service engagement in the field
- automation of repetitive tasks, which frees our people to focus on more complex work and customer facing services, for example automating notices of acquisition (sale forms) has saved significant data entry time.

These technologies enable us to communicate and share insights with ourselves, our customers and our partners and provide the flexibility to adapt as needed.

### New water meter assemblies

After consultation with the local plumbing and construction industry, City West Water changed the way water meter meters are installed on new residential properties. Under the changes, the installation of tap upstands and associated plumbing is now managed by builders closer to completion of construction. The new process was designed to reduce theft of brass and copper fittings and meters – a common issue on construction sites that results in builders and owners carrying high reinstatement costs – and to provide customers with options for locating their front garden taps. The changes were applied to both drinking water and recycled water meter assemblies. For properties with recycled water, the changes also helped reduce the already low possibility of cross contamination between drinking water and recycled water supplies.

To help plumbers and builders understand the changes, a standard meter assembly drawing is provided with an Approval to Connect letter.

### Trade waste

City West Water provides a reliable and affordable sewer network that accepts trade waste from business and industry.

Our Commercial Customer team helps food businesses minimise the risk of fat blockages in our network by tracking grease trap pump out compliance and making sure that businesses that need a grease trap have one. Our Industrial Customer team monitors wastewater and audits site activities so that the sewer network functions effectively, ensuring our people, assets and environment are protected, while enabling recycled water and biosolid reuse opportunities to be realised.

In 2019–20, our customer base included 5,624 businesses that serve food, including takeaway shops, cafes and restaurants; and 2,221 industrial customers, including food and beverage manufacturers, chemical manufacturers, car washes, hospitals and laundries. We recorded just over 10,000 grease trap pump outs, a reduction on last year due to coronavirus restrictions impacting on our customers' ability to trade. Our industrial customers continued to be compliant, with less than one per cent non-compliant in 2019–20.

This year we improved the trade waste agreement and consent application process for our customers using secure electronic agreement capabilities and an enhanced

website. Customers can now securely and efficiently apply for a trade waste agreement or consent online.

We also reached out to food business operators who have been impacted by coronavirus restrictions, advising them that their trade waste agreement fee can be waived for the March to June quarter if they haven't been trading.

City West Water is participating in a partnered PhD program with RMIT University to examine opportunities to reduce trade waste costs to customers and identify higher value uses such as resource recovery and energy generation.

## Social sustainability

### Community service obligations

City West Water provided the following community service obligations.

<b>2019–20 Community service obligations</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Provision of concessions to customers	23,159	22,901	21,252
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	570	559	403
Utility relief grant scheme	562	382	334
Water concessions to those on life support machines (haemodialysis)	22	10	13

During 2019–20, City West Water provided hardship grants to 213 customers, Utility Relief Grant Scheme assistance to 1,024 customers and had 24,825 customers on instalment plans.

### Concessions to pensioners and cardholders

Customers who hold a pension concession card, a Department of Veterans Affairs gold card or a health care card are entitled to a 50 per cent concession on water and sewerage charges, up to an annual maximum. The 2019–20 maximum was \$337.10. If a customer is receiving one service only, they are entitled to a concession of up to half the annual maximum. We invoice the Department of Health and Human Services for the value of those concessions.

### Rebates paid to not-for-profit organisations under the Water and Sewerage Rebate Scheme

The State Revenue Office defines certain organisations as not-for-profit. Such organisations serve the community in the fields of education, health or nursing care, religious worship, charity, outdoor sporting or recreation activities or war veterans' organisations. These organisations are entitled to claim a concession on the service charge portion of their bills. We invoice the State Revenue Office for the value of those concessions.

### Utility Relief Grant Scheme

The Utility Relief Grant Scheme assists residential customers and people experiencing family violence, who are unable to pay their electricity, gas and water bills and may be at risk of disconnection of supply due to a temporary financial crisis (in the last 12 months). Applicants must meet certain criteria to obtain the grant, for example: family violence, a decrease in income, unexpected costs for essential goods and services, cost of shelter being 30 per cent or more of household income and, more recently, customers who have been impacted by the coronavirus. A customer can apply for the grant multiple times within a two-year period, for up to a maximum amount of \$650 for each utility.

### Water concessions for people on life support machines (haemodialysis)

All residential customers who hold a valid Victorian concession card and require in-home haemodialysis are entitled to a rebate on water usage and sewage disposal charges. The Department of Health and Human Services determines the rebate amount based on the average annual water usage of an in-home haemodialysis machine of 168,000 litres a year. The rebate is in addition to any other pension or concession to which a customer may be entitled. Customers who hold a pension concession card, a Department of Veterans Affairs gold card or a health care card are entitled to the rebate. We invoice the Department of Health and Human Services for the value of those concessions. The number of concessions paid increased from last year.

### Improving hardship assistance access during pandemic

City West Water has changed its hardship and vulnerability service model to improve the experience for customers and to identify vulnerable customers at risk of falling into financial hardship. Our needs-based case management approach supports customers through challenging circumstances with tailored options.

Using insights gained from the data and analytics team and our understanding of the challenges for vulnerable customers, a more proactive service has been developed that focuses on customer needs and challenges. For example, advanced analytical work is showing us that the impacts of the coronavirus restrictions are changing the demographic groups falling into hardship. Household-level demographic and transactional data informed the creation of a machine learning model using cloud computing to identify vulnerable customer cohorts and drive early interaction.

We have proactively engaged with all our customers through bill inserts, a Melbourne metropolitan-wide print advertisement and additional communication to 86,000 customers via email, outlining the support options available during the pandemic. Since May 2020, we proactively contacted high risk customers to explain available hardship support. We are continuing to support and communicate with our customers as needed. We have enabled customers to access support through convenient online services such as the payment extensions application and MyAccount for payment plans and concession applications.

## Water consumption

City West Water provides different types of water to customers in our service area. The table below details water use by residential and non-residential customers in 2019–20.

Total water consumption data	2019–20		2018–19	
	Number	Volume (ML) <sup>12</sup>	Number	Volume (ML)
<b>Residential customers</b>				
Drinking water	445,754	64,616 <sup>1</sup>	431,574	62,703
Recycled wastewater	9,442 <sup>2</sup>	275 <sup>3</sup>	7,630	212
Recycled stormwater				
<b>Non-residential customers</b>				
Drinking water	42,437	38,504 <sup>4</sup>	41,561	42,599
Recycled wastewater	80 <sup>2</sup>	2,467 <sup>5</sup>	75	2,527
Recycled stormwater	8	95	7	113
<b>Total customers<sup>6</sup></b>	<b>488,191</b>		<b>473,135</b>	
<b>Total drinking water volume</b>		<b>103,120</b>		<b>105,302</b>
<b>Total recycled water volume</b>		<b>2,837</b>		<b>2,852</b>
<b>Total consumption</b>		<b>105,957</b>		<b>108,154</b>
Average annual consumption <sup>7</sup>		102,875		101,649
Weekly residential drinking water consumption <sup>8</sup>		1,243		1,206
<b>Non-revenue water</b>				
Leakage <sup>9</sup>		4,672		6,743
Firefighting <sup>10</sup>		553		575
Other <sup>11</sup>		2,173		2,226
<b>Total non-revenue water</b>		<b>7,398</b>		<b>9,544</b>
<b>Total water all sources</b>		<b>113,355</b>		<b>117,698</b>

Average residential consumption	2019–20	2018–19
	Litres per person per day (L/pp/day)	
Average per capita daily residential drinking water consumption	154 <sup>13</sup>	154

### Notes:

- Includes drinking water supplied to customers with recycled meters but not connected to the recycled water network.
- Only includes recycled water customers who are connected and able to receive recycled water. In areas where it is available, recycled water is used for various activities at residential and non-residential customer properties, including garden watering, car washing, toilet flushing and laundry.
- Includes 0.43ML of drinking water used in blend or back up to the recycled supply system and used in the determination of non-revenue water.
- Includes potable water supplied to customers with recycled meters but not connected to the recycled water network.
- Includes 18.82ML of drinking water used in blend or backup to the recycled supply system and used in the determination of non-revenue water.
- Customers that receive recycled wastewater or stormwater also receive drinking water.
- Five-year average annual consumption from 2016 to 2020 reporting periods.
- Weekly residential water consumption.

- Balance of non-revenue water, known as real losses, which includes bursts, leaks and background losses.

- Firefighting is part of a category called Authorised Unbilled Usage which includes firefighting, fire service usage, water haulers' usage, water main flushing and sewer cleaning.

- Other non-revenue water is known as apparent losses which includes unauthorised usage such as theft, misuse, illegal tampering and incorrect meter reads.

- ML = million litres

- Disclaimer: This figure is preliminary only and uses an estimate for Q4 (April–June 2020) as actuals were not yet available at the time of printing this report. Customers are billed three months in arrears and therefore Q4 customer usage is not available until early October. There is significant uncertainty around estimates this year due to substantial but not yet fully quantified changes in non-residential and residential consumption due to changes in behaviour and the imposition of restrictions on households and businesses during the coronavirus (COVID-19) pandemic during most of Q4.

## Corporate water consumption

This table shows water use at our Footscray Head Office. The decrease in water use for this financial year is largely due to the significant reduction in the number of employees working in the office from March 2020.

2020	2019
Water consumed 1,449kL	Water consumed 2,008kL
3.5kL per full time equivalent employee	4.8kL per full time equivalent employee
235 litres per m <sup>2</sup> of office space	326 litres per m <sup>2</sup> of office space

## Annual reporting of major non-residential water users

### Names of major customers and their participation in water efficiency programs

The *Water Act 1989* requires water corporations to publish the number (by volumetric range) and names of customers who are not farming, irrigators or domestic consumers, using 100ML or more water per year (see the tables below). Farmers, irrigators and domestic users may decline or opt out of the requirement to have their name published. The *Water Act 1989* also requires water corporations to indicate if these customers have participated in water efficiency programs.

These customers have participated in water efficiency programs:

#### Name of Customer<sup>1</sup>

AMP Capital Investors	Department of Justice and Regulation – Ravenhall Prison	Nufarm Australia Limited
Asahi Premium Beverages – Laverton	Diamond Valley Pork Pty Ltd	Orica Australia Pty Ltd
Asahi Premium Beverages – Tullamarine	Essendon Fields Airport	Peerless Holdings Pty Ltd
Australian Pacific Airports Corporation – Melbourne Airport (Combined 2 sites)	GPT Funds Management Limited	Qenos Pty Ltd <sup>2</sup> (Combined all 3 sites)
Baybrick Landco Pty Ltd	Integro Foods Australia Pty Ltd	Seqirus Pty Ltd
Campari Australia Pty Ltd	Ixom Operations Pty Ltd	Swancomb Pty Ltd
Carlton & United Breweries Ltd	Jeskan Nominees Pty Ltd	The Australian Steel Company (Operations) Pty Ltd
Choldame Nominees	Melbourne & Olympic Parks Trust	The Royal Childrens Hospital
CSF Proteins Proprietary Limited	Melbourne Central Pty Ltd	Department of Transport
CSR Building Products Limited	Melbourne Health	University of Melbourne
Department of Health and Human Services – VCCC	Melbourne Water – Brooklyn Pumping Station	Victoria Racing Club Limited
Department of Justice – Port Phillip Prison	Melbourne Water – Hoppers Crossing Pumping Station	Wadren Pty Ltd & QIC Werribee Pty Ltd
	Mobil Refining Australia Pty Ltd	Western Health
	Mr P G Song	Wilmar Sugar Pty Ltd
		Zoos Victoria – Melbourne Zoo

#### Notes:

1. One customer, classified as an irrigator, has elected not to be named in this table. Irrigators may opt out of the requirement to have their name published.
2. Includes recycled water use

<b>Customers by volume range (ML per year)</b>	<b>Number of Customers</b>
Equal to or greater than 100ML and less than 200ML	27
Equal to or greater than 200ML and less than 300ML	5
Equal to or greater than 300ML and less than 400ML	3
Equal to or greater than 400ML and less than 500ML	1
Equal to or greater than 500ML and less than 750ML	1
Equal to or greater than 750ML and less than 1,000ML	3
Greater than 1,000ML	2
<b>Total number of customers</b>	<b>42</b>

## Total residential water bill

In 2019–20, City West Water customers had the lowest average residential water bills in Melbourne. We understand that affordability is a key priority for our customers, and we will continue to look for ways to provide exceptional services at the lowest possible prices.

<b>2019–20 Total residential water bill for a City West Water customer based on consumption during the year</b>	<b>150kL annual usage</b>	<b>200kL annual usage</b>
Water network charge	\$231.44	\$231.44
Water usage charges	\$404.52	\$555.53
Sewerage network charge	\$254.32	\$254.32
Sewage disposal charge	\$93.28	\$124.37
<b>TOTAL</b>	<b>\$983.56</b>	<b>\$1,165.66</b>

- For the current price determination, which sets out our prices from 1 July 2018 and the process we use to update our prices annually to 30 June 2023, City West Water price changes will be limited to changes in financing costs, inflation, changes in bulk charges, and the cost of any desalination water orders.
- The actual change in a customer's bill will depend on their water usage.

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*In 2019–20, City West Water customers had the lowest average residential water bills in Melbourne. We understand that affordability is a key priority for our customers and we will continue to look for ways to provide exceptional services at the lowest possible prices.*

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# Our Communities

Melbourne is Australia's fastest growing city and Greater Melbourne's population is expected to grow from five million in 2019 to nine million in 2056. This, along with the effects of a changing environment, is creating greater pressure on our water supplies. This year we continued to explore and implement alternative, sustainable water sources and to inform efficient water use amongst our customers and communities.

## Sustainable water use

### Water recycling

#### Stormwater harvesting

City West Water continues to co-fund projects to improve community health and wellbeing, create green open spaces, and reduce our reliance on drinking water resources for irrigating parklands and sporting reserves. These projects – Woodlands Park, Balmoral Park, Arndell Park, Edinburgh Gardens, Victorian Baseball and Softball Centre and the Melbourne Tennis Centre – are scheduled to be delivered by April 2021.

We have invested \$4.6 million in stormwater harvesting over the past two years, with project partners including local councils and Melbourne Water contributing \$5.1 million. These projects are expected to reduce demands on drinking water by over 100ML/year, improve waterway and wetland health and habitat, minimise flooding and erosion, improve water quality, and create greener open spaces for the community. Amid a changing climate and fast-growing population, stormwater harvesting is an important part of managing our resources for long-term water security.

#### Aquifer storage and recovery trial

City West Water is trialling an Aquifer Storage and Recovery Scheme adjacent to the Werribee Salt

Reduction Plant to collect and store excess recycled water during low demand periods for use in summer peak demand periods. From July 2017 to March 2020, an operational trial was conducted involving various cycles of injection, storage and recovery of recycled water. Data collection, processing and analysis will determine the feasibility of the scheme. If viable, the scheme could provide an alternative source of recycled water for residents of Werribee and other parts of the Wyndham City Council area.

#### West Werribee recycled water scheme expansion

City West Water is exploring the feasibility of expanding its recycled water network to service key customers in the Werribee Parks Precinct, including Werribee Open Range Zoo, and key open spaces in Werribee City Centre.

This \$5.4 million expansion project has the potential to secure a reliable, low salt, fit-for-purpose alternative water source for local customers, substituting over 210ML per year of river water extractions with recycled water. Ultimately, the project could return river water to the environment and increase the volume of recycled water supplied by City West Water by around 477ML per year.

This project supports the long-term resilience of Victoria's water system by reducing reliance on river water extractions and the discharge of wastewater to Port Phillip Bay.

### *West Werribee passive irrigation trial*

In 2019, we produced a landscape masterplan to transform West Werribee Salt Reduction Plant into a centre of excellence for integrated water management. In June 2020, a green infrastructure project was implemented to plant 50 new trees at the site entrance. Ten of those trees are to be watered via agricultural pipe buried below their root zone to demonstrate 'passive irrigation' with stormwater, diverted from the swale drain.

The project is an example of 'passive' Water Sensitive Urban Design to demonstrate the watering of trees without pumping or manual irrigation. After project completion, The University of Melbourne will collect data to determine the feasibility of this method of irrigation.

This project was co-funded by Wyndham City Council and City West Water, and the trees were donated by Ecodynamics Nursery.

### **Water efficiency and conservation**

#### *Encouraging water efficiency in a drying climate*

This year we partnered with Melbourne Water, South East Water and Yarra Valley Water on the Make Every Drop Count campaign, which promotes water conservation and mindful water use.

Launched in summer 2019, the campaign encourages Melburnians to think about how they use water in the bathroom, laundry, kitchen and outdoors. This supports the Victorian Government's Target 155 objective and our commitment to efficient use of water across the community. Target 155 is a water efficiency program encouraging Melbourne households to limit water consumption to 155 litres per person per day.

The Make Every Drop Count campaign exceeded its key performance indicator (KPI) targets, achieving the following results:

- **Step 1: Raise awareness** – The percentage of Melburnians who have heard something about water conservation in the past 12 months increased from 40 per cent before the campaign to 52 per cent mid-campaign; significantly above the KPI target of 43 per cent.
- **Step 2: Considering changing behaviour** – The percentage of people who are willing to adopt water efficient behaviours in the next 12 months increased from 58 per cent pre-campaign to 64 per cent mid-campaign; above the KPI target of 61 per cent.
- **Step 3: Change behaviour** – The percentage of people who have taken some action to reduce the amount of water they use increased from 43 per cent pre-campaign to 52 per cent mid-campaign; above the KPI target of 46 per cent.

Planning has begun to build on these results and continue the campaign into next year.

#### *Choose Tap*

Choose Tap is a national program that promotes the benefits of drinking tap water to improve the health and wellbeing of communities and the environment through the reduction of single use plastics. To date, the program has served more than 1.5 million litres of water through permanent water refill stations and portable water refill stations at events – saving around 2.4 million single use plastic bottles.

#### *Community events and sponsorship*

We are an active participant in the local communities we serve, supporting a diverse calendar of community events, programs and groups. From February 2020, many planned events were cancelled due to coronavirus. The following events and programs were supported:

- **Mobile water fountains** – we provided mobile water fountains to 13 events that reached more than 147,000 people. These included festivals and events run by groups such as Clifton Hill Primary School, Cancer Council Victoria, Western Bulldogs AFLW, the Japanese Society of Melbourne and Wyndham City Council.
- **Community sponsorship** – we provided sponsorship funds to community organisations hosting events, including Christmas at the Lake, Africa Day Music Festival, Diwali Festival, North Melbourne Fling Street Festival, Laverton Traders Festival, Japanese Summer Festival, Inflatable Regatta, St Albans Language School, Diversity Week and the Spanish Language Festival.
- **Strategic sponsorship** – we provided financial and in-kind assistance to seven partner organisations (Wyndham City Council, IMG, Victoria University, Footscray Community Arts Centre, AFLW Western Bulldogs, Western Health and Water Aid) to support initiatives in strategic alignment with our business priorities.

#### *Day at the soccer*

For the past 11 years, we have worked with stakeholders, including Victoria Police, Melbourne Fire Brigade, South East Water and Yarra Valley Water, to deliver a large-scale event that supports recently arrived migrants and

refugees to learn about and engage with government agencies. The event was planned to be held in March 2020; however, it did not proceed this year due to the coronavirus pandemic. In its place we are working closely with community partners to establish events to support recently arrived migrants through other programs.

### *Water awareness programs in schools*

Educational programs with schools help raise understanding and awareness of the water cycle and water efficiency. This year we participated in the following activities.

#### *School incursions*

Our education incursions are delivered to children in early learning, Foundation to Year 8 students, and culturally and linguistically diverse students. Our programs focus on valuing water as a resource, saving water around the home, and how we manage water and sewage. During the year we presented to approximately 2,200 students at 20 schools. In response to the coronavirus restrictions, we created an 'Education at home' section on our website with downloadable lesson plans and activities. We are developing more digital activities and videos to add to the website.

#### *Kids Teaching Kids*

This national program empowers children and young people to drive action on environmental issues. We have supported the program for more than five years. This year's theme was 'Cities, Energy, Waste, Biodiversity – Water'.

- **Kids Teaching Kids Conference** – 53 schools were represented at the conference in October 2019. Students from Year 5 to Year 10 participated in a variety of activities. City West Water hosted the 'Water cycle in a jar' activity with students creating terrariums and learning about the water cycle.
- **Kids Teaching Kids Week event** – more than 350 schools participated in over 40 events during Kids Teaching Kids Week (9–13 September 2019). The week provides an opportunity to get involved and share knowledge with other local students. This year we facilitated the Embodied Water activity at Collingwood Children's Farm, exploring the hidden cost of water in manufacturing of everyday items.

### *National Water Week poster competition*

National Water Week was held from 21–27 October 2019 with the theme 'It's time to change the world'. The week inspires individuals, communities and organisations to work together to build awareness and understanding around water-related topics and challenges. City West Water participates in a primary school poster competition. This year we received around 200 posters from students across five schools in our service area.

## **Sustainable and resilient water and wastewater service systems**

### **Carlton Water Main Renewal**

This project is installing 2.3 kilometres of new water main along Canning Street and decommissioning an existing main in Nicholson Street. Scheduled to complete in September 2020, the project replaces the 140-year-old pipeline with a larger diameter pipe to ensure safe and secure water supply for Carlton, Carlton North and the inner city for years to come.

Several new initiatives were introduced on this project to deliver on our strategy to engage with customers and focus on wellbeing. We established a dedicated on-the-ground engagement advisor who was located at our drop-in Community Project Information Centre, we facilitated a Community Reference Group to share information and consult on community projects, and we minimised traffic and congestion through the use of project bikes to and from the Centre to the worksite. The project is also delivering outcomes to improve liveability through a community project that focuses on urban greening, urban design and access to water. Actions include tree plantings and installation of bike hoops and drinking fountains.

As part of a social procurement focus, Jaydo (construction partner) engaged Outlook, a not-for-profit disability service provider specialising in waste transfer station management, recycled goods stores and environmental services. All material not separated on site is sorted, with 70–95 per cent of construction materials recovered. By recovering and recycling waste, Outlook reduces waste to landfill, provides low cost recycled goods to the community, and creates employment for their workforce.

### Lonsdale Street Sewer Upgrade

In October 2019, work began to install 900 metres of new sewer line under Lonsdale Street in Melbourne's CBD. The sewer line is being constructed using a tunnel boring machine that is being launched and retrieved via shafts to be excavated at three locations along Lonsdale Street. It is stage two of a four-stage strategy to replace the 120-year-old sewer network and cater for the growing inner-city population.

City West Water has led a significant community and stakeholder engagement program as part of the planning and delivery of the Lonsdale Street Sewer Upgrade, which impacts on city residents, businesses, commuters and visitors. We have worked closely with the City of Melbourne, State Government, transport agencies and operators as well as many of the traders and other businesses along the project alignment.

The project is expected to be completed late 2020.

### Mt Atkinson Outlet Sewer

The Mt Atkinson Outlet Sewer will provide sewerage services into the expanding urban growth area in Melbourne's west, including the Werribee North sewerage catchment.

The project, which began in May 2018, will construct approximately four kilometres of 600-millimetre sewer through six private properties along Derrimut and Hopkins Roads in Tarneit.

Five sections will be constructed using trenchless construction to cross key infrastructure, including a transmission gas main, transfer water main, Melbourne to Adelaide fibreoptic communications cables and a high voltage power transmission easement.

Given the sewer is located in a greenfield area, we liaised with several stakeholders (VicRoads, Victorian Planning Authority, Wyndham City Council, Melton City Council, APA Group, Vocus Group, DELWP, Melbourne Water and Aboriginal Victoria) to obtain land access agreements, planning permits, cultural heritage approvals and other regulatory consents and approvals. We also worked with four major developers to design, plan and coordinate construction of service infrastructure to ensure delivery in line with community servicing requirements and ahead of their adjacent development works.

City West Water and Western Water have developed a servicing plan for the area, which allows for sewage from land east of the proposed Outer Metropolitan Ring Road to be directed to Melbourne Water's Western Treatment Plant through City West Water's existing and future sewerage network.

City West Water agreed to fast-track delivery of the Mt Atkinson Outlet Sewer from 2026 to June 2021 to service Western Water's customers.

### West Werribee Pumping Station

This station is being upgraded to service the growing Werribee West sewerage catchment, including up to 60,000 new dwellings, and to relocate the station away from new houses to reduce potential noise, odour and disruption during maintenance activities.

The project will construct 380 metres of 1200 millimetre gravity sewer under the Princes Freeway, and install six maintenance holes and two wet wells. Innovative construction methods have been developed to connect to Melbourne Water's Western Trunk Sewer in semi-live conditions. At completion of the project in early 2021, the old pump station will be decommissioned and the site will be restored to parkland.

### Augmented reality remote assist

City West Water used augmented reality technology to safely assist with stormwater site commissioning works at Woodlands Park and Laverton Recreation Reserve in June 2020.

These were the first field trials under the Augmented Reality – Remote Assist proof of concept. Microsoft Teams was used to cast vision from the staff member on site using a hands-free wearable headset built for industrial work environments. The technology enabled staff working both remotely and at our Altona Treatment Plant to 'virtually' attend and assist with commissioning works.

### Digital metering proof of concept trial

Technologies like digital metering are integral to our vision to create an intelligent water network. Digital metering has the potential to provide greater insights on water use across our network, enable leaks to be identified and repaired quickly, and allow customers to understand and adapt their water use behaviour.

The digital metering proof of concept trial began in June 2019 and will be completed in April 2021.

In 2019–20, work on the trial continued. We:

- installed 1,393 digital metering devices at the Richmond and Docklands trial areas
- used four different metering device types and three different communications technologies to capture data
- implemented a leak detection and customer notification system based on digital metering hourly data
- integrated hourly reads for more than 4,500 remote meters in high rise buildings
- uplifted our information and communications technology (ICT) system to receive and process data from multiple sources – almost 150,000 hourly reads per day
- collaborated with internal customer experience, customer service and IT departments to simplify the user experience and prepare the portal to deploy to trial customers
- continued involvement in the Digital Metering Joint Program with South East Water and Yarra Valley Water
- used data from the trial meters to help the business understand the impact on water use due to coronavirus
- gained significant quantitative and qualitative learnings that will inform and guide us beyond the trial.

To date, almost three million litres of water have been saved through timely leak detection and repair.

### Technical forum with local council

City West Water and Wyndham City Council continued to participate in a technical forum program that supports delivery of projects and services. Representatives from Project Delivery, Urban Development, Service Delivery, Service Planning and Customer Experience meet with council representatives quarterly to identify challenges and opportunities, share works programs and resolve issues. Outcomes from the technical forum program include developing an improved backfill approach for newly constructed assets, improving capital works planning to avoid excavating newly constructed roads, and establishing an open channel of communications to resolve issues promptly.

### Major government projects

We supported and facilitated the following important infrastructure projects, while ensuring the protection of vital water and sewer services for our community and future generations:

- Metro Tunnel Project
- West Gate Tunnel
- Western Roads Upgrade
- Level Crossing Removal Project
- Melbourne Airport Rail
- Nicholson Street Tram Upgrade
- Streamlining Hoddle Street
- Australian Rail Track Corporation (ARTC) Inland Rail.

More than \$7.8 million of water and sewer asset relocations were commissioned through our collaboration with major government projects, with many others substantially completed and to be commissioned in the coming months.

We worked with government departments, project owners and delivery partners to advise on water and sewerage assets along project alignments, provide water and sewer connections for temporary works and permanent installations, review design and construction methodologies, relocate assets to accommodate project infrastructure, and establish trade waste agreements for safe discharge to sewer from construction activities such as tunnelling works.

We coordinated efforts across our teams to provide direct contacts and deliver timely responses. We also worked with other utility owners, including councils, Melbourne Water, power, gas and telecommunications and road and rail providers, to deliver the best possible outcomes for the projects and for customers and communities. In one example, we contributed to Melbourne's coronavirus response by facilitating rapid new water and sewer connections to temporary Ambulance Victoria facilities in Parkville.

## Sustainable water strategies

### Urban Water Strategy

Our *Urban Water Strategy* helps prepare our service area for a challenging water future, as we navigate the impacts of climate change and population growth. It outlines the forecast increase in our service area residential population, from just over 1.1 million in June 2019 to an estimated 2.3 million by 2066.

The strategy sets a benchmark for service provision and will help us understand, adapt to and provide for growing demand for water. It includes our actions to work with our customers and stakeholders to plan for and manage the supply and demand for water over the next 50 years.

The *Urban Water Strategy* also includes our Drought Preparedness Plan for the next five years. This sets out our adaptive management framework and the actions we will take with our customers and stakeholders to ensure we can maintain reliable water supply under dry and drought conditions.

### Drought preparedness

Metropolitan water retailers are required to prepare Drought Preparedness Plans, which set out actions to prepare for, and respond to, periods of water shortage.

#### Annual Water Outlook

In accordance with the Drought Preparedness Plan, each year we collaborate with South East Water, Yarra Valley Water and Melbourne Water to publish Melbourne's *Annual Water Outlook*, which sets out our water security position and actions over the coming year.

Permanent Water Use Rules are in place for metropolitan Melbourne. For 2019–20, Melbourne is being supplied with 125 billion litres of desalinated water, the largest annual volume to date. With these actions, *Melbourne's Water Outlook 2020*, released in November 2019, assessed that Melbourne's water availability is secure for the coming year.

City West Water is progressing several programs and projects to improve our drought preparedness, including:

- developing schemes to supply recycled water to commercial, industrial and residential customers and for the irrigation of open spaces – supplied more than 2,800ML of recycled water in 2019–20
- delivering water efficiency awareness campaigns, including Make Every Drop Count and Target 155
- supporting 105 vulnerable customers through the Community Rebates Program to make home plumbing improvements to avoid inefficient water use
- working with Integrated Water Management Forums to progress projects, including stormwater harvesting and water recycling
- partnering to deliver green infrastructure projects through Greening the West
- developing an infrastructure plan to supply alternative water to the Arden Macaulay precinct
- continuing work on the joint digital metering project to understand the benefits that could be delivered through water efficiency, leak detection and informing behaviour change.

During the year we also commenced a dry conditions program to develop initiatives that allow for a quick response to changing supply and demand. A Dry Conditions Taskforce has been established and five focus areas confirmed: residential, non-residential, alternative water, leaks and bursts, and restrictions.

#### Drought Preparedness Plan and by-law

Developed in accordance with the *Guidelines for Assessing the Impact of Climate Change on Water Supplies in Victoria*, the *Drought Preparedness Plan* has been in place since June 2012, with the Permanent Water Use Plan in place since November 2011. Under Permanent Water Use Rules, playing fields and other open spaces can be watered all year round. The water restrictions schedule (City West Water Corporation Water Restrictions By-law 001/2012 as enacted by the *Drought Preparedness Plan*) also allows for an approved Water Use Plan at all four stages of restrictions. This is designed to allow watering during water restrictions to maintain open spaces and playing fields all year round.

#### Integrated Water Management

Through integrated water management (IWM) we consider all aspects of the water cycle as we plan for the delivery of services to our customers and community. IWM often requires collaborative planning and partnerships with agencies or stakeholders responsible for different parts of the water cycle. Through these partnerships, we plan for and manage water and land resources to maximise their economic, social and ecological benefits to the community.

IWM guides our service planning and plays an important role in meeting the challenges of supplying our rapidly growing population. *Water for a Future-Thriving Melbourne* identifies IWM as an essential component of helping Melbourne become a water sensitive city.

City West Water supports the Department of Environment, Land, Water and Planning (DELWP) to form and deliver IWM forums and develop place-based IWM plans. The forums bring together water corporations, local government and catchment management authorities to identify opportunities to create shared value through collaborative planning. Of Melbourne's five IWM forums, we are a key contributor to the Werribee River, Maribyrnong and Yarra River forums.

Over the past year, we have sought to improve planning outcomes to provide solutions through the IWM forums and development of IWM plans, including:

- partnering with Hobsons Bay City Council and Melbourne Water to create 'The Precinct 15 IWM Plan' for a large infill development in Altona North
- contributing to development of the Arden Macaulay IWM Plan that explores opportunities for stormwater and recycled water use
- working with Hobsons Bay City Council and Maribyrnong City Council to develop stormwater harvesting schemes to leverage works underway as part of the West Gate Tunnel project
- developing a Mutual Sewage Transfer Agreement with Western Water to transfer across regional or service area boundaries
- working with Melbourne Water, South East Water, Yarra Valley Water and Western Water on the Sewerage Strategy Implementation Plan
- collaborating with key stakeholders in the IWM Forums to support Water for Victoria's recreational values of water.

We continue to collaborate with the Melbourne water corporations and DELWP through processes including the Long-Term Water Resource Assessment, Sustainable Water Strategy review and development, and other Water for Victoria initiatives to ensure water supply security for our region.

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*Integrated Water Management guides our service planning playing an important role in meeting the challenges of supplying our rapidly growing population.*

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# Our Environment

City West Water aspires to be an excellent service provider that puts customers first and benefits the community. We are passionate about community liveability and wellbeing. This year we continued our strong focus on streamlined delivery, delivering positive environmental outcomes, benefiting communities and businesses.

## Environmental management

In 2019–20, City West Water continued to focus on:

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### Community liveability and wellbeing

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### Streamlined delivery

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#### Positive environmental outcomes

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#### Benefitting communities and businesses

##### Climate Resilience Strategy

Our vision is to become a leader in climate mitigation and adaptation, and respond to the impacts of climate change on our services, customers and the broader community.

Our *Climate Resilience Strategy* outlines our actions to achieve this vision. The strategy aligns with our support of the United Nation's Sustainable Development Goals, in particular Goal 13: Climate Action, and supports our Emission Reduction Pledge, which commits us to mitigate climate change through an 80 per cent reduction in carbon dioxide equivalents (CO<sub>2</sub>-e) by 2025 (relative to a 2011–16 baseline).

We developed the 12 Month Action Plan: Climate Resilience and Emission Reduction Pledge (July 2020–June 2021), which provides a roadmap for how our *Climate Resilience Strategy* and the Emission Reduction Pledge work together to address climate change. The action plan drives greater integration of climate change risk management considerations into our day-to-day planning and analysis, ultimately driving progress.

In line with our climate resilience objectives, this year we:

- developed scopes and technical specifications for solar installations at Altona Treatment Plant, Werribee Recycled Water Plant, Ballan Road Tank Site and Little River Booster Station

- neared completion of a micro-hydro turbine at the Terror Street Pressure Reducing Station, with the installation to be completed early 2020–21
- collaborated with other water corporations to invest in renewable energy through the Zero Emissions Water Power Purchasing Agreement
- implemented an energy monitoring platform at the Altona Treatment Plant facility, offering real time view of energy consumption, allowing us to locate energy efficiency opportunities
- invested in water efficiency through the residential advertising campaign, Make Every Drop Count, and the Dry Conditions Taskforce
- partnered with Greening the West and the Living Melbourne initiative to identify opportunities to increase tree canopy cover across our service area
- collaborated in the Integrated Water Management Forums
- invested in stormwater harvesting projects in our service region
- entered a collaboration with DELWP, Monash University and a range of utility service providers on the Net Zero Partnership.

We are also collaborating across the industry on climate resilience projects from the *Water Sector Pilot Adaptation Action Plan*, developed by DELWP under the *Climate Change Act 2017*. These projects include impacts of climate change on water resources, cost of doing business, and sewerage systems. The Water Sector Adaptation Action Plan to be developed by DELWP by October 2020 will guide our climate resilience actions.

### Environment Policy

City West Water's *Environment Policy* provides guidance on meeting our obligations and strategic objectives to protect the environment in light of the challenges posed by climate change, while driving continual improvement.

City West Water is committed to:

- maintaining an ISO 14001:2015 certified Environmental Management System to manage its aspects and impacts
- aligning the Environmental Sustainability Plan to our strategic objectives and targets to address significant risks and continually improve environmental performance
- regularly reviewing targets, progress and actions set out in the Environmental Sustainability Plan and

reporting these to our Board

- respectfully incorporating First Nations values and cultural heritage considerations into our work through actions identified in our Reconciliation Action Plan
- responding to the challenges of climate change, such as through our involvement in the Zero Emissions Water Power Purchasing Agreement
- publicly reporting on our environmental performance on our website and in our Annual Report.

### Environmental Management System

Our Environmental Management System provides a framework to identify, monitor and manage environmental risks and opportunities in a 'whole of life' approach following the 'plan, do, check, act' cycle.

Certification to the ISO 14001:2015 standard was retained for the system in 2020. Our Operational Risk Register is integrated with health and safety and product quality risks, and is designed to ensure we have effective controls in place to manage environmental risks and opportunities, while meeting statutory obligations.

The Environmental Management System is supported by business strategies that contribute to the broader environmental outcomes through delivery of our Environmental Sustainability Plan. Cultural heritage is intertwined in our Environmental Management System business practices and throughout the year we worked with Traditional Owner groups to incorporate traditional ecological knowledge into water planning and management.

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*Our vision is to become a leader in climate mitigation and adaptation, and respond to the impacts of climate change on our services, customers and the broader community.*

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## Environmental targets

Protecting and caring for the environment is a fundamental part of what we do, and we aim to reduce impacts to the environment as much as possible, particularly from our sewerage services. The following table outlines our environmental performance against targets.

### Environmental targets

Essential Services Commission regulated standards	2020 Actual	2020 Target
Interruptions to sewerage services restored within five hours (%)	0.99	0.98
Unaccounted for water (%)	6.7	9.3
Average time to attend sewer spills and blockages (minutes)	24.8	31.0
<b>Other targets</b>		
Response to sewer spills within 5 hours (%)	100	100
Spills due to pump station equipment failure (no.)	0	0
Non-food waste customers non-compliant with trade waste agreements (%) <sup>1</sup>	0.9	≤ 2.0
Compliance with Environment Protection Authority licence at Altona Treatment plant (%)	86 <sup>2</sup>	100
ISO 14001:2015 (Environmental Management)	Retained	Retain
ISO22000:2005 (Sewage Quality)	Retained	Retain
HACCP (Water Quality)	Retained	Retain

#### Notes:

1. We recorded just over 10,000 grease trap pump outs, a reduction on last year due to coronavirus restrictions impacting on our customers' ability to trade. The percentage of non-compliant industrial customers is 0.9 per cent.
2. An odour enquiry was received in December 2019. The odour investigation following the enquiry was deemed not reportable. After subsequent investigations, it was verified that the Altona Treatment Plant was the source of the odour. As a licence condition, City West Water is required to immediately notify non-compliances. As immediate notification did not take place City West Water reported two non-compliances, which will be reported in the Annual Performance Statement due in September 2020.

## Greenhouse gas and energy reporting

The table below presents our corporate energy performance.

### Corporate energy performance 2019–20<sup>1</sup>

Performance Indicator	Tonnes CO <sub>2</sub> -e			Variance % (2019–20) Projected vs. 2019–20 Result	Commentary	
	2019–20 Projected emissions	2019–20 Result	Total emissions			
		Scope 1 emissions	Scope 2 emissions			
Water treatment and supply <sup>2</sup>	524		612.71	613	14%	Ballan Road Tanks has seen an increase in supply due to higher customer demand attributed to the expansion of growth in the area.
Sewage collection, treatment and recycling <sup>3</sup>	10,046	1,041	10,664	11,705	14%	Energy consumption at West Werribee Salt Reduction Plant has increased to service the demand at Ballan Road Tanks. The demand in supply from Ballan Road Tanks has also increased due to the expansion of growth.
Transport	478	462		462	-4%	There has been a change in accounting methodology whereby City West Water has not included its contractor fleet emissions.
Other	981			638	-5.4%	There has been a change in the accounting methodology whereby City West Water has not included its contractor's electricity emissions for the Brooklyn Depot, which is a base site. Data does not include City West Water's solid waste emissions as it is considered Scope 3 emissions <sup>5</sup> .
<b>Total</b>	<b>12,029</b>			<b>12,980<sup>4</sup></b>		

#### Notes:

- 2019–20 emissions only include Scope 1 and Scope 2 emissions, except for Scope 3 emissions from waste. This is to meet the requirements of Ministerial Directions to align reporting with Essential Services Commission indicators which include only Scope 1 and Scope 2 emissions.
- Water treatment and supply includes energy expended from stormwater harvesting schemes.
- Wastewater treatment volumes are supplied only for sewage treated at City West Water sewage treatment plants. The majority of sewage is conveyed to Melbourne Water's Western Treatment Plant. Energy expended by City West Water in this conveyance is included in the energy use figure.
- City West Water purchased 437MW of green energy primarily due to the delay of the Power Purchasing Agreement (PPA) which was predicted to provide 1,642 t CO<sub>2</sub>-e of emissions abatement in 2019–20. However, City West Water is on track to deliver significant savings in 2020–21 with the PPA coming online in October 2020 and the construction of several renewable energy generation assets on track for delivery by early 2021.
- Scope 3 emissions are indirect emissions other than Scope 2 emissions which are generated in the wider economy, occurring because of the activities of a facility. Scope 3 emissions occur from sources that are not controlled or owned by the facility's business, such as staff travelling to and from work or energy consumed during production and supply of a plastic pipe.

### Reducing energy use and emissions

City West Water is working across various fronts to reduce energy use and emissions, and to increase renewable energy reliance.

#### Zero Emissions Water Power Purchasing Agreement

We are a joint venture partner in Zero Emissions Water. Through this partnership we will purchase power from a large-scale solar project to abate approximately 25 per cent of our total emissions. The project has been delayed due to network grid constraints and is due to come online in October 2020.

#### Solar installations at City West Water facilities

Preliminary designs have been completed for four new solar installations at Altona Treatment Plant, West Werribee Recycled Water Plant, Ballan Road tank site and Little River booster pump. These systems will be constructed in early 2020–21 and will generate over 1,000MWh annually (10 per cent of City West Water's emissions).

#### Micro-hydro turbine

A 75kW micro-hydro turbine has been purchased and will be installed at the Terror Street Pressure Reducing Station. The turbine is expected to generate 270MWh each year (2.7 per cent of City West Water's emissions).

#### Sub-metering

Meters have been installed at our top 15 electricity-consuming sites and integrated into Supervisory Central And Data Acquisition (SCADA) to assist in identifying opportunities for electricity efficiency projects.

#### Electric vehicle

In 2019 we purchased an electric vehicle and installed a charging station at our Footscray office to capitalise on the renewable energy generated by new solar installations.

### Collaborating for the environment

Environmental management requires a collaborative approach that involves organisations and communities. City West Water is involved in several partnerships that are delivering excellent outcomes for the environment.

#### Stormwater harvesting partnerships

Since 2018, we have co-invested \$4.6 million in projects that will provide stormwater for greener spaces. These

projects are Melbourne Tennis Centre (Melbourne & Olympic Park Trust), Balmoral Reserve (Brimbank Council), Woodlands Park (Moonee Valley Council), Edinburgh Gardens (Yarra Council), Arndell Park (Wyndham Council) and the Victorian Baseball and Softball Centre (Hobsons Bay Council). The projects will be completed by April 2021 and are expected to reduce reliance on drinking water by over 100ML/year.

With the completion of these projects we will bring our total number of stormwater partnerships to 13. We are looking at further opportunities to collaborate with partners on new projects.

### Greening the West

This regional initiative is enriching Melbourne's west through the development of green spaces. Fifteen government and community organisations have funded this project which has planted more than one million trees over three years. Last year, Greening the West received the Environmental Protection Award at the Victorian Premier's Sustainability Awards. Greening the West is an alliance of green space advocates including City West Water and the municipalities of Brimbank, Hobsons Bay, Maribyrnong, Melton, Moonee Valley, Wyndham and Hume.

Greening the West provides opportunities to partner with universities, for example, Monash University is researching climate heat mapping, the University of Melbourne is working with us and Melbourne Water on stormwater water sensitive urban design for passive irrigation of street trees, and RMIT University is conducting habitat research on the Upper Stony Creek project.

### Greening the Pipeline

This project is transforming a 27-kilometre disused sewer into a multi-recreational green space for the community. Spanning from Werribee to Brooklyn, and via a veloway trail as part of the West Gate Tunnel Project, the project will link communities to Melbourne's CBD. Project partners are Melbourne Water, Wyndham City Council, VicRoads and Greening the West. Current work includes upgrading the Federation bike path, reducing urban heat by increasing the tree canopy, and incorporating efficient integrated water management for recycled water and stormwater harvesting. City West Water co-funds the project manager position for Greening the Pipeline.

### Moonee Ponds Creek Chain of Ponds

City West Water joined 14 other organisations, including local and state governments, community groups, not-

for-profits, water corporations and universities, to sign a Memorandum of Understanding to commit to this project for two more years. The project will transform the Moonee Ponds Creek and surrounding areas into an iconic waterway providing social and environmental benefits. City West Water will host the Project Manager's position within the Strategic Projects Team for a two-year term.

### ***Living Melbourne: our urban forest***

City West Water is one of 41 organisations, including local and state governments, water corporations, statutory agencies and industry bodies, to endorse this strategy to create a greener, more liveable Melbourne. Living Melbourne was developed by Resilient Melbourne (auspiced by the City of Melbourne with Greater Melbourne councils and partners) and the Nature Conservancy Australia. We have committed \$60,000 in support of Living Melbourne for the next 12 months.

### ***Hobsons Bay wetlands centre***

A wetlands centre is being developed on Laverton Creek to increase community education and participation in the preservation of the environment. The centre is being funded through a partnership involving Deakin University, City West Water, Hobsons Bay City Council, Melbourne Water, DELWP, Parks Victoria and associated community groups. The centre, to be located on the lower Laverton Creek and adjoin the nearby Ramsar Wetlands, will support community, conservation and community health and liveability.

### ***Creating a butterfly habitat***

Our staff and 130 schoolchildren volunteered to help create a butterfly habitat at Altona Treatment Plant. By planting the *Gahnia Filum* plant (Thatching Grass), we created a habitat for the endangered Altona Skipper Butterfly and linked into a larger landscape conservation plan to protect the species through healthy connected habitats. At the first planting day in July 2019, our staff planted more than 700 *Gahnia Filum* plants. In August 2019, we partnered with Melbourne Water and Queen of Peace Primary School. One hundred and thirty Year 4 and 5 students participated, helping to plant a further 500 plants.

### ***Biodiversity and cultural heritage values***

As part of Biodiversity Week in September 2019, we partnered with Trevor ('Uncle Reg') Abrahams, Traditional Elder for the Wathaurong Co-Operative and Manager Indigenous Protected Area for 'Wurdi Youang', an astronomical stone arrangement in Western Victoria, to coordinate a lunch and learn session.

The educational session forms part of our Biodiversity Plan for Action focus area one: Valuing biodiversity – as a cornerstone of healthy ecosystems. Awareness of biodiversity value was increased through discussion of traditional ecological knowledge practices being used at the Wurdi Youang site in Mt Rothwell (Little River). The site, which has high archaeological and cultural heritage significance, is being ecologically restored to its natural state through the use of traditional land management practices.

### ***Collaborative sustainable land management practices***

City West Water celebrates and protects the cultural and spiritual connections of First Nations people and incorporates these values into water planning and management. We are working towards more sustainable land management practices in cooperation with First Nations stakeholders by investigating how we can incorporate traditional fire management practices (ecological burns) using the five principles of the First Nations approach to fire: using rotating mosaic to control intensity, allowing plants and animals to survive in refuges, timing of the fires to be dependent on the prevailing condition of the land, neighbouring clans to be advised of all fire activity, and fire events to avoid the growing season of particular plants.

Our First Nations Advisor has undertaken preliminary consultation with Traditional Owner and First Nations Groups with a view to develop engagement protocols and strategy and collaborate on biodiversity initiatives to integrate traditional ecological practices on sites that we own or manage.

By incorporating these principles in our land management practices and using traditional ecological knowledge in the maintenance of sites, traditional bush species will be able to recolonise – a key initiative of the Reconciliation Action Plan (RAP) Operational Working Group.

### ***Celebrating First Nations art and culture***

City West Water is sharing First Nations art with the broader community through a project that transforms electrical cabinets into beautiful works of art.

We engaged local SALT Studio to turn five cabinets into visual stories that share First Nations culture. Three First Nation female artists developed the story concept of the Water Warrior themed around water, land, ceremony, totems and community. The Water Warrior appears in different forms on each cabinet depending on which

story she is telling. As many cultural knowledge keepers in tribes were women, it is fitting that the Water Warrior was created by the all-woman team from Salt Studio.

This project raises community awareness of our commitment to building cultural values into water care, creates culturally safe and welcoming spaces, and starts conversations on the reconciliation journey and engagement with First Nations Communities.

## Other statutory obligations

### Victorian Biodiversity Strategy

In 2018, we launched our Biodiversity Plan for Action, which aligned with and completed national, state and local government biodiversity plans, strategies and management initiatives. We remain committed to meeting statutory biodiversity requirements, protecting and improving the natural environment for the community, and working with stakeholders to improve biodiversity. Implementation of the plan has allowed us to deliver improved environmental outcomes for Melbourne's west.

The Biodiversity Plan for Action aims to:

- value biodiversity – as a cornerstone of healthy ecosystems
- protect ecosystems – creating and maintaining healthy connected ecosystems resilient to threats
- engage and work with stakeholders – creating connections and collaborating on biodiversity conservation to achieve landscape level benefits.

Our native vegetation offset site at Ballan Road, Wyndham Vale, is home to endangered and rare flora and fauna. The site is managed to offset native vegetation removed as part of our construction work. We are now into the eighth year of a ten-year timeframe to improve and restore the site before maintaining it in perpetuity.

### Victorian Waterway Management Strategy

We continue to work in partnership with Melbourne Water, state and local government, water corporations and the community to provide a flexible framework that maximises the use of water sources such as stormwater and recycled water, while balancing use from traditional catchments and dams.

Melbourne Water's *Healthy Waterways Strategy* encompasses a shared vision and goals in protecting and

improving waterways across our region and improving community liveability. Our stormwater harvesting projects directly support the *Healthy Waterway Strategy* by slowing stream flows and improving general water quality. The harvested water is also used to irrigate our local parks and open spaces during summer. Greener open spaces connecting along our waterways help to motivate the community to engage in regular outdoor activities, such as active exercise, and produce long-term benefits that can lead to the improvement of our mental health and general wellbeing.

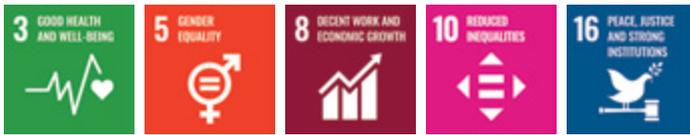
### State Environment Protection Policy (Waters)

The *State Environment Protection Policy (Waters)* (SEPP) established under the *Environment Protection Act 1970* provides a framework that governs how City West Water and other agencies must work together to protect and manage surface water and groundwater in Victoria. The SEPP guides water quality management to improve the protection of waterways, bays and coastal waters of Victoria.

The Altona Sewage Treatment Plant has a discharge licence from the Environment Protection Authority of Victoria. As a licence holder, City West Water is required to submit a statement of annual environmental performance to the Environment Protection Authority. Additionally, flow and water quality data is reported annually in the National Pollution Inventory and to the Essential Services Commission.

City West Water meets the SEPP requirements through activities including:

- complying with Environment Protection Authority guidelines on environmental management for managing wastewater recycling
- monitoring the discharge of highly treated sewage from the Altona Treatment Plant to ensure protection of beneficial uses of the receiving waters in accordance with our EPA licence
- asset renewal and preventative maintenance programs to minimise seepage and spills of sewage via asset failures, leakage or overflows
- developing, implementing and improving a sewer hydraulic compliance program to progressively bring the sewerage system into compliance with the required standards for preventing and managing risk from sewer overflows in rain events.



# Our People

We can only achieve our vision to be an exceptional service provider through our people: current and future employees, suppliers, business partners, our contractors and the Board. Our people are our highest priority as they deliver exceptional services and value for our customers and community, today and every day.

Total employees



452

Full-time



81%

Part-time



14%

Fixed term/casual



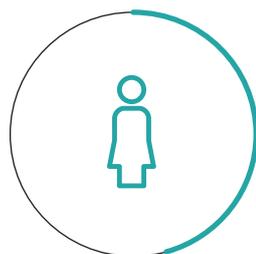
5%

Male



54%

Female



46%

Aged between



62%

*We also deliver our essential services working with delivery partners in maintenance and capital delivery and consider our contractors an extension of our workforce.*

## Who we are

### Comparative workforce data

The Comparative Workforce Data table provides a snapshot of our employees. Employees have been correctly classified in workforce data collections based on working arrangement and employee level. The table discloses the headcount and full-time staff equivalent (FTE) of all active employees of City West Water, employed at the last full pay period in June of the current reporting period (2020) and in the last full pay period in June of the previous reporting period (2019).

### Comparative workforce data

		All Employees		Ongoing			Fixed Term & Casual		
		Number	FTE	Full Time	Part Time	FTE	Full Time	Part Time	FTE
		(Headcount)		(Headcount)	(Headcount)		(Headcount)	(Headcount)	
<b>June 2020</b>									
Demographic Data	<b>Gender</b>								
	Men	245	243.7	228	6	232.7	11	0	11.0
	Women	207	188.3	137	58	177.9	8	<5	10.5
	<b>Age</b>								
	15-24	<5	<5	<5	0	<5	<5	0	<5
	25-34	88	86.9	76	<5	79.3	7	<5	7.6
	35-44	153	143.8	121	26	138.6	<5	<5	5.2
	45-54	128	122	103	21	118.0	<5	0	<5
55-64	73	69.3	59	12	67.7	<5	<5	<5	
65+	7	6.9	5	<5	5.9	<5	0	<5	
Classification Data	<b>Classification</b>								
	Executive	7	7	7	-	7	-	-	-
	Senior Managers	33	32.6	29	<5	30.6	<5	-	<5
	Team Leaders	69	68.5	64	<5	66.5	<5	-	<5
	Individual Contributors	343	323.9	265	59	306.4	15	<5	17.5
	<b>Total Employees</b>	<b>452</b>	<b>431.9</b>	<b>365</b>	<b>64</b>	<b>410.5</b>	<b>19</b>	<b>&lt;5</b>	<b>21.4</b>
<b>June 2019</b>									
Demographic Data	<b>Gender</b>								
	Men	238	236.2	229	7	234.2	<5	0	<5
	Women	209	186.4	132	71	181.6	<5	<5	<5
	<b>Age</b>								
	15-24	<5	<5	<5	<5	<5	<5	<5	<5
	25-34	92	89.8	82	8	87.8	<5	0	<5
	35-44	146	134.3	107	36	132.1	<5	<5	<5
	45-54	125	118.5	103	21	117.5	<5	0	<5
55-64	75	72	64	11	72	0	0	-	
65+	5	<5	<5	<5	<5	0	0	-	
Classification Data	<b>Classification</b>								
	Executive	7	7	7	-	7	-	-	-
	Senior Managers	36	35.3	31	<5	32.3	<5	-	<5
	Team Leaders	66	64.1	57	8	63.1	<5	-	<5
	Individual Contributors	338	316.2	267	65	312.4	<5	<5	<5
	<b>Total Employees</b>	<b>447</b>	<b>422.6</b>	<b>362</b>	<b>75</b>	<b>414.8</b>	<b>8</b>	<b>&lt;5</b>	<b>7.8</b>

#### Notes:

- All figures reflect employment levels during the last full pay period in June of each year.
- Women in leadership figure of 45% includes Managing Director level, Executive Leadership Team and Management.
- External contractors/consultants are excluded.
- From 2020–21, City West Water will include the option of 'self-described' when collecting and reporting on workforce gender.
- Ongoing employees includes people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.

## Culture and engagement survey

In June 2020, we conducted our annual Culture and Engagement survey. This year, with over 90 per cent of our people working from home due to coronavirus restrictions, the survey included questions to gather data on flexible working and the future of work. For the first time, the survey was open to contingent workers (such as contractors and consultants employed by a third party), who make up around 13 per cent of our workforce and are integral to delivering an exceptional service.

Our Culture score of 79 per cent is an improvement on 2019 (71 per cent) and exceeds our target of 62 per cent. This score is considered to be due to people feeling valued and trusted, and aligns with the proof points we reviewed prior to the survey results, which showed that empowerment, trust and connection are paramount for our people.

Our Engagement score of 69 per cent is an increase of nine per cent from 2019 and exceeds our target of 66 per cent. This result, particularly during these times of change and uncertainty, signals that we are focusing on the right things.

The first contingent worker survey results were Culture 80 per cent and Engagement 89 per cent.

## Our People Strategy

City West Water's vision is to be an exceptional service provider that puts customers first and benefits the community. To support that vision, we are developing and implementing key strategies in customer service, service delivery, finance, climate resilience, health and safety, and technology.

This year we launched our People Strategy. The strategy sets out a plan of action for the next three years and identifies five areas of focus:

- Purposefully connected – our people will feel and know that what they do matters.
- Inclusive and thriving – our people will feel included, safe, able to be themselves and be well.
- Driving and valuing performance – our people will be recognised and rewarded for their efforts and performance.
- Learning and growing – our people will receive ongoing learning and development for their current and future roles and will be supported to build a growth mindset.

- Resilient and future ready – our people will be equipped to manage the challenges that a rapidly changing environment brings, through innovative and collaborative ways of working.

This strategy recognises delivery partners and contractors as part of our workforce.

Examples of actions taken in 2019–20 within these focus areas are described below.

### Purposefully connected

When we provide a clear connection for our people, showing how their roles and efforts benefit people's lives, we create a workplace that is rewarding and offers a real sense of achievement and satisfaction.

### A new approach to induction and engagement

H2GROW began this year to deliver a consistent approach to onboarding and induction, to create a great first impression and improve longer-term engagement of staff.

Initial activities included:

- creating a channel for virtual onboarding of new starters during remote working
- producing onboarding guidelines for recruiting managers and buddies to support new employees and manage and monitor the buddy relationship
- conducting the first virtual 'Meet the MD & ELT' session via a Teams meeting for new employees
- piloting the new manager guidelines with frontline managers
- conducting quarterly surveys of new employees to gather data on their onboarding experience
- hosting a lunch for new employees to provide opportunities for social connection, networks and support. The first lunch was attended by 12 employees and the feedback received was positive.

### Connecting people to action

During the bushfire crisis we worked with our people and delivery partners to support impacted communities. This included organising a fundraising day so staff and delivery partners could support relief initiatives, including a silent auction of items donated by individuals and our partners that raised over \$11,000. We also provided regular updates on the water sector's response to the crisis and made Personal Protective Equipment (PPE) available to our people for days of poor air quality.

### New online delivery partner portal

We unveiled a new online delivery partner portal in May 2020, making it easier for our contracted delivery partners to find the latest information and resources to support their work with us. Through this online hub we provide contractors with regular news updates on government announcements, information to support health and safety, and support resources for working with our community. We also conducted a survey to understand how our contractors thought we were responding to coronavirus, with 95 per cent of respondents confirming they felt supported.

### Inclusive and thriving

Building a diverse, culturally safe and inclusive workplace will support our employees' health and wellbeing and will create a high performing workforce that thrives.

Targets	2020 Target	2020 Actual
Our workforce will be gender balanced	50% women	46% women
Women in leadership	50%	44%
Employees identify as First Nations	2.5%	1%
Employees speak a language other than English	25%	42%
Employees identify as having caring responsibilities outside of City West Water	35%	59%
Employees identify as person with disability	10%	5%
Employees identify as LGBTIQ+	7%	6%
Employees utilise flexible work options	35%	93% (working from home in line with coronavirus requirements)

We apply the employment principles of the *Public Administration Act 2004*. Employees are selected and promoted based on ability, knowledge and skills in fair and open competition that ensures equal opportunity. Employees receive fair and equitable treatment without regard to race, colour, sexual preference, age, physical or mental disability, pregnancy, religion, political opinion, national extraction or social origin.

We work to meet our obligations under the *Disability Act 2006*, the *Disability Discrimination Act 1992*, the *Equal Opportunity Act 1995*, and the *Charter of Human Rights and Responsibilities Act 2006* with the aim of eliminating barriers for people with a disability from accessing goods, services, facilities and employment.

Our people have a right to work in an environment free from harassment, bullying and discrimination. We have policies for the prevention of harassment and bullying. Any behaviour to the contrary will result in disciplinary action up to, and including, dismissal. All employees are trained in equal opportunity and bullying prevention. Employee Support Officers are available to provide information to employees about rights and obligations in this area.

### Accessibility Inclusion Plan launched

In October 2019, we reinforced our commitment to create an accessible workplace, products and services with the launch of our Accessibility Inclusion Plan. The *Accessibility Inclusion Plan 2019–21* outlines our approach to improve access for our people, customers and communities through actions that:

- ensure our goods, services and facilities are accessible for all
- create an inclusive culture that builds confidence, enabling our people with disability or those who care for people with disability to feel supported and thrive, and
- contribute to creating inclusive communities through accessibility.

### Gender equity

City West Water is committed to gender equity and improving the representation of women in the water industry and other science, technology, engineering and mathematics (STEM) industries.

Actions in gender equity in 2019–20 include:

- biannual reviews of gender pay equity and quarterly reporting on progress towards targets
- celebration of International Women's Day
- participation in Celebrating Women in STEM scholarship with Victoria University
- supporting women in leadership programs, including Peter Cullen Trust and Women in Leadership Development
- updating policies and procedures to seek gender balance, for example committee membership, recruitment and position descriptions, and procurement
- developing policy and procedures to support employees and customers facing family violence, including adoption of family violence leave.
- supported participation in cultural awareness training, with 50 people leaders attending foundation courses conducted by the Koorie Heritage Trust
- completed a First Nations Employment and Retention Plan and developed concepts and budgets for First Nations traineeships and scholarships to improve pathways to employment
- met with our Traditional Owners three times to progress engagement and explore involvement in integrated water management projects
- delivered a suite of online events for our people during National Reconciliation Week sharing First Nations values
- delivered a proposal to the Board and Executive Leadership Team to conduct regular meetings with representatives from each of the four Traditional Owner groups that occupy land across our service area
- explored potential collaborations to support and engage with First Nations businesses
- completed a Draft First Nations Inclusion Framework, underpinned by employment, cultural learning, cultural safety and respect and recognition action plans.

### Supporting transition to retirement

Our workforce covers multiple generations, with some people starting their career and others considering their path to retirement. We work with consultants to deliver the Changing Gears Program for employees aged 55 years and over. Thirty-eight employees participated in workshops held in October 2019 and June 2020, which explored financial, social and physical considerations in the lead up to life beyond work. We plan to continue this program, adding mentoring and volunteering components as a value-add to the program participants and our broader community.

### First Nations commitment and action

Since our Innovate Reconciliation Action Plan (RAP) concluded in July 2019, we have been developing our Stretch RAP. We continue to build on the commitments we made in our RAP. In 2019–20, we:

- recruited for and appointed a First Nations Advisor to work across our organisation and service area with Traditional Owner and Registered Aboriginal parties and the First Nations community
- developed cultural engagement protocols and a cultural learning plan to support cultural awareness

We continue to work towards our third RAP and take steps to support reconciliation. Senior management and staff are committed to our RAP and to ensuring that First Nations cultural values are included in our planning, our employment, our projects and our way of being.

### Pride in Water Network

The Victorian water industry is providing leadership in LGBTIQ+ inclusion and awareness through the establishment of the Pride in Water Network, which is connecting LGBTIQ+ employees and allies across the industry.

The Network is creating a better practice model for LGBTIQ+ inclusion by building a strong culture of respect, inclusion and connection, raising awareness of LGBTIQ+ issues through education, sharing resources and experiences, and helping the industry become a leader in valuing diverse thought.

Pride in Water was launched on 'Wear it Purple Day' (30 August 2019) with support from all 19 water corporations, VicWater and DELWP. City West Water is actively involved and sits on the committee of Pride in Water.

### Driving and valuing performance

Our Achievement Culture requires every person to be clear on what they need to deliver and why, and how they are performing.

Our *Capability Framework* continues to identify the types of behaviour, skills and knowledge to promote and develop every employee to drive individual and organisational success. We continued to embed this framework and it is now part of the entire employee journey. We have recently ensured our systems reflect our framework and accommodate new ways of working.

Our reward and recognition program, Bloom, has been redesigned following input from staff to better build employee engagement, satisfaction and motivation. We implemented a new employee communications strategy to share employees' stories that demonstrate our culture in action.

### Learning and growing

As our operating environment continues to change, we need to prepare our people with the knowledge, skills and experiences needed to deliver on current and future objectives.

We have developed a Leadership Development roadmap that provides a clear expectation for people at all levels of the organisation. Programs delivered this year included enterprise-wide self-leadership, frontline leaders, senior leader forums and coaching circles, and executive education.

Choose Exceptional, our personal leadership development program, continues to guide our efforts to set expectations for our achievement culture. It is an integral part of employee orientation, setting an expectation of achievement from day one.

We continue our commitment to delivering technical training, compliance leadership and professional development with more than 6,800 hours of formal training delivered this year.

### Resilient and future ready

We need to support our people to adapt to new ways of working and continue to build personal resilience that will allow them to bounce back from challenges so that they are better able to face the demands of the future.

#### *New ways of working – response to the coronavirus pandemic*

Our response to the pandemic was aligned with our achievement culture. We asked our people leaders to establish new operating rhythms within their teams and engage in new ways of working. We encouraged all our people to rise to this challenge.

Key actions included the following:

- Health and wellbeing – virtual mindfulness sessions focused on managing the transition from working from home to home life. We provided support in relation to mental health and family violence, as well as physical exercise sessions.
- Connecting with employees – we communicated regularly through various channels (intranet, email, people leader sessions and a 'single source of truth' hub).
- Enabling work from home – we took a targeted approach to manage system load and support employees able to work at home. Our IT team provided a secure and stable response that made working remotely a good experience, and supported staff with hardware and software upgrades, information and training. We took more than 1,500 calls in just over a week to help people get set up and resolve teething issues.

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*On 20 April 2020, over 90 per cent of the workforce was regularly working from home. Business as usual activity has continued during this time despite the significant change to workforce location.*

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- Equipping people – all employees completed a home safety checklist and we arranged 140 deliveries of 175 office equipment items to employees' homes to help our people set up an ergonomic workspace.

- Enhancing entitlements – we provided access to two weeks of special leave for employees impacted by coronavirus, in recognition of the demands on employees due to remote learning of schoolchildren. All employees received a one-off \$100 allowance to assist with home office set-up expenses.
- Supporting mental health and wellbeing – Mental health awareness sessions were held to support our people’s mental health and outline the support resources available.
- Supporting people leaders – we supported leaders through a people leader channel, weekly leader updates, coaching sessions on leading remote teams, and one-on-one check-ins with the People and Capability team.
- Working with our delivery partners – we continued to support essential service delivery through the pandemic, including establishing new engagement channels, sharing information and reviewing and adapting risk control measures, and supporting community confidence and mental wellbeing.
- Technology training – a dedicated channel and training and ‘drop-in’ sessions are assisting staff with the technology that is critical to our new ways of working.
- continuing to integrate health and safety as a core deliverable as part of key delivery partner projects
- updating our training needs analysis to enhance learning where health and safety is a core competency within roles
- implementing a health and safety leadership program for the Executive Leadership Team
- embedding use of The Bridge – our health, safety, environment, quality and risk system – through updated procedural references and automated forms
- updating incident management processes covering the requirements of City West Water and our delivery partners
- enhancing health and safety management system processes for management of critical risks, such as confined spaces, in line with industry best practice
- aligning with our delivery partners through contractor forums focused on critical risk reduction and learning and sharing safety approaches
- redefining our health and safety consultation approach through a review of designated work groups, clarification of the role of the health and safety representative, and increased engagement with the Workplace Health and Safety Committee.

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*We conducted a pulse survey to understand how we were meeting the challenges of coronavirus. We achieved 77 per cent participation in the survey and results showed a resounding positive response, with 94 per cent of respondents agreeing that City West Water is supporting its employees.*

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## Health, safety and wellbeing

At City West Water, we foster an environment where everyone is responsible for safety and wellbeing. We are committed to providing healthy and safe workplaces for our employees, contractors, customers, and the wider community who access and interact with us.

This year we delivered on many initiatives outlined in our *Annual Health and Safety Plan 2019–20*, including:

We were pleased to achieve strong positive results from our annual Culture and Engagement Survey. Responses in relation to City West Water’s performance on safety issues were positive with an overall satisfaction rating of 87 per cent. The overall response in relation to wellbeing was 83 per cent. Both ratings were up from the previous year.

### **Delivery partnerships – safety and customer experience uplift**

We continued to engage with our delivery partners to improve safety and customer outcomes across program delivery. The engagement strategy involved dedicated work with individual delivery partners to increase alignment and develop targeted action plans. We organised engagement forums across our broader delivery partner cohort, starting with the contractors’ breakfast held in September with a focus on customers. We also held a renewals delivery partner forum to facilitate conversations between our delivery partners, enabling them to share and learn from each other’s experiences, with a focus on safety.

## Employee health and safety performance

	2020	2019	2018	2017
Hazard reports per 100 full-time equivalent employees	3.9	3.0	7.9	7.9
Incident reports per 100 full-time equivalent employees	9.0	6.5	9.0	8.8
Lost time standard claims per 100 full-time equivalent employees	0	0.2	0	0
Average cost per claim (includes non-lost time claims or medical) <sup>1</sup>	\$22,923	\$1,744	\$12,533	\$101,512
Total recordable injury frequency rate per million hours worked	6.1	7.7	3.6	5.9

1. City West Water experienced increased claims and associated costs over the three-year premium cycle to 2020

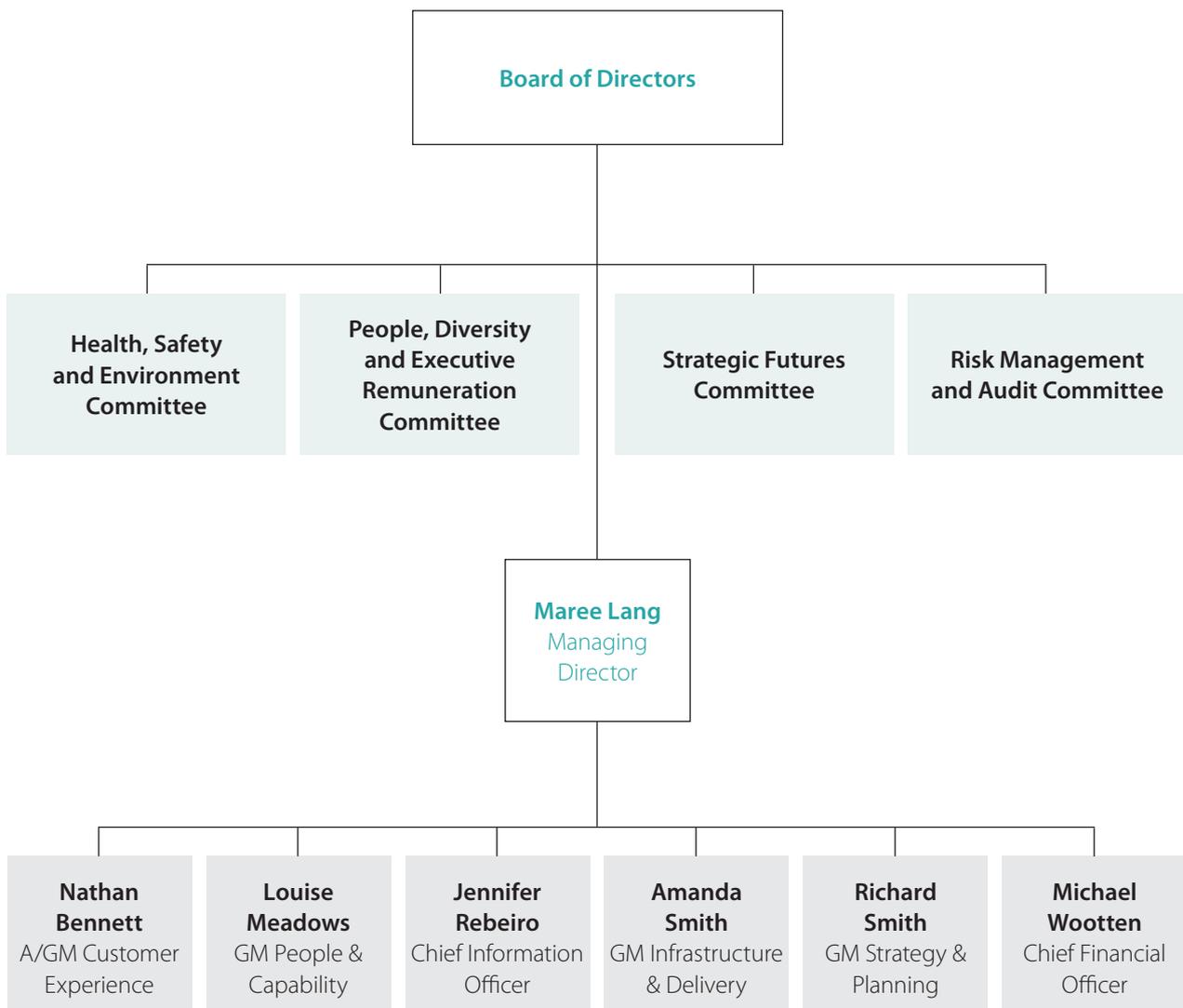
2. Workers' compensation claims costs are incurred over a 2–3 year premium cycle, based on several inputs, such as wages and medical treatment costs from both current and previous claims. Therefore, regardless of zero-time lost claims in the current financial year, claims costs are incurred from the claims experience of previous financial years.

The Total Recordable Injury Frequency Rate (TRIFR) has ended the year at 6.1, against a target of less than 7.7, with nine (9) TRIFR impacting events incurred during the 2019–20 financial year. Our delivery partners continue to be the primary source of TRIFR impacting events, therefore partnerships will remain a key focus for the *Annual Health, Safety and Wellbeing Plan 2020–21*. The 2020–21 Plan will leverage the progress made over 2019–20, continuing and deepening our collaborative approach to management of critical risks and high potential events.



# Our Business

## Organisational structure



See page 42 for details

**Customer Experience**

Nathan Bennett

- 
- Customer service
  - Customer care
  - Business customer services
  - Strategic business partnerships

**Infrastructure and Delivery**

Amanda Smith

- 
- Delivery of new infrastructure to support growth
  - Enabling major government works
  - Asset reliability program delivery
  - Network and facilities operations and maintenance
  - Infrastructure quality programs
  - Asset information and operational technology (e.g SCADA)
  - Drinking water, recycled water and sewage quality management

**People and Capability**

Louise Meadows

- 
- Human resources
  - Payroll
  - Employee communications
  - Wellbeing
  - Learning and development
  - Organisation development and change
  - Culture and employee engagement

**Strategy and Planning**

Richard Smith

- 
- Business planning and regulation
  - Strategy and policy
  - Service planning
  - Communications and engagement
  - Customers first program office
  - Strategic projects

**CIO/Information Technology**

Jennifer Rebeiro

- 
- IT operations
  - Digital delivery
  - Business engagement
  - IT governance, assurance and architecture

**CFO/Corporate Services**

Michael Wootten

- 
- Secretariat to Board
  - Health and safety
  - Finance
  - Quality management systems
  - Insurance
  - Environmental
  - Emergency management
  - Risk management, compliance and audit, fleet management
  - Legal services
  - Contract management
  - Procurement
  - Business improvement
  - Information security and records management

## Governance

The Hon. Lisa Neville MP was appointed as the Minister for Environment, Climate Change and Water in December 2014, then as Minister for Water on 23 May 2016. As Minister for Water, the Hon. Lisa Neville is responsible for urban water, irrigation water, groundwater, water corporations and governance, allocation and trading, permanent water use rules and water restrictions.

The Minister for Water, in consultation with the Treasurer appoints the directors of City West Water and sets the terms and conditions. Directors are eligible for reappointment for subsequent terms. The Board is responsible for setting and overseeing the policies, objectives and strategies of City West Water, and for ensuring that risk is appropriately managed.

The Board met nine times in 2020. It is committed to performing its role in accordance with the highest standards of corporate governance. There were four committees of the Board for 2020. The Risk Management and Audit Committee met six times; the Health, Safety and Environment Committee met four times; the People, Diversity and Executive Remuneration Committee met four times; and the Strategic Futures Committee met four times.

The Board approves budgets and significant projects, reviews corporate policies and strategies and oversees progress on key issues affecting the corporation. The Board comprises eight non-executive directors and the Managing Director. Each director brings specialist skills to City West Water. All non-executive directors (including the Chair) are appointed by the Minister for Water. The Managing Director is appointed by the Board. The Board seeks independent review of its performance on an annual basis and reports to the Minister for Water and the Treasurer of Victoria on the outcomes of these reviews.

We operate under the *Water Act 1989*. The activities of our organisation are governed by the *Water Act 1989* and the *Statement of Obligations* issued by the Minister for Water under Section 41 of the *Water Industry Act 1994*.

## Members of the Board

### David Middleton

Chair

BEng, MEng, MBA, GAICD

Mr Middleton was appointed to the Board on 1 October 2015. Mr Middleton was a Director at Yarra Valley Water from October 2011 to September 2015. Mr Middleton has

held various roles at Jacobs (previously CH2M Hill) and is currently Executive Director Water for the Middle East Asia Pacific region. He is currently Chair at CH2M Beca Limited, and serves on both CH2M Hill Australia Pty Ltd and Halcrow Pacific Pty Ltd boards. Mr Middleton has extensive international experience in the water industry and brings a background and experience in the design and construction of water and wastewater infrastructure.

**Committee membership:** People, Diversity and Executive Remuneration Committee; Health, Safety and Environment Committee; Ex-officio member of Risk Management and Audit Committee.

### Mary Beth Bauer

Director, Deputy Chair

BA, FAICD, ACA, CPA (US)

Ms Bauer was appointed to the Board on 1 October 2015, and appointed as Deputy Chair 1 October 2019. Ms Bauer has over 20 years' experience as a senior executive, advising CEOs and boards across Australia in a diverse range of industries. Ms Bauer has a very strong focus on governance and her professional experience includes finance, audit and risk, business strategy development, financial markets, mergers and acquisitions and all aspects of investor and stakeholder relations and strategic communications. She also serves on the Fisher Leadership Board and is Treasurer of University College.

**Committee membership:** People, Diversity and Executive Remuneration Committee (Chair), Risk Management and Audit Committee.

### Bruce Cohen

Director

BComm, LLB (Hons), MComm, PhD (Pub. Pol.)

Dr Cohen was appointed to the Board on 1 October 2015. Dr Cohen is the principal at BKE Consulting. During his career he has been a Director at Melbourne Water, Snowy Hydro Ltd and Victorian Energy Networks Corporation, as well as the Chair of VicTrack and the Victorian Commission for Gambling and Liquor Regulation. He is currently a Director at Austin Health.

**Committee membership:** Risk Management and Audit Committee; Strategic Futures Committee (Chair).

**Bill Jaboor**

## Director

MBA, BA, Grad.Dip Local Government Management, Assoc. Dip. Business Studies

Mr Jaboor was appointed to the Board on 1 October 2015. Mr Jaboor has over 45 years' experience working in different roles within local government across Victoria and Queensland. Over the past 20 years he has been CEO at the cities of Brimbank, Hobsons Bay, Greater Shepparton and Benalla. He is currently Chair of Victoria Legal Aid, a Member of the Department of Justice and Regulation Independent Review Panel and Board Member of Community Chef.

**Committee membership:** Health, Safety and Environment Committee (Chair); People, Diversity and Executive Remuneration Committee.

**Freya Marsden**

## Director

BAGResEcon (Hons), MComm., GAICD

Ms Marsden was appointed to the Board on 1 October 2019. Ms Marsden is an experienced commercial and government Non-Executive Director (NED). With over 20 prior and existing Chair and NED board and committee roles, Ms Marsden has utilised her experience in complex organisational environments including in regulated sectors. She holds a Master of Commerce and a Bachelor of Agriculture and Resource Economics. Ms Marsden has multisector finance, risk, audit and assurance experience in driving organisational value and is an Australian Institute of Company Directors Graduate and Graduate of Mastering the Boardroom.

**Committee membership:** Risk Management and Audit Committee (Chair); Health, Safety and Environment Committee; Strategic Futures Committee.

**Sawsan Howard**

## Director

BAGSc., MEnvSt (Hons), MBA (Hons), Juris Doctor (Hons)

Ms Howard was appointed to the Board on 1 October 2019. Ms Howard is an Australian lawyer who also holds formal qualifications in agricultural and environmental science and business. She brings multi-industry perspectives from financial services, infrastructure, sustainability, energy and the primary production sector. She is presently General Manager, Brand & Corporate Affairs with AustralianSuper, the nation's largest superannuation fund. Ms Howard is also a non-executive director with the Banksia Foundation and a member of the RMIT MBA Advisory Board.

**Committee membership:** Health, Safety and Environment Committee; People, Diversity and Executive Remuneration Committee; Strategic Futures Committee.

**Tania Fryer**

## Director

LLB (Hons), BA, MCommrcLaw, GAICD

Ms Fryer was appointed to the Board on 1 October 2017. Experienced in technology, telecommunications and law, before becoming a professional company director, Ms Fryer was previously an executive at Telstra and prior to this was a lawyer at Allens Linklaters. Ms Fryer also serves on the boards of Grey Innovation Group Pty Ltd, Potential(x) Holdings Pty Ltd, .au Domain Administration Ltd and auDA Foundation Pty Ltd, and the State Committee JDRF Australia (Juvenile Diabetes Research Foundation).

**Committee membership:** Risk Management and Audit Committee; Health, Safety and Environment Committee.

**Christopher Lovell**

## Director

BA, LL.M., FAICD

Mr Lovell was appointed to the Board on 1 October 2017. Mr Lovell was previously a Director of the Barwon Region Water Corporation and Deputy Chair. Mr Lovell is the Chair of Holding Redlich Lawyers and VicForests, a Director of Clemenger Group Limited and the Victorian Managed Insurance Authority (VMIA). Mr Lovell is also chair of the North Melbourne/Parkville Community Reference Group for Metro Rail and the current Independent Chair of Parkville Precinct Reference Group and the CBD Community Reference Group for the Melbourne Metro Tunnel.

**Committee membership:** Health, Safety and Environment Committee, People, Diversity and Executive Remuneration Committee, Strategic Futures Committee.

**Maree Lang**

## Managing Director

MBA (Prof), B. Eng (Hons) (Chem), B.Comm

Ms Lang was appointed Managing Director in April 2020 and was appointed Acting Managing Director in November 2019. Prior to this Ms Lang was an executive with City West Water, leading the delivery of water services to over one million Melbournians across the Melbourne CBD, inner suburbs and the growing western region, as well as the delivery of major new assets vital for growth, urban renewal and government infrastructure.

She brings a passion to lead culture, safety and business transformation in order to deliver exceptional outcomes for customers and the communities we service. Ms Lang combines her water sector experience with a diverse and commercial driven background, and her leadership was also recognised by her inclusion as IPAA Top 50 Women in Public Sector (Victoria) 2018.

**Committee membership:** Health, Safety and Environment Committee. Attends all committee meetings.

### Constantina Dertimanis

Director

GradDiplntSt, BA

Ms Dertimanis was appointed to the Board on 28 April 2016. Ms Dertimanis is a public policy and government relations professional who has extensive experience within federal and state governments and as a senior advisor to state and federal ministers. Her experience includes community engagement, policy and advocacy work in the multicultural, women's health, domestic violence and aged and disability space. She has worked on high profile United Nations projects advocating in partnership with global NGOs. Ms Dertimanis is a Trustee of the Queen Victoria Women's Centre Trust where she provides advice to the government on the impact of issues that affect women in the community.

**Committee membership:** Health, Safety and Environment Committee People; Diversity and Executive Remuneration Committee.

Ceased as Director on 30 September 2019.

### Elizabeth Parkin

Director, Deputy Chair

BBus, F Fin, ANZCA, FINSIA

Ms Parkin was appointed to the Board on 1 October 2015. Ms Parkin has held a number of executive management roles and is currently Group Manager – Business and Organisational Performance at Dairy Australia. She is a Trustee of the Northcote Trust Fund. Previous directorships include Yarra Valley Water, North East Region Water Authority, Port of Melbourne and First Samuel Ltd.

**Committee membership:** Risk Management and Audit Committee (Chair); People, Diversity and Executive Remuneration Committee.

Ceased as Director on 30 September 2019.

### David Ryan

Managing Director

BEnvSc, MBA, MCorp Env & Sus Mgt, GAICD

Mr Ryan was appointed as Managing Director on 14 June 2016. Mr Ryan has over 17 years' experience in the water sector. Mr Ryan is a graduate of the Australian Institute of Company Directors, was a Director of VicWater and is a past President and past Director of the Institute of Water Administration.

**Committee membership:** Health, Safety and Environment Committee. Attends all committee meetings.

Ceased as Managing Director on 5 November 2019.

## Board committees

### Strategic Futures Committee

The Strategic Futures Committee assists the Board in ensuring the efficient and effective delivery of services in the growing west, including oversight of the development and implementation of City West Water's strategy and plans, stakeholder liaison and customer engagement. This includes the identification and management of risks as well as the strategic oversight of shared services and corporate alignment activities.

### Risk Management and Audit Committee

The Risk Management and Audit Committee assists the Board of Directors in fulfilling its governance responsibilities by providing financial reports and other financial information produced by City West Water. In addition, it provides oversight of, and direction to, City West Water's internal control systems, legal and regulatory compliance processes, auditing and reporting processes, and risk management systems. All members of the Risk Management and Audit Committee are independent.

### Health, Safety and Environment Committee

The Health, Safety and Environment Committee assists the Board in fulfilling its governance responsibilities in relation to workplace health and safety and environment issues. It does this by providing oversight of, and direction to, City West Water's occupational health and safety and environment policies and procedures and related audit and reporting processes. In addition, it ensures the continuous improvement of City West Water's policies and procedures for health and safety and the environment.

### People, Diversity and Executive Remuneration Committee

The People, Diversity and Executive Remuneration Committee is responsible for setting City West Water's policy on executive remuneration and individual remuneration packages for senior executives. The committee is also responsible for oversight of City West Water's People Strategy and Diversity Action Plan, reviewing the effectiveness of the corporation's organisational structure and monitoring the effectiveness of the corporation's people management activities.

### Attendance at board and committee meetings

	Board Meeting		Risk Management & Audit Committee Meeting		Health, Safety & Environment Committee Meeting		People, Diversity & Executive Remuneration Committee		Strategic Futures Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
David Middleton	9	8	n/a	1	4	4	4	2	n/a	n/a
Mary Beth Bauer	9	8	6	6	n/a	n/a	4	4	n/a	n/a
Bruce Cohen	9	9	6	6	n/a	n/a	n/a	n/a	4	4
Bill Jaboor	9	9	n/a	n/a	4	3	4	4	n/a	n/a
Freya Marsden	6	6	4	4	4	4	n/a	n/a	4	4
Sawsan Howard	6	6	n/a	4	4	3	3	3	4	3
Tania Fryer	9	9	6	6	4	4	n/a	n/a	n/a	n/a
Christopher Lovell	9	9	n/a	n/a	4	3	4	4	4	4
Maree Lang	5	5	n/a	n/a	3	3	n/a	n/a	n/a	n/a
Constantina Dertimanis	3	3	n/a	n/a	n/a	n/a	1	0	n/a	n/a
Elizabeth Parkin	3	3	2	2	n/a	n/a	1	1	n/a	n/a
David Ryan	3	2	n/a	n/a	1	1	n/a	n/a	n/a	n/a

#### Notes:

- Chair David Middleton is an ex officio member of the Risk Management & Audit Committee and Strategic Futures Committee
- Board members are eligible to attend all committee meetings

## Financial overview

### 2020 highlights

#### Profit

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Full year profit before tax of **\$116.6 million** was **\$13 million** (13 per cent) above our budgeted target of **\$103.6 million**. This was mainly driven by favourable outcomes on trade waste and water trading revenues, developer revenues, miscellaneous fees and charges, labour costs, other operating expenses and net interest expenses as well as below budget bulk charges. The favourable result was partly offset by lower than budget water usage revenues and gifted assets, higher responsive maintenance costs, depreciation, and abnormal expenses.

#### Borrowings

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Total borrowings, excluding lease liabilities, increased by **\$143.1 million** during the year. The increase in borrowings was primarily for the purpose of funding growth-related capital expenditure in our service area as well as continued investment in our information and communications technology. Capital expenditure for the year was **\$153.2 million**.

#### Revenue

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Revenue increased by **\$52.3 million** in 2020 compared to 2019. This was mainly driven by higher usage and service charges, developer contributions and miscellaneous fees and charges.

#### Dividend

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During 2020 City West Water made total dividend payments of **\$75.8 million** and paid income tax equivalent of **\$28.6 million** to the Victorian Government.

#### Equity

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Return on equity was **10.9 per cent** (2019 7.5 per cent) while cash interest cover was 2.6 times (2019 3.0 times).

#### Gearing

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Gearing, as measured by total debt / total assets, increased to **57.5 per cent** (2019 50.5 per cent).

### Summary of financial results

	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Revenue from customers	757.0	704.8	697.9	684.0	669.6
Other income	0.6	0.5	0.4	0.5	0.5
<b>Total revenue</b>	<b>757.6</b>	<b>705.3</b>	<b>698.3</b>	<b>684.5</b>	<b>670.1</b>
Bulk charges	364.7	349.2	341.6	337.0	355.1
Environmental Contribution	26.5	26.5	18.6	18.6	18.6
Employee benefits	42.4	41.9	45.1	42.5	40.4
Depreciation and amortisation	65.5	52.5	50.9	47.9	47.3
Finance expenses	68.8	66.4	64.9	63.5	63.3
Other operating expenses	73.3	73.1	64.5	64.8	79.6
<b>Total expenses</b>	<b>641.0</b>	<b>609.6</b>	<b>585.5</b>	<b>574.2</b>	<b>604.4</b>
<b>Profit before tax</b>	<b>116.6</b>	<b>95.7</b>	<b>112.8</b>	<b>110.3</b>	<b>65.7</b>

### Summary of financial position

	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Current assets	116.7	111.5	114.9	119.9	113.5
Non-current assets	2,474.2	2,362.6	2,255.2	2,163.3	2,050.3
<b>Total assets</b>	<b>2,590.8</b>	<b>2,474.1</b>	<b>2,370.1</b>	<b>2,283.2</b>	<b>2,163.8</b>
Current liabilities	164.8	168.2	145.6	101.3	105.7
Non-current liabilities	1,641.9	1,455.1	1,388.2	1,342.1	1,315.4
<b>Total liabilities</b>	<b>1,806.7</b>	<b>1,623.3</b>	<b>1,533.7</b>	<b>1,443.4</b>	<b>1,421.1</b>
<b>Net assets*</b>	<b>784.1</b>	<b>850.8</b>	<b>836.3</b>	<b>839.8</b>	<b>742.7</b>
Net cash flows from operating activities	88.5	88.1	92.0	73.9	64.4
Payments for infrastructure, property, plant and equipment	155.0	126.6	101.8	83.4	82.9

\*Net assets have been impacted by the asset revaluation adjustment (tax effected) of \$90m.

### Summary of capital expenditure

	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Total capital expenditure	153.2	124.3	109.8	90.6	88.3

Significant capex projects for 2020 include Lonsdale St Sewer Renewal \$10.5 million, M205 Carlton Water Main Renewal \$7.1 million, SPS44 Sewer Pump Station Upgrade \$6.1 million, Greek Hill Potable Water Connection \$2.9 million, and the Mt. Atkinson Outlet Sewer \$2.4 million.

### Summary of financial performance

	2020	2019	2018	2017	2016
Cash interest cover (times)	2.6	3.0	3.1	2.6	2.3
Gearing Ratio (%)	57.5	50.5	49.8	48.3	50.4
Internal financing ratio (%)	8.2	44.9	18.2	73.0	57.9
Current ratio (times)	0.8	0.9	0.8	1.3	1.2
Return on assets (%)	7.3	6.7	7.6	7.8	6.0
Return on equity (%)	10.9	7.5	9.4	9.3	5.9
EBITDA margin %	33.1	30.4	32.7	32.4	26.4

### Information and Communications Technology (ICT) expenditure

Year	All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities			Total ICT expenditure \$m
	Business as usual (BAU) ICT expenditure \$m	Non BAU ICT expenditure (operating and capital) \$m	Operational expenditure \$m	Capital expenditure \$m	
2020	13.7	17.9	0.0	17.9	31.6
2019	15.8	14.9	0.0	14.9	30.7
2018	15.8	14.9	0.0	14.9	30.7
2017	14.2	9.8	0.0	9.8	24.0
2016	16.7	9.8	0.0	9.8	26.5
2015	14.3	13.3	0.0	13.3	27.6

ICT expenditure refers to City West Water's costs in providing business-enabling ICT services. It comprises Business as Usual (BAU) ICT expenditure, Non-Business as Usual (Non BAU) ICT expenditure and Operational Technology. Non-BAU ICT expenditure relates to extending or enhancing City West Water's current ICT capabilities. Examples of projects worked on during 2020 include purchase of both hardware and software to enable transition to Office 365, cyber security uplift, improvements to customer experience, strategic integration and automation, and an electronic document and record management system implementation.

BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain current ICT capability. Examples of this include licence fees, external support, maintenance costs, and help desk services.

### Matters subsequent to end of financial year

COVID-19 continues to change the landscape in which organisations operate. Since 30 June 2020, a number of major developments related to COVID-19 have taken place, including implementation of Stage 4 restrictions, the extension of State of Emergency provisions, the State of Disaster declaration, increases in community transmission, business closures, and the extension of JobKeeper and JobSeeker wage subsidies at lower rates. Management is of the view that the impacts of COVID-19 have been adequately accounted for in the Financial Statements.

No other matter or circumstance has arisen since 30 June 2020 which has significantly affected, or may significantly affect:

- the corporation's operations;
- the results of those operations; and/or
- the corporation's state of affairs in the financial year subsequent to 30 June 2020.

### Consultancies

During 2020, City West Water engaged no consultants on various engagements where the total fee payable to the consultant was less than \$10,000 (GST exclusive).

During 2020, City West Water engaged 17 consultants on various consultancies where the total fees payable to the consultant were \$10,000 or greater (GST exclusive). The total expenditure during 2020 in relation to these consultancies was \$1,081,345 (GST exclusive). Details of individual consultancies can be viewed at [citywestwater.com.au](http://citywestwater.com.au).

These consultancies include arrangements where an individual or organisation is engaged to provide expert analysis to facilitate decision making and perform a specific one-off task that involves skills or perspective which would not normally be expected to reside within City West Water.

Consulting engagements throughout 2020 included various strategy reviews, sewer asset optimisation and technical advice and guidance.

City West Water engages a number of individuals and organisations to provide works or services on behalf of the corporation.

These contract services are not considered to be consultants and are not included in the above numbers.

## Other information

### Social and sustainable procurement

In 2019–20, we prioritised the following Social Procurement Framework objectives, which align with City West Water's strategic direction and values:

- Social Procurement Objectives:
  - opportunities for Victorian First Nations people
  - women's equality and safety.
- Sustainable Procurement Objectives:
  - environmentally sustainable business outputs
  - implementation of the Climate Change Policy objectives.

We undertook capability and awareness activities to support our first *Social Procurement Strategic Plan*. To improve capability, we appointed an executive sponsor for social procurement, established a Procurement Advisory Committee and reviewed key procurement policy and procedures to incorporate our social procurement obligations and objectives. To raise awareness, we developed and distributed procurement communications to staff, and briefed business groups and suppliers.

Social and sustainable procurement highlights for the year included:

- engaging the Asylum Seeker Resource Centre (ASRC) Catering
- purchasing advertising space in *Koori Mail*, an indigenous newspaper, and on Wan Place, an online Aboriginal and Torres Strait Islander employment service
- supporting a partnership between Jaydo, one of our contractors, and Outlook Environmental, a social enterprise provider, to provide waste management services to the Canning St water main project
- completing preliminary designs for four new solar installations
- installing sub-metering at our top 15 electricity-consuming sites
- purchasing an electric vehicle and installing a charging station at our Footscray office.

## Freedom of Information

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

City West Water is subject to the *Freedom of Information Act 1982*. An applicant has a right to apply for access to documents held by City West Water.

The documents sought by an applicant may be created by City West Water or supplied to City West Water by an external organisation or individual, and could include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by City West Water is available at [citywestwater.com.au](http://citywestwater.com.au)

The Act allows City West Water to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: 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 City West Water in confidence.

The Act stipulates that agencies such as City West Water have 30 days to process FOI requests, and that in some instances this time may be extended.

If an applicant is not satisfied by a decision made by City West Water, under section 49A of the *Freedom of Information Act 1982* 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.

During 2019-20, City West Water received 66 requests for access to documents under the Act.

Request	No.
Access in full	6
Access in part	35
Access denied	0
Other – invalid	8
Other – transferred	1
Other – withdrawn	3
Other – outside the Act	1
Other – no documents	4
Not finalised	8
<b>Total</b>	<b>66</b>

Of these 66 requests:

- 13 were from law firms
- nine were from insurance companies
- the remainder were from the general public.

City West Water made 53 FOI decisions during the 12 months ended 30 June 2020:

- 22 decisions were made within the statutory 30-day time period
- 11 decisions were made within an extended statutory 30 to 45 day time period
- 20 decisions were made within 46 to 90 days. These were also within the prescribed timeframes as clarification, payment of a deposit and/or consultation with third parties was required.

The average time taken to finalise requests in 2019–20 was 38.45 days. One request was subject to a complaint made to OVIC, which was dismissed following a preliminary investigation.

FOI requests can be lodged online via the City West Water website at:



[citywestwater.com.au/FOI](https://citywestwater.com.au/FOI)

An application fee of \$29.60 applies. Access charges comprising search charges and photocopying charges may also be payable.

	<b>From 1 July 2020</b>
Application fee	\$29.60
Search charge	\$22.20 per hour
Photocopying	\$0.20 per A4 page

Access to documents can also be sought through a written request to City West Water's FOI Officer, as detailed in s17 of the *Freedom of Information Act 1982*.

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of materials and/or documents are being sought. Requests for documents in the possession of City West Water should be addressed to:

Freedom of Information Officer  
City West Water  
Locked Bag 350  
Sunshine Vic 3020

For further information about FOI, refer to the *Freedom of Information Act 1982* and regulations or go to the government's website at:



[ovic.vic.gov.au](https://ovic.vic.gov.au)

## Compliance with Building Act 1993

City West Water owns or controls:

- four buildings at 293 Queen St, Altona Meadows
- two buildings at William Thwaites Drive, West Werribee
- one building at 218 Kensington Road, West Melbourne
- one building at 73 Old Geelong Road, Brooklyn.

Consequently, City West Water is required to include a statement on its compliance with the building and maintenance provisions of the *Building Act 1993* in relation to these buildings.

To achieve this in 2020:

- our buildings were inspected by a competent inspector
- occupancy permits were issued
- assets were maintained under the required standards and codes
- an asset management system was used to maintain the assets.

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

In relation to our existing buildings in Altona Meadows and West Werribee, City West Water facility management is responsible for:

- mandatory testing of emergency and exit lighting and lift equipment in accordance with relevant standards
- monthly, quarterly and bi-annual inspection and preventive maintenance
- routine mechanical services and monthly and annual fire service audits.

Programmed Facility Management is responsible for the same works at the buildings at West Melbourne and Brooklyn as they run the day-to-day operations at these sites.

The testing and inspections at these sites inform the works program which is delivered annually through existing maintenance contracts.

In 2019–20:

Number of major works projects undertaken by City West Water (greater than \$50,000)	• 0 major projects
Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by City West Water	• 0 building permits • 8 occupancy permits • 8 certificates of occupancy
Number of emergency orders and building orders issued in relation to buildings	• 0 emergency orders • 0 building orders
Number of buildings that have been brought into conformity with building standards during the reporting period	• 0 buildings brought into conformity

### Compliance with the Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* encourages and assists people in making disclosures of corrupt or improper conduct or detrimental action by a public officer or a public body.

The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectification action to be taken.

City West Water does not tolerate improper conduct by its employees, officers or members, nor the taking of reprisals against those who come forward to disclose such conduct. City West Water recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources or conduct involving a substantial risk to public health and safety or the environment.

City West Water will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. We will also afford natural justice to the person who is the subject of the disclosure. Our *Public Interest Disclosures Act 2012 Guidelines and Procedures* are available on our website.

City West Water is not able to receive disclosures under section 13 of the *Public Interest Disclosures Act 2012*. Disclosure of improper conduct or detrimental action by

City West Water or any of its employees and/or officers may be made directly to the Independent Broad-based Anti-corruption Commission.

Independent Broad-based Anti-Corruption Commission (IBAC) Victoria  
Level 1, North Tower, 459 Collins Street  
Melbourne VIC 3000

Phone: 1300 735 135

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

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

### Competitive Neutrality Policy Victoria

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

City West Water has an independent Board of Directors with independent and objective performance monitoring. City West Water pays income tax equivalent and dividends to the Victorian Government, and pays a Financial Accommodation Levy to the Victorian Government for its borrowings through Treasury Corporation of Victoria.

City West Water operates in an environment where the Essential Services Commission regulates pricing and service standards. In 2017, City West Water lodged a Price Submission to the Commission to enable it to make a five-year Pricing Determination. The Commission made a final determination on prices in June 2018. These prices took effect from 1 July 2018.

City West Water's processes continue to be consistent with the requirements of the Competitive Neutrality Policy Victoria statement.

## Local Jobs First Policy

The *Local Jobs First Act 2003* enshrines the Victorian Industry Participation Policy (VIPP) and Major Projects Skills Guarantee (MPSG) requirements in legislation as the Local Jobs First Policy. The Local Jobs First Policy is mandatory and must be applied by all Victorian government departments and agencies. The policy mandates that:

- small and medium sized enterprises are given a full and fair opportunity to compete for government contracts
- 10 per cent of total hours worked on government projects must go to our future workforce – apprentices, trainees and cadets.

Local Jobs First sets minimum requirements for local content and the use of apprentices, trainees and cadets in all procurement activities valued at \$3 million or more in metropolitan Melbourne and statewide projects, and \$1 million or more for procurement activities in regional Victoria. Agencies can voluntarily apply the policy to projects valued at less than \$3 million.

During 2019–20, City West Water commenced three contracts totalling \$17,534,229 for which Local Industry Development Plans (LIDPs) plans were required:

- Design and Construct – CBD Sewer Augmentation Stage 2A – Lonsdale Street – \$12,483,624
- Construction of Mt Atkinson Outlet Sewer – \$4,450,605
- West Werribee Sewer Pump Station – Construction Phase Services – \$600,000

These jobs occurred in metropolitan Melbourne, and 97.71 per cent of the goods and services employed for these projects were supplied, produced or carried out by local industry.

The total LIDPs commitments achieved as a result of contracts commenced include:

- local content of 98 per cent of the total value of the contracts
- a total of 14 retained jobs (Annualised Employee Equivalent (AEE)) were committed
- one new and three retained apprenticeships/traineeships.

## Disclosure of major contracts

In 2019–20, City West Water entered into one major contract with a value of over \$10 million. The relevant contract is for Design and Construction of the Melbourne CBD Sewer Augmentation Strategy Stage 2a – Lonsdale St. The contract was awarded to Rob Carr Pty. Ltd.

Details about this contract are available at:

 [citywestwater.com.au](http://citywestwater.com.au)

## Government advertising expenditure

City West Water spent \$374,857 on advertising for the Make Every Drop Count campaign (1 December 2019–30 March 2020) and \$140,142 on other elements to support the campaign, including research, website and advertising materials. The total campaign spend was \$515,000.

## Financial Management Act 1994

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

## Other information available on request

In compliance with the requirements of the Standing Directions of the Assistant Treasurer, details in respect of the items listed below have been retained by City West Water and are available on request, subject to the provisions of the *Freedom of Information Act 1982*:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by City West Water about itself and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by City West Water
- details of any major external reviews carried out on City West Water
- details of major research and development activities undertaken by City West Water
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit

- details of major promotional, public relations and marketing activities undertaken by City West Water to develop community awareness of City West Water and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the corporation and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by City West Water, the purpose of each committee, and the extent to which that purpose has been achieved, and
- details of all consultancies and contractors including:
  - consultants and contractors engaged
  - services provided, and
  - expenditure committed to for each engagement.

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

Freedom of Information Officer  
City West Water  
Locked Bag 350  
Sunshine VIC 3020

# City West Water Financial Management Compliance Attestation

I, David Middleton, on behalf of City West Water Corporation, certify that City West Water Corporation has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



**David Middleton**

Chair

Melbourne

25 August 2020

# Financial Report

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## Performance Report

As part of their annual reporting obligations, metropolitan water corporations are required to include a consolidated performance report comprising both financial and non-financial performance indicators. The objective of the report is to provide a consistent view of the current and ongoing performance of the corporation.

### Financial performance indicators

KPI Number	Key performance indicator	2019 Result	2020 Result	2020 Target	% Variance to prior year	Notes	% Variance to target	Notes
<b>F1</b>	<b>Cash interest cover</b> Net operating cash flows before net interest and tax / net interest payments	3.0	2.6	2.4	-13.3%	1	8.3%	
<b>F2</b>	<b>Gearing ratio</b> Total debt (including finance leases) / total assets *100	50.5%	57.5%	55.4%	13.9%	2	3.8%	
<b>F3</b>	<b>Internal financing ratio</b> Net operating cash flow less dividends and capital repatriation / net capital expenditure * 100	44.9%	8.2%	5.4%	-81.7%	3	51.9%	4
<b>F4</b>	<b>Current ratio</b> Current assets / current liabilities (excluding long term employee provisions, contract liabilities and deposits)	0.9	0.8	0.9	-11.1%	5	-14.3%	6
<b>F5</b>	<b>Return on assets</b> Earnings before net interest and tax / average assets * 100	6.7%	7.3%	6.9%	9.0%		5.8%	
<b>F6</b>	<b>Return on equity</b> Net profit after tax / average total equity *100	7.5%	10.9%	8.4%	45.3%	7	29.8%	8
<b>F7</b>	<b>EBITDA Margin</b> Earnings before interest, tax, depreciation and amortisation / total revenue *100	30.4%	33.1%	32.3%	8.9%		2.4%	

- Cash interest cover for 2020 is lower than 2019 mainly as a result of lower net operating cash flows due to COVID-19 related impacts. Government incentives aimed at alleviating hardship to our customers and suppliers have resulted in delayed cash receipts and expedited payments to our suppliers.
- The 2020 gearing ratio is unfavourable compared to 2019 mainly as a result of \$95.9m worth of lease liabilities that have been recognised as borrowings due to the application of AASB16 Leases.
- The internal financing ratio was lower in 2020 compared to 2019 mainly because of the 2019 interim dividend which was deferred into 2020 and the payment of a \$25m special dividend made in 2020. The ratio is expected to smooth out in future years when the business returns to its traditional dividend regime.
- The 2020 internal financing ratio was higher than the 2020 target of 5.4% due to more favourable operating cashflows. The ratio is expected to smooth out in future years when the business returns to its traditional dividend regime.
- The current ratio was slightly lower in 2020 compared to 2019 mainly due to higher tax liability in 2020. The current ratio is expected to smooth out in future years.
- The 2020 current ratio was slightly lower than the 2020 target mainly due to lower cash holdings.
- Return on equity was higher in 2020 compared to 2019 due mainly to higher net profit after tax and decreased equity arising from devaluation of infrastructure assets reserve and higher dividend payments.
- The 2020 return on equity compared to the 2020 target is favourable as a result of higher than expected net profit after tax and decreased equity arising from devaluation of infrastructure assets.

### Water and sewerage service performance indicators

KPI Number	Key performance indicator	2019 Result	2020 Result	2020 Target	% Variance to prior year	Notes	% Variance to target	Notes
WS1	<b>Unplanned water supply interruptions</b> Number of customers receiving more than five unplanned water supply interruptions in the year / total number of water (domestic and non-domestic) customers *100	0.0%	0.0%	0.0%	0.0%		0.0%	
WS2	<b>Interruption time</b> Average duration of unplanned water supply interruptions (minutes)	112.7	114.9	120.0	-2.0%		-4.3%	
WS3	<b>Restoration of unplanned water supply interruptions</b> Unplanned water supply interruptions restored within five hours / total unplanned water supply interruptions *100	97.9%	97.1%	97.0%	-0.8%		0.1%	
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%	100.0%	100.0%	0.0%		0.0%	
SS2	<b>Sewer spills interruptions</b> Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours	99.7%	99.5%	98.0%	-1.5%		1.5%	

Note: Only variances of more than 5% are explained

## Performance Report (continued)

### Customer responsiveness performance indicators

KPI Number	Key performance indicator	2019 Result	2020 Result	2020 Target	% Variance to prior year	Notes	% Variance to target	Notes
CR1	<b>Water quality complaints</b> Number of complaints per 1,000 customers	1.2	1.5	0.7	-25.0%	1	-114.3%	2
CR4	<b>Billing complaints</b> Number of complaints per 1,000 customers	1.0	1.18	1.2	18%	3	-1.7%	3

1. An unfavourable variance to prior year and sustained elevated numbers of discoloured water complaints since early 2019. This followed water having been unknowingly withdrawn and supplied by Melbourne Water over several weeks during early 2019 from lower depths of Greenvale Reservoir. Melbourne Water has since implemented processes and controls to prevent a similar occurrence. CWW has undertaken responsive flushing of water mains to individual complaints. However, due to the complaints being largely widespread and non-localised, broad-scale mains flushing (including air-scouring) has been restricted due to consideration of low remedial efficiency and water conservation. This posed no health risks to the community.
2. The target was first exceeded in December 2019. This was largely due to the residual effect of water having been withdrawn and supplied over several weeks in early 2019 from lower depths of Greenvale Reservoir. The immediate effect was a surge in complaints of discoloured water throughout most of CWW's area. On-going, subsequent elevated complaint numbers of discoloured water are the result of sediments having been deposited in CWW's pipe network during the Greenvale event. Responsive flushing of water mains has been undertaken in response to individual complaints. However, due to the complaints being largely widespread and non-localised, broad-scale mains flushing (including air-scouring) has been restricted due to consideration of low remedial efficiency and water conservation. This posed no health risks to the community.
3. City West Water has worked over the last year to better understand the needs of our customers and take action to address their issues proactively. There has been an increased focus on capturing complaints from across the business, including our contractors, and recording them on our system. The information is being used to provide valuable insights into what our customers are saying and identifying opportunities for improvement. This coupled with the impacts of the COVID-19 pandemic resulted in an increased result against 2019.

### Environmental performance indicators

KPI Number	Key performance indicator	2019 Result	2020 Result	2020 Target	% Variance to prior year	Notes	% Variance to target	Notes
E1	<b>Effluent reuse volume (end use)</b> Effluent reuse volume (%)	40.0%	42.9%	40.0%	7.2%	1	7.2%	2
E2	<b>Total net CO<sub>2</sub> emissions</b> Net tonnes CO <sub>2</sub> equivalent	11,627.0	12,980.0	12,000.0	-11.6%	3	-8.2%	4

1. A favourable variance to prior year recycled water supplied is due to the commissioning of the Werribee Recycled Water Plant which started operation to produce and supply recycled water to the Werribee recycled water scheme customers from July 2019. The overall recycled water volumes in the calculation include the supply to the Sunshine, Altona and Werribee recycled water schemes.
2. A favourable variance to the target is due to the commissioning of the Werribee Recycled Water Plant which started operation to produce and supply recycled water to the Werribee recycled water scheme customers from July 2019. The overall recycled water volumes in the calculation include the supply to the Sunshine, Altona and Werribee recycled water schemes.
3. Energy consumption at West Werribee Salt Reduction Plant has gone up from 596,579 kWh in 2018-19 to 767,870 kWh in 2019-20, a rise of 22% year on year. Energy consumption at Ballan Road Tanks has also gone up from 77,195 kWh in 2018-19 to 93,911 kWh in 2019-20, a rise of 18% year on year. Contributing to 11.6% overall variance in net CO<sub>2</sub> emissions from the previous year as there was a significantly higher energy requirement to produce recycled water at West Werribee Salt Reduction Plant after its commissioning on 1 July 2019. This resulted in cascading higher energy requirement to transport/pump supply to the Ballan Road tanks.
4. Emissions are slightly higher than predicted primarily due to the delay of the Power Purchasing Agreement (PPA) which was predicted to provide 1,642 t CO<sub>2</sub>-e of emissions abatement in 2019-20. However, CWW is on track to deliver significant savings in 2020-21 with the infrastructure under the PPA scheduled to come online in October 2020 and the construction of several CWW-delivered renewable energy generation assets on track for delivery by early 2021.

## Certification of Performance Report

We certify that the accompanying Performance Report of City West Water Corporation in respect of the 2020 financial year is presented fairly and in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the corporation's 2020 Corporate Plan. The actual and comparative results achieved for the financial year are measured against predetermined performance targets. Performance against these targets and subsequent explanation of any significant variance between the current year and prior year has been fairly presented.

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



**David Middleton**  
Chair



**Maree Lang**  
Managing Director



**Michael Wootten**  
Chief Financial Officer

Melbourne  
25 August 2020

# Independent Auditor's Report



## Independent Auditor's Report

### To the Board of the City West Water Corporation

<b>Opinion</b>	<p>I have audited the accompanying performance report of the City West Water Corporation (the corporation) for the year ended 30 June 2020, which comprises the:</p> <ul style="list-style-type: none"> <li>• financial performance indicators</li> <li>• water and sewerage service performance indicators</li> <li>• customer responsiveness performance indicators</li> <li>• environmental performance indicators</li> <li>• certification of performance report.</li> </ul> <p>In my opinion, the performance report of the City West 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 <i>Financial Management Act 1994</i>.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the performance report</b>	<p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.</p>

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

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

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

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

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

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MELBOURNE  
4 September 2020



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

## Comprehensive Operating Statement

### For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Revenue from customers	2.1	757,011	704,800
Other income	2.6	568	498
<b>Total income</b>		<b>757,579</b>	<b>705,298</b>
<b>Expenses</b>			
Bulk charges	3.2	(364,660)	(349,235)
Environmental contribution	4.5.1	(26,457)	(26,457)
Employee benefits	3.3.1	(42,355)	(41,884)
Depreciation and amortisation	5.1, 5.5	(65,473)	(52,510)
Finance expenses	7.1.2	(68,769)	(66,418)
Other operating expenses	3.5	(73,276)	(73,087)
<b>Total expenses</b>		<b>(640,990)</b>	<b>(609,591)</b>
<b>Profit before income tax expense</b>		<b>116,589</b>	<b>95,707</b>
Income tax expense	4.1	(27,548)	(32,608)
<b>Profit after income tax expense</b>		<b>89,041</b>	<b>63,099</b>
<b>Other comprehensive income/(expense)</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Increase/(decrease) in physical asset revaluation surplus due to revaluation of assets	5.1	(125,940)	(11,655)
Actuarial gain/(loss) on defined benefit superannuation plan	3.3.3	(132)	176
Deferred income tax relating to components of other comprehensive income	4.1	38,283	2,140
<b>Other comprehensive income after tax</b>		<b>(87,789)</b>	<b>(9,339)</b>
<b>Total comprehensive income after tax</b>		<b>1,252</b>	<b>53,760</b>

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

## Balance Sheet

### As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7.2	547	1,327
Receivables	6.1	108,754	100,492
Inventory	6.5	2,789	2,474
Other non-financial assets	6.6	4,586	7,231
<b>Total current assets</b>		<b>116,676</b>	<b>111,524</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	5.1	2,208,336	2,191,376
Intangible assets	5.5	169,751	167,148
Right-of-use assets	5.9	92,675	-
Defined benefit superannuation asset	3.3.3	3,394	4,085
<b>Total non-current assets</b>		<b>2,474,156</b>	<b>2,362,609</b>
<b>TOTAL ASSETS</b>		<b>2,590,832</b>	<b>2,474,133</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6.2	87,521	96,240
Advances and deposits	6.3	8,650	7,172
Borrowings	7.1	25,068	19,900
Current tax liability	4.3	7,366	-
Provision for employee benefits	3.3.2	14,812	13,613
Contract liabilities	6.4	19,196	29,889
Other provisions	6.7	2,177	1,385
<b>Total current liabilities</b>		<b>164,790</b>	<b>168,199</b>
<b>Non-current liabilities</b>			
Borrowings	7.1	1,463,917	1,230,000
Deferred tax liabilities	4.2.2	176,754	223,432
Provision for employee benefits	3.3.2	1,240	1,686
<b>Total non-current liabilities</b>		<b>1,641,911</b>	<b>1,455,118</b>
<b>TOTAL LIABILITIES</b>		<b>1,806,701</b>	<b>1,623,317</b>
<b>NET ASSETS</b>		<b>784,131</b>	<b>850,816</b>
<b>EQUITY</b>			
Contributed equity	9.3.1	197,111	189,248
Physical asset revaluation surplus	9.3.2	83,559	171,256
Retained profits	9.3.3	503,461	490,312
<b>TOTAL EQUITY</b>		<b>784,131</b>	<b>850,816</b>

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

## Statement of Changes in Equity

### For the year ended 30 June 2020

	Note	Contributed equity \$'000	Physical asset revaluation surplus \$'000	Retained profits \$'000	Total equity \$'000
<b>Opening balance at 1 July 2018</b>		<b>200,128</b>	<b>180,718</b>	<b>447,490</b>	<b>828,336</b>
<b>Comprehensive income for the year</b>					
Profit after income tax expense	9.3.3	-	-	63,099	63,099
Other comprehensive income after tax	9.3.2, 9.3.3	-	(9,462)	123	(9,339)
<b>Total comprehensive income after tax</b>		<b>-</b>	<b>(9,462)</b>	<b>63,222</b>	<b>53,760</b>
<b>Transactions with the State in its capacity as owner</b>					
Dividends paid	4.4	-	-	(20,400)	(20,400)
Capital repatriation	9.3.1	(10,880)	-	-	(10,880)
<b>Total transactions with the State in its capacity as owner</b>		<b>(10,880)</b>	<b>-</b>	<b>(20,400)</b>	<b>(31,280)</b>
<b>Closing balance at 30 June 2019</b>		<b>189,248</b>	<b>171,256</b>	<b>490,312</b>	<b>850,816</b>
<b>Opening balance at 1 July 2019</b>		<b>189,248</b>	<b>171,256</b>	<b>490,312</b>	<b>850,816</b>
<b>Comprehensive income for the year</b>					
Profit after income tax expense	9.3.3	-	-	89,041	89,041
Other comprehensive income after tax	9.3.2, 9.3.3	-	(87,697)	(92)	(87,789)
<b>Total comprehensive income after tax</b>		<b>-</b>	<b>(87,697)</b>	<b>88,949</b>	<b>1,252</b>
<b>Transactions with the State in its capacity as owner</b>					
Dividends paid	4.4	-	-	(75,800)	(75,800)
Asset received as contributed equity	9.3.1	7,863	-	-	7,863
<b>Total transactions with the State in its capacity as owner</b>		<b>7,863</b>	<b>-</b>	<b>(75,800)</b>	<b>(67,937)</b>
<b>Closing balance at 30 June 2020</b>		<b>197,111</b>	<b>83,559</b>	<b>503,461</b>	<b>784,131</b>

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

## Statement of Cash Flows

### For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from customers, developers and others		690,323	676,384
Goods and Services Tax refunded by the Australian Tax Office <sup>1</sup>		20,518	20,295
Interest received		217	198
<b>Payments</b>			
Payments to suppliers and employees <sup>2</sup>		(500,309)	(477,453)
Interest and other finance costs paid		(70,102)	(66,265)
Income tax paid		(25,756)	(45,679)
Environmental Contribution paid		(26,457)	(19,843)
Government Water Rebate paid		27	473
<b>Net cash inflow from operating activities</b>	7.2.1	<b>88,461</b>	<b>88,110</b>
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant, equipment, and intangibles		(155,020)	(126,552)
Proceeds from sale of infrastructure, property, plant, equipment and intangibles		387	603
<b>Net cash outflow from investing activities</b>		<b>(154,633)</b>	<b>(125,949)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings (new and refinanced)		253,100	195,000
Repayment of borrowings (paid down and refinanced)		(110,000)	(125,300)
Principal element of lease liability		(1,908)	-
Dividends paid		(75,800)	(20,400)
Capital repatriation paid		-	(10,880)
<b>Net cash inflow from financing activities</b>		<b>65,392</b>	<b>38,420</b>
Net (decrease)/increase in cash and cash equivalents		(780)	581
Cash and cash equivalents at the beginning of the financial year		1,327	746
<b>Cash and cash equivalents at the end of the financial year</b>	7.2	<b>547</b>	<b>1,327</b>

1. Goods and services tax refunded from the Australian Taxation Office is presented on a net basis.

2. Includes payment of \$70,524 in respect of variable lease payments, \$15,894 for short-term leases and \$33,993 for low-value leases.

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 1. About this report

City West Water is a statutory water authority incorporated under the *Water Act 1989*.

The principal address of the corporation is:

City West Water Corporation  
1 McNab Avenue  
Footscray 3011

#### 1.1 Basis of preparation

These financial statements are presented in Australian dollars. The historical cost convention is used unless a different measurement basis is specifically disclosed for the relevant item. All amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

The accrual basis of accounting and going concern have been applied in preparing these financial statements. Assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in Section 8 of this report. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates. Areas involving a high degree of estimates and assumptions that can materially impact the financial statements include:

- fair valuation of infrastructure, property, plant and equipment
- actuarial assumptions used to determine the assets and liabilities of City West Water's defined benefit superannuation fund
- estimated useful lives of assets
- impairment of assets
- provisions
- income tax
- contract liabilities
- accrued revenue (unbilled charges)
- deferred tax recognition
- the timing of satisfaction of performance obligations
- determining transaction price and amounts allocated to performance obligation

COVID-19 is a global health pandemic which has resulted in a number of government responses that include the declaration of "States of Emergency" at various stages, restrictions on the community and business groups, and the introduction of new policies such as JobKeeper and JobSeeker. The consequential effects of COVID-19 and government's responses have had significant impacts on the economy, local businesses, customers and staff. Management have reviewed and revised future budgets and forecasts which reflect expectations about the future. The future budgets and forecasts confirm that the going concern basis, on which this financial report is predicated on, is appropriate.

Further COVID-19 related disclosures have been added to this financial report to reflect management's judgements and assessments. These can be found in notes 3.3.3 (Defined Benefits), 6.1.2 (Loss allowance for trade receivables), 8.3.2 (Fair value determination), and 9.6 (Subsequent Events).

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

These financial statements cover City West Water as an individual reporting entity.

## 1.2 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.

## 1.3 Changes in accounting policies

The following standards have been adopted by the corporation during the financial year.

### 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. City West Water 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). Accordingly, no third balance sheet is presented and comparatives for the 2019 financial year have not been restated.

On adoption of AASB 16, City West Water recognised lease liabilities as borrowings 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 2.84%. On transition, DTF mandates measurement of Right-of-use (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. Accordingly, there is no effect to the opening balance of retained earnings.

As a result of the above changes in the corporation's accounting policies, the following tables show the adjustments recognised for each line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

### Impact on Balance Sheet of transitional adjustments made on 1 July 2019

	Note	2019 as reported \$'000	Adjustment \$'000	Restated as at 1 July 2019 \$'000
Right-of-use assets	5.9(i)	-	97,409	97,409
Borrowings – lease liabilities	5.9(i)	-	97,409	97,409
Retained profits		-	-	-

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 1. About this report (continued)

#### Impact on Comprehensive Operating Statement for the year ended 30 June 2020

	Note	2020 per AASB 16 \$'000	2020 per AASB 117 \$'000	Movement \$'000
<b>Expenses</b>				
Depreciation charge on right-of-use assets	5.9	5,219	-	5,219
Interest on leases	7.1.2	3,108	-	3,108
Operating lease rental		-	5,017	(5,017)
<b>Total expenses</b>		<b>8,327</b>	<b>5,017</b>	<b>3,310</b>
<b>Profit before income tax expense</b>				
Income tax expense		(2,498)	(1,505)	(993)
<b>Profit after income tax expense</b>		<b>5,829</b>	<b>3,512</b>	<b>2,317</b>

#### Impact on Balance Sheet as at 30 June 2020

	Note	2020 per AASB 16 \$'000	2020 per AASB 117 \$'000	Movement \$'000
<b>Non – current assets</b>				
Right-of-use assets	5.9	92,675	-	92,675
<b>Total current assets</b>		<b>92,675</b>	<b>-</b>	<b>92,675</b>
<b>Current liabilities</b>				
Borrowings – lease liabilities	7.1	2,068	-	2,068
<b>Total current liabilities</b>		<b>2,068</b>	<b>-</b>	<b>2,068</b>
<b>Non-current liabilities</b>				
Borrowings – lease liabilities	7.1	93,917	-	93,917
Deferred tax liabilities	4.2.2	176,754	177,747	(993)
<b>Total non-current liabilities</b>		<b>270,671</b>	<b>177,747</b>	<b>92,924</b>
<b>Total liabilities</b>		<b>272,739</b>	<b>177,747</b>	<b>94,992</b>
<b>Net liabilities</b>		<b>(180,064)</b>	<b>(177,747)</b>	<b>(2,317)</b>
<b>Equity</b>				
Retained profits	9.3.3	503,461	505,778	(2,317)
<b>Total equity</b>		<b>503,461</b>	<b>505,778</b>	<b>(2,317)</b>

#### 1.4 Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, which include Interpretations issued by the Australian Accounting Standards Board.

Accounting policies selected and applied in these financial statements ensure 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.

These annual financial statements were authorised for issue by the Board of Directors of City West Water on 25 August 2020.

## 2. Funding delivery of services

City West Water's core business is the supply of water, sewerage, trade waste and, where available, recycled water services to customers in accordance with the corporation's Customer Charter. City West Water collects revenue from residential and non-residential customers, developers and others in order to fulfil its vision to be an exceptional service provider that puts customers first and benefits the community.

Revenue is measured as the fair value of consideration received or receivable. City West Water recognises revenue when the amount can be reliably measured, it is probable that the future economic benefits will flow to the corporation and specific criteria have been met for each of the corporation's activities.

### Structure

- 2.1 Summary of revenue from customers
- 2.2 Sales of goods and services
- 2.3 Developer contributions
- 2.4 Other revenue
- 2.5 Timing of recognition of revenue from customers
- 2.6 Other income

#### 2.1 Summary of revenue from customers

	Note	2020 \$'000	2019 \$'000
Sale of goods and services	2.2	635,537	609,388
Developer contributions	2.3	91,919	71,407
Other revenue	2.4	29,555	24,005
<b>Total revenue with customers</b>		<b>757,011</b>	<b>704,800</b>

#### 2.2 Sales of goods and services

	2020 \$'000	2019 \$'000
Service charges – water	112,026	106,996
Usage charges – water	284,986	268,601
Service charges – sewerage	124,743	121,018
Disposal charges – sewage	71,320	72,731
Trade waste charges	28,726	29,000
Recycled water charges	6,903	6,336
Water trading revenue	6,833	4,233
Government Water Rebate provided to customers	-	473
<b>Total sales of goods and services revenue</b>	<b>635,537</b>	<b>609,388</b>

Sales of goods and services are transactions that the corporation has determined to be in accordance with *AASB 15 Revenue from contracts with customers*.

City West Water has an ongoing obligation to provide water and sewerage services to customers in its area. The corporation is obligated to provide a continuous supply of services across its network, so customers simultaneously receive and consume benefits in line with City West Water performing its obligation. Therefore, revenue is recognised over time.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 2. Funding delivery of services (continued)

City West Water recognises revenue for water and sewerage services in the amount which it has a right to receive, as this amount is considered by management to correspond directly with the value to the customer of City West Water's performance to date.

Service charges represent charges for access to water and sewerage services provided to customers. This performance obligation is satisfied over time. At balance date, any portion of service charges that are billed in advance and the performance obligation is not satisfied, is recognised as contract liabilities (refer Note 6.4).

Water usage charges, sewage disposal charges, trade waste charges and recycled water charges are all recognised as revenue over time as the performance obligation is satisfied. City West Water measures these charges based on the regulated prices and the volume of water consumed by customers, and sewage and trade waste disposed by customers. At balance date, the charges for fully satisfied performance obligations that are unbilled are estimated and contract assets are recognised (refer Note 6.1).

Water trading revenue is recognised at a point in time when the trade occurs. This is when the performance obligation is satisfied.

#### 2.3 Developer contributions

	2020 \$'000	2019 \$'000
Developer contributed assets	46,947	47,315
Developer cash contributions	44,972	24,092
<b>Total developer contributions</b>	<b>91,919</b>	<b>71,407</b>

Developer contributed assets arise when developers pay for the cost of construction of new assets and subsequently 'gift' these assets to City West Water, which maintains them in perpetuity. In accordance with the requirements of AASB 15 – *Revenue from Contracts with Customers*, revenue is recognised at a point in time when City West Water has satisfied its performance obligation either:

- when a Statement of Compliance is issued to the customer; or
- when the customer is connected to City West Water's network for the provision of water and sewerage services.

Developer contributed assets are recognised at their fair value when the corporation obtains control over them. Fair value is determined as cost. Where actual cost is not available, City West Water deems cost by assessing the value of works using a schedule of rates determined by the corporation.

Developer cash contributions represent charges levied on developers to recover the costs of augmenting or constructing infrastructure assets to meet the future demands of urban growth. Developers are required to make a fair and reasonable contribution towards the cost of developing City West Water's water supply distribution systems and sewage disposal systems. In accordance with the requirements of AASB 15 – *Revenue from Contracts with Customers*, revenue is recognised at a point in time when City West Water has satisfied its performance obligation either:

- when a Statement of Compliance is issued to the customer;
- when the customer is connected to City West Water's network for the provision of water and sewerage services; or
- when the customer receives consent from City West Water to connect to the corporation's network.

The point in time when the corporation satisfies its performance obligation will vary depending on the type of application submitted by the customer.

Rates applicable to developer cash contributions are regulated by the Essential Services Commission.

## 2.4 Other revenue

	2020 \$'000	2019 \$'000
Fees and charges	19,392	15,129
Works and services provided to third parties	9,798	7,836
Other	365	1,040
<b>Total other revenue</b>	<b>29,555</b>	<b>24,005</b>

Fees and charges are recognised as revenue at a point in time when City West Water has completed its performance obligations. Fees and charges represent a variety of services provided by City West Water such as processing of application fees and making new connections or alterations to the corporation's network. City West Water uses pricing principles to calculate the price of individual services rather than direct regulation by the Essential Services Commission.

Revenue from works and services provided to third parties is recognised as revenue over time when City West Water has completed its contractual obligations. Revenue represents charges for services to third parties such as the collection of drainage and parks rates on behalf of Melbourne Water and the Department of Environment, Land, Water and Planning respectively.

Other items are recognised as revenue at a point in time on completion of City West Water's contractual obligations. Other items consist mainly of administration fees and one-off charges for services provided.

## 2.5 Timing of recognition of revenue from customers

The corporation derives revenue from the transfer of goods and services over time and at a point in time for the following charges.

	Service charges – water \$'000	Usage charges – water \$'000	Service charges – sewerage \$'000	Disposal charges – sewerage \$'000	Trade waste charges \$'000	Recycled water charges \$'000	Water trading revenue \$'000	Developer contributions \$'000	Other revenue \$'000	Total revenue with customers
<b>2019</b>										
At a point in time	-	-	-	-	-	-	4,233	71,407	16,642	92,282
Over time	106,996	268,601	121,018	72,731	29,000	6,336	-	-	7,836	612,518
<b>Total</b>	<b>106,996</b>	<b>268,601</b>	<b>121,018</b>	<b>72,731</b>	<b>29,000</b>	<b>6,336</b>	<b>4,233</b>	<b>71,407</b>	<b>24,478</b>	<b>704,800</b>
<b>2020</b>										
At a point in time	-	-	-	-	-	-	6,833	91,919	19,757	118,509
Over time	112,026	284,986	124,743	71,320	28,726	6,903	-	-	9,798	638,502
<b>Total</b>	<b>112,026</b>	<b>284,986</b>	<b>124,743</b>	<b>71,320</b>	<b>28,726</b>	<b>6,903</b>	<b>6,833</b>	<b>91,919</b>	<b>29,555</b>	<b>757,011</b>

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 2. Funding delivery of services (continued)

#### 2.6 Other income

	2020 \$'000	2019 \$'000
Interest income	217	191
Rental income	216	185
Net gain on sale of non-current physical assets	135	122
<b>Total other income</b>	<b>568</b>	<b>498</b>

Interest income is recognised when earned.

Rental income is billed in advance and recognised over the period to which the income relates.

A gain on sale of non-current physical assets is recognised on disposal of an asset. It is measured as income from the sale of an asset less the asset's book value and costs of disposal.

## 3 Cost of delivering services

This section provides an account of the expenses incurred by City West Water in delivering services and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

### Structure

- 3.1 Summary of cost of delivering services
- 3.2 Bulk charges
- 3.3 Employee benefits
- 3.4 Remuneration of auditor
- 3.5 Other operating expenses
- 3.6 Commitments for operating lease expenditure

### 3.1 Summary of cost of delivering services

	Note	2020 \$'000	2019 \$'000
Bulk charges	3.2	364,660	349,235
Employee benefits in the Comprehensive Operating Statement	3.3.1	42,355	41,884
Other operating expenses	3.5	73,275	73,087
<b>Total cost of delivering services</b>		<b>480,290</b>	<b>464,206</b>

### 3.2 Bulk charges

	2020 \$'000	2019 \$'000
Bulk water and sewerage charges	364,660	349,235
<b>Total bulk charges</b>	<b>364,660</b>	<b>349,235</b>

Bulk water and sewerage charges are levied by Melbourne Water Corporation for the cost of water City West Water purchases and for sewage treated at Melbourne Water's Western Treatment Plant. Variable charges are levied in arrears and are payable on a weekly basis. Fixed charges are levied once a month and are payable on the 15<sup>th</sup> of the month to which they refer. Any variable charges that remain outstanding at period end are accrued.

### 3.3 Employee benefits

#### 3.3.1 Employee benefits in the Comprehensive Operating Statement

	2020 \$'000	2019 \$'000
Salaries and wages, annual leave and long service leave	37,370	36,797
Accumulation fund superannuation expense	4,084	3,390
Defined benefit superannuation expense	559	617
Termination benefits	342	1,080
<b>Total employee benefits in the comprehensive operating statement</b>	<b>42,355</b>	<b>41,884</b>

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2020

### 3. Cost of delivering services (continued)

Employee benefits refers to all payments made to employees during the year. It includes payments to all City West Water staff as well as contract and agency staff. Payments are made for ordinary time, overtime, allowances, on-costs, Fringe Benefits Tax, redundancy costs and Workcover. Any employee benefits outstanding at year end are accrued. A portion of employee benefits directly attributable to capital projects is capitalised and depreciated so as to apportion the cost of a capital project over the life of the asset created by the project.

The amount recognised in the Comprehensive Operating Statement in relation to superannuation is employer contributions for members of both defined benefit and accumulation superannuation plans that are paid or payable during the reporting period. Contributions to accumulation superannuation funds are made in accordance with the *Superannuation Guarantee (Administration) Act 1992*.

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 City West Water 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 end of the reporting period are discounted to present value.

#### 3.3.2 Employee benefits in the Balance Sheet

	2020 \$'000	2019 \$'000
<b>Provision for employee benefits</b>		
<b>Current</b>		
Annual leave unconditional and expected to be paid within 12 months	2,820	2,151
Annual leave unconditional and expected to be paid after 12 months	618	386
Long service leave unconditional and expected to be paid within 12 months	1,103	858
Long service leave unconditional and expected to be paid after 12 months	5,991	5,905
On costs unconditional and expected to be paid within 12 months	167	440
On costs unconditional and expected to be paid after 12 months	909	959
Other employee benefits	3,204	2,914
<b>Provision for employee benefits – current</b>	<b>14,812</b>	<b>13,613</b>
<b>Non-current</b>		
Long service leave conditional	1,076	1,462
On costs conditional	164	224
<b>Provision for employee benefits – non-current</b>	<b>1,240</b>	<b>1,686</b>
<b>Total provision for employee benefits</b>	<b>16,052</b>	<b>15,299</b>

### Reconciliation of movement in provision for employee benefits

	<b>2020</b> <b>\$'000</b>
Opening balance	15,299
Additional provisions recognised	7,681
Movements due to transfers in/(out)	(10)
Reductions arising from payments/other sacrifices of economic benefits	(6,918)
<b>Closing balance</b>	<b>16,052</b>

Provision is made for benefits accruing to employees in respect of annual leave, long service leave (LSL), on-costs, termination benefits and bonuses for services rendered to reporting date.

Liabilities for wages and salaries, including non-monetary benefits, and annual leave are all recognised in the provision for employee benefits as current liabilities as the corporation does not have an unconditional right to defer settlement of these liabilities.

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

- nominal value – component that the corporation expects to settle wholly within 12 months; and
- present value – component that the corporation does not expect to settle wholly within 12 months.

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

The components of LSL liability are measured at:

- nominal value – component that the corporation expects to settle wholly within 12 months; and
- present value – component that the corporation does not expect to settle wholly within 12 months.

Conditional LSL is disclosed as a non-current liability. In this case there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is recognised at present value. Any gain or loss following revaluation of the present value of the non-current LSL liability is recognised as income or an expense.

Performance bonuses are an element of other employee benefits. Performance bonuses for the corporation's executive officers are based on a percentage of the annual salary package provided under their contract of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 3. Cost of delivering services (continued)

#### 3.3.3 Superannuation

All City West Water employees are members of either the Equipsuper defined benefit fund or an approved accumulation fund of their choice.

The majority of employees of City West Water are members of either the Equipsuper fund or the Vision Super fund. All new City West Water employees who are not already members of the Equipsuper defined benefit fund must join an accumulation fund.

#### *Defined benefit fund*

Defined benefit fund members receive a lump sum benefit on retirement, death, disablement or withdrawal from the fund. Benefits are calculated on a multiple of an employee's final salary. The multiple is dependent on an employee's length of service and their contribution rate. The fund ceased including new members from September 1994.

A liability or asset in respect of defined benefits superannuation is recognised and measured as the difference between the present value of employees' accrued benefits at reporting date and the net market value of the superannuation plan's assets at that date.

City West Water is not the trustee of the defined benefit fund.

The plan's trustee (Togethr Trustees Pty Ltd) is responsible for the governance of the plan. The trustee has a legal obligation to act solely in the best interests of plan beneficiaries. The trustee has the following roles:

- administration of the plan and payment to beneficiaries from plan assets when required in accordance with the plan rules;
- management and investment of the plan assets; and
- compliance with superannuation law and other applicable regulations.

There are a number of risks to which the plan exposes the corporation. The more significant risks relating to the defined benefits are investment risk, salary growth risk, legislative risk and pension risk.

City West Water's plan assets are invested by the trustee in a pool of assets with assets from other employers' plans. The assets have a benchmark weighting to equities of 50 per cent and therefore the plan has a significant concentration of equity market risk. However, within the equity investments the allocation both globally and across sectors is diversified.

The Equipsuper Contribution and Funding Policy provides for a review of the financial position of the plan every six months as at 30 June and 31 December, with the contribution rate comprising a long-term contribution rate and an adjustment to meet the financing objective of a target funding ratio of 105 per cent. City West Water's current funding ratio is 133.5 per cent.

There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

	Fair value of plan assets \$'000	Defined benefit obligation \$'000	Net defined benefit liability/ (asset) \$'000
Opening balance at 1 July 2018	31,063	26,537	(4,526)
Current service cost	-	723	723
Interest income	788	-	(788)
Interest expense	-	682	682
Actuarial return on plan assets less interest income	819	-	(819)
Contributions by plan participants	220	220	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	1,048	1,048
Actuarial (gains)/losses arising from liability experience	-	(405)	(405)
Benefits paid	(4,942)	(4,942)	-
Taxes, premiums and expenses paid	(110)	(110)	-
<b>Closing balance at 30 June 2019</b>	<b>27,838</b>	<b>23,753</b>	<b>(4,085)</b>
Opening balance at 1 July 2019	27,838	23,753	(4,085)
Current service cost	-	605	605
Interest income	338	-	(338)
Interest expense	-	292	292
Actuarial return on plan assets less interest income	535	-	(535)
Contributions by plan participants	190	190	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	376	376
Actuarial (gains)/losses arising from changes in financial assumptions	-	924	924
Actuarial (gains)/losses arising from liability experience	-	(633)	(633)
Benefits paid	(4,202)	(4,202)	-
Taxes, premiums and expenses paid	(102)	(102)	-
<b>Closing balance at 30 June 2020</b>	<b>24,597</b>	<b>21,203</b>	<b>(3,394)</b>

### Fair value of plan assets

As at 30 June 2020	Total \$'000	Level 2 <sup>1</sup> \$'000
Investment funds	24,597	24,597
<b>Total</b>	<b>24,597</b>	<b>24,597</b>

1. Inputs based on observable market data (either directly using prices or indirectly derived from prices).

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 3. Cost of delivering services (continued)

#### Significant actuarial assumptions at reporting date

	2020	2019
<b>Assumptions to determine defined benefit cost</b>		
Discount rate	1.3% p.a.	2.7% p.a.
Expected salary increase rate	3.0% p.a.	4.0% p.a.
<b>Assumptions to determine defined benefit obligation</b>		
Discount rate	0.8% p.a.	1.3% p.a.
Expected salary increase rate	3.0% p.a.	3.0% p.a.

The assumptions used to determine the defined benefit cost are based on the assumptions used to calculate the defined benefit obligation for the prior year. The assumptions used to calculate the defined benefit obligation are determined as follows:

- discount rate – based on the yield on Commonwealth government bonds of the same duration as the liabilities that make up the defined benefit obligation; and
- expected salary increase rate – determined by reference to City West Water's expected salary increases under its enterprise agreement.

In 2020, the discount rate has reduced significantly in comparison to prior year as a result of a number of market variables that have been impacted by COVID-19. Market variables include changes to government policies, higher unemployment, low inflation, changes in business productivity, and drops in business and consumer confidence.

#### Sensitivity analysis

The defined benefit obligation as at 30 June 2020 under several scenarios is presented below.

Scenarios A and B relate to discount rate sensitivity. Scenarios C and D relate to salary increase rate sensitivity.

		Scenario A	Scenario B	Scenario C	Scenario D
	<b>Base case</b>	-0.5% p.a. discount rate	+0.5% p.a. discount rate	-0.5% p.a. salary increase rate	+0.5% p.a. salary increase rate
Discount rate	0.8% p.a.	0.3% p.a.	1.3% p.a.	0.8% p.a.	0.8% p.a.
Salary increase rate	3.0% p.a.	3.0% p.a.	3.0% p.a.	2.5% p.a.	3.5% p.a.
Defined benefit obligation <sup>1</sup> (\$'000)	21,203	22,191	20,279	20,468	21,971

1. includes contributions tax provision.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above while retaining all other assumptions.

The Equipsuper Contribution and Funding Policy provides for a review of the financial position of the plan each six months, as at 30 June and 31 December, with the contribution rate comprising a long term contribution rate and an adjustment to meet the financing objective of a target funding ratio of 105 per cent. City West Water's current funding ratio is 133.5 per cent. As such, City West Water is not currently required to contribute to the defined benefit superannuation plan.

### Expected contributions

City West Water does not expect to make any employer contributions for the year ending 30 June 2020.

### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2020 is eight years (30 June 2019, eight years).

Expected benefit payments for each of the financial year ending on:

	(\$'000)
30 June 2021	1,752
30 June 2022	1,722
30 June 2023	1,522
30 June 2024	1,903
30 June 2025	1,928
Following five years (per annum)	1,836

### 3.4 Remuneration of auditor

	2020 \$'000	2019 \$'000
Amounts received, or due and receivable by the auditor of City West Water for the audit of the financial report:		
Victorian Auditor-General's Office	148	145
<b>Total auditor's remuneration</b>	<b>148</b>	<b>145</b>

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 3. Cost of delivering services (continued)

#### 3.5 Other operating expenses

Other operating expenses are recognised as incurred if they can be reliably measured. Costs are measured at nominal value.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating contracts	39,088	33,972
Information technology	7,816	9,240
Billing and collection	7,592	7,038
Operating leases <sup>1</sup>	-	3,581
Impaired receivables – refer Note 6	2,017	3,182
Energy	2,285	2,286
Facilities maintenance	2,085	2,112
Insurance	2,028	1,463
Licence fees	543	571
Grants and water conservation initiatives	345	414
Other lease expense <sup>1</sup>	120	-
Other expenses	9,357	9,228
<b>Total other operating expenses</b>	<b>73,276</b>	<b>73,087</b>

Other operating expenses generally represent the day to day running costs incurred in normal operations. It also includes impaired receivables expense. Other operating expenses are recognised on an accrual basis in the reporting period in which they are incurred.

Operating contracts are expenses related to City West Water's maintenance contractor and the field work performed by it.

Billing and collection costs are all costs relating to the issuing of bills and the collection of debt.

Information technology expenditure relates to all operating expenses, maintenance contracts, licence fees and other costs associated with operating the information technology environment of the corporation.

Routine maintenance, repair costs and minor asset renewal costs are expensed as incurred. Where the expenditure relates to the replacement of a component or the enhancement of an asset and the cost satisfies the requirements of an asset, the cost is capitalised and depreciated.

<sup>1</sup> Prior to adopting AASB 16, operating lease payments are recognised on a straight line basis over the lease term. For practical expediency applied under AASB 16, expenses in respect of contracts assessed as leases but which did not qualify for recognition as right of use assets are \$70,524 in respect of variable lease payments, \$15,894 for short-term leases, and \$33,993 for low-value leases.

### 3.6 Commitments for operating lease expenditure

	2020 \$'000	2019 \$'000
Not later than one year	-	5,017
Later than one year but not later than five years	-	24,891
Later than five years	-	53,096
<b>Total non-cancellable lease commitments</b>	<b>-</b>	<b>83,004</b>

For 2019, City West Water operating lease commitments relate to its head office in Footscray, two maintenance depots in Brooklyn and West Melbourne, two land leases and two IT leases. Future expenditures ceased to be disclosed as commitments upon the adoption of AASB 16 and are recognised in the balance sheet as Right-of-use assets and lease liabilities. Lease payments for properties are renegotiated based on the terms in the contracts to reflect market rentals.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

	\$'000
Operating lease commitments previously disclosed as at 30 June 2019	83,004
Add: Option to renew for right-of-use assets under various contracts per AASB 16	63,359
Less: Lease liabilities discounted at incremental borrowing rate	(48,954)
Lease liabilities as at 1 July 2019	97,409
Analysed as:	
Current	1,909
Non – current	95,500
Lease liabilities recognised as at 1 July 2019 (Note 1.3)	97,409

Right-of use assets are presented in note 5.9 and lease liabilities are presented as borrowings in note 7.1.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 4. Statutory obligations

This section provides an account of the statutory obligations of City West Water.

#### Structure

- 4.1 Income tax expense
- 4.2 Deferred tax assets and deferred tax liabilities
- 4.3 Current tax liability
- 4.4 Dividends
- 4.5 Environmental Contribution

#### 4.1 Income tax expense

	2020 \$'000	2019 \$'000
<b>Income tax expense</b>		
Current tax	35,943	32,428
Deferred tax relating to temporary differences	(8,395)	(1,645)
Under/(over) provided in prior years	-	1,825
<b>Total income tax expense</b>	<b>27,548</b>	<b>32,608</b>
Income tax expense is attributable to:		
Profit from continuing operations	27,548	32,608
<b>Total income tax expense</b>	<b>27,548</b>	<b>32,608</b>
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(28,514)	3,852
Increase/(decrease) in deferred tax liabilities	20,119	(5,497)
<b>Total deferred income tax expense/(benefit)</b>	<b>(8,395)</b>	<b>(1,645)</b>
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Profit before income tax expense	116,590	95,707
Tax at the Australian tax rate of 30 per cent (2019 30 per cent)	34,977	28,711
<b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b>		
Non-deductible expenses	102	90
Non-deductible depreciation	886	886
Additional deductible expenses/non-assessable income	(8,417)	2,921
<b>Total income tax expense</b>	<b>27,548</b>	<b>32,608</b>
<b>Deferred income tax recognised in other comprehensive income</b>		
Gain/(loss) on revaluation of infrastructure	(38,448)	(1,930)
Gain/(loss) on revaluation of land and buildings	205	(263)
Actuarial gain/(loss) on defined benefit superannuation plan	(40)	53
<b>Total deferred income tax recognised in other comprehensive income</b>	<b>(38,283)</b>	<b>2,140</b>

City West Water is subject to the National Tax Equivalent Regime (NTER) pursuant to section 88(1) of the *State Owned Enterprises Act 1992*. Under this regime City West Water is required to pay the Victorian government an amount equal to the tax liability applicable if City West Water was a private company. The tax equivalent rules are based on the *Income Tax Assessment Act 1997* (as amended).

Income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences.

## 4.2 Deferred tax assets and deferred tax 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 substantively enacted at balance date. 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 as the result of a transaction that at the time of the transaction did not affect either accounting profit or loss 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.

### 4.2.1 Deferred tax assets

	2020 \$'000	2019 \$'000
The balance of deferred tax assets comprises temporary differences attributable to:		
<b>Amounts recognised in the Comprehensive Operating Statement</b>		
Accrued expenses	50	41
Provisions	6,875	6,051
Amortisation of intellectual property	7	10
Business related costs	100	26
Lease liabilities	28,795	-
Developer revenue not assessable	(2,009)	(824)
<b>Total deferred tax assets</b>	<b>33,818</b>	<b>5,304</b>
Movements:		
Opening balance at the start of financial year	5,304	9,156
Credited/(charged) to the Comprehensive Operating Statement	28,514	(3,852)
Credited/(charged) to equity	-	-
<b>Closing balance at the end of financial year</b>	<b>33,818</b>	<b>5,304</b>
Deferred tax assets expected to be recovered within 12 months	5,859	5,227
Deferred tax assets expected to be recovered after more than 12 months	27,959	77
<b>Total deferred tax assets</b>	<b>33,818</b>	<b>5,304</b>
Set off of deferred tax assets pursuant to set off provisions	(33,818)	(5,304)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 4. Statutory obligations (continued)

#### 4.2.2 Deferred tax liabilities

	2020 \$'000	2019 \$'000
The balance of deferred tax liabilities comprises temporary differences attributable to:		
<b>Amounts recognised in the Comprehensive Operating Statement</b>		
Fixed assets – depreciation	82,546	85,880
Developer contributed assets	57,942	58,828
Defined benefit superannuation fund asset	(132)	(132)
Right-of-use assets	27,802	-
<b>Amounts recognised in equity</b>		
Defined benefits actuarial gain	1,342	1,381
Land and buildings revaluation	205	2,458
Infrastructure assets revaluation	40,867	80,321
<b>Total deferred tax liabilities</b>	<b>210,572</b>	<b>228,736</b>
Movements:		
Opening balance at the start of the financial year	228,736	234,548
(Credited)/charged to the Comprehensive Operating Statement	20,119	(5,497)
(Credited)/charged to equity	(38,283)	(315)
<b>Closing balance at the end of financial year</b>	<b>210,572</b>	<b>228,736</b>
Deferred tax liabilities expected to be settled after more than 12 months	210,572	228,736
<b>Total deferred tax liabilities</b>	<b>210,572</b>	<b>228,736</b>
Set off of deferred tax assets pursuant to set off provisions	(33,818)	(5,304)
<b>Net deferred tax liabilities</b>	<b>176,754</b>	<b>223,432</b>

#### 4.3 Current tax liability

	2020 \$'000	2019 \$'000
Current tax liability	7,366	-
<b>Total current tax liability</b>	<b>7,366</b>	<b>-</b>

City West Water's current tax liability is tax payable based on the current financial year's taxable income less any instalments paid during the year.

#### 4.4 Dividends

	2020 \$'000	2019 \$'000
Final dividend paid during 2020 in respect of 2019	53,900	-
Final dividend paid during 2019 in respect of 2018	-	20,400
Interim dividend paid in respect of current year	21,900	-
<b>Total dividends paid</b>	<b>75,800</b>	<b>20,400</b>

As City West Water is a Public Non-financial Corporation, it is required to pay a dividend in accordance with a determination by the Treasurer of Victoria under the *Water Act 1989*. An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the Board, the relevant portfolio Minister and the Treasurer.

As the 2020 final dividend has not been determined by the Treasurer, it has not been provided for at reporting date. The Board's preliminary estimate of the 2020 final dividend is \$13.6m.

#### 4.5 Environmental Contribution

Section 193 of the *Water Industry (Environmental Contributions) Act 2004* (the Act) establishes an obligation for water corporations to pay into the consolidated fund environmental contributions in accordance with an Order issued by the Minister for Water. The *Environmental Contributions Order 2016 to 2020* establishes a schedule of amounts payable by each corporation for the reporting periods 2017 to 2020. The new tranche of the amounts payable for reporting periods 2021 to 2024 has been provided and will be reported in subsequent years.

The purpose of the Environmental Contribution is set out in the Act. Funds may be used for the purpose of funding various water related initiatives that seek to promote the sustainable management of water or are likely to address adverse water related environmental impacts.

Consistent with the *Environmental Contributions Order 2016 to 2020* made under Section 193 of the *Water Industry Act 1994*, City West Water pays an Environmental Contribution to the Victorian Government. These contributions are recognised as expenses when they occur.

##### 4.5.1 Environmental Contribution expense

	2020 \$'000	2019 \$'000
Environmental Contribution expense	26,457	26,457
<b>Total Environmental Contribution expense</b>	<b>26,547</b>	<b>26,457</b>

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 4. Statutory obligations (continued)

#### 4.5.2 Environmental Contribution commitment

Consistent with the requirements of the *Water Industry Act 1994*, City West Water has a commitment to pay an Environmental Contribution of \$29.8m for the next year to the Department of Environment, Land, Water and Planning.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	29,843	26,457
Later than one year but not later than five years	89,529	-
<b>Total Environmental Contribution commitment</b>	<b>119,372</b>	<b>26,457</b>

## 5. Assets available to support the provision of services

City West Water controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. These assets represent the resources that are owned by City West Water for use in the delivery of services. Where the assets included in this section are carried at fair value, additional information is disclosed in Section 8 of this report regarding how fair value is determined.

### Structure

- 5.1 Infrastructure, property, plant and equipment
- 5.2 Depreciation of infrastructure, property, plant and equipment
- 5.3 Impairment of infrastructure, property, plant and equipment
- 5.4 Commitments for capital expenditure on infrastructure, property, plant and equipment
- 5.5 Intangible assets
- 5.6 Amortisation of intangible assets
- 5.7 Impairment of intangible assets
- 5.8 Commitments for capital expenditure on intangible assets
- 5.9 Right-of-use assets

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2020

#### 5. Assets available to support the provision of services (continued)

##### 5.1 Infrastructure, property, plant and equipment

2019	Specialised land \$'000	Non-specialised land \$'000	Non-specialised buildings \$'000	Infrastructure assets \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Works in progress \$'000	Total \$'000
Fair value at 1 July 2018	34,279	3,054	7,678	1,788,261	36,254	4,412	6,987	240,549	2,121,474
Accumulated depreciation at 1 July 2018	-	-	(832)	-	(30,855)	(2,027)	(1,545)	-	(35,259)
Carrying amount at 1 July 2018	34,279	3,054	6,846	1,788,261	5,399	2,385	5,442	240,549	2,086,215
Additions	-	-	-	-	-	-	-	159,878	159,878
Developer contributed assets	-	-	-	47,252	-	-	-	(47,252)	-
Transfers (net) <sup>1</sup>	-	-	1,366	104,806	1,137	1,349	-	(109,620)	(962)
Revaluation (decrement)/increment recognised in other comprehensive income	(1,734)	(134)	-	(9,787)	-	-	-	-	(11,655)
Revaluation (decrement)/increment recognised in profit or loss	-	(67)	-	-	-	-	-	-	(67)
Disposals (net)	-	-	-	(80)	-	(401)	-	-	(481)
Impairment (net)	-	-	-	-	-	-	-	(37)	(37)
Depreciation expense	-	-	(247)	(37,853)	(2,195)	(796)	(424)	-	(41,515)
<b>Fair value at 30 June 2019</b>	<b>32,545</b>	<b>2,853</b>	<b>9,044</b>	<b>1,892,599</b>	<b>28,893</b>	<b>4,671</b>	<b>6,987</b>	<b>243,518</b>	<b>2,221,110</b>
<b>Accumulated depreciation at 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>(1,079)</b>	<b>-</b>	<b>(24,552)</b>	<b>(2,134)</b>	<b>(1,969)</b>	<b>-</b>	<b>(29,734)</b>
<b>Carrying amount at 30 June 2019</b>	<b>32,545</b>	<b>2,853</b>	<b>7,965</b>	<b>1,892,599</b>	<b>4,341</b>	<b>2,537</b>	<b>5,018</b>	<b>243,518</b>	<b>2,191,376</b>

1. Balance represents a transfer to/from intangible assets. This occurs upon capitalisation of a project that generates both tangible and intangible assets.

	Specialised land \$'000	Non-specialised land \$'000	Non-specialised buildings \$'000	Infrastructure assets \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Works in progress \$'000	Total \$'000
<b>2020</b>									
Fair value at 1 July 2019	32,545	2,853	9,044	1,892,599	28,893	4,671	6,987	243,518	2,221,110
Accumulated depreciation at 1 July 2019	-	-	(1,079)	-	(24,552)	(2,134)	(1,969)	-	(29,734)
Carrying amount at 1 July 2019	32,545	2,853	7,965	1,892,599	4,341	2,537	5,018	243,518	2,191,376
Additions	-	-	-	-	-	-	-	192,047	192,047
Developer contributed assets	-	-	-	54,811	-	-	-	(54,811)	-
Transfers (net) <sup>1</sup>	-	-	3	225,033	2,313	364	-	(227,860)	(147)
Revaluation (decrement)/increment recognised in other comprehensive income <sup>2</sup>	2,087	134	-	(128,161)	-	-	-	-	(125,940)
Revaluation (decrement)/increment recognised in profit or loss	-	67	-	-	-	-	-	-	67
Disposals (net)	-	-	-	(28)	(1)	(190)	-	-	(219)
Impairment (net)	-	-	-	-	-	-	-	(1,051)	(1,051)
Depreciation expense	-	-	(225)	(45,254)	(1,156)	(739)	(423)	-	(47,797)
<b>Fair value at 30 June 2020</b>	<b>34,632</b>	<b>3,054</b>	<b>9,047</b>	<b>1,999,000</b>	<b>27,501</b>	<b>4,394</b>	<b>6,987</b>	<b>151,843</b>	<b>2,236,458</b>
<b>Accumulated depreciation at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>(1,304)</b>	<b>-</b>	<b>(22,004)</b>	<b>(2,422)</b>	<b>(2,392)</b>	<b>-</b>	<b>(28,122)</b>
<b>Carrying amount at 30 June 2020</b>	<b>34,632</b>	<b>3,054</b>	<b>7,743</b>	<b>1,999,000</b>	<b>5,497</b>	<b>1,972</b>	<b>4,595</b>	<b>151,843</b>	<b>2,208,336</b>

1. Balance represents a transfer to/from intangible assets. This occurs upon capitalisation of a project that generates both tangible and intangible assets.

2. Further information on fair value of non-financial assets is disclosed in note 8.3.2.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 5. Assets available to support the provision of services (continued)

#### *Initial recognition*

All assets are measured at cost on initial recognition. Cost is determined as cash paid or the fair value of other consideration given up at the date of acquisition plus any costs directly attributable to acquisition. Fair value at acquisition is equal to cost.

The cost of non-current assets constructed by City West Water includes all costs directly attributable to their construction. City West Water has a policy of capitalising labour costs which are directly attributable to capital projects. In the case of developer contributed assets, where actual cost is not available, cost is calculated using a schedule of rates determined by the corporation based on historical cost information.

An asset is capitalised when it is probable that future economic benefits associated with the item will flow to City West Water and the item can be measured reliably.

City West Water has a capitalisation threshold of greater than or equal to \$100 inclusive of GST (2019 \$100).

#### *Subsequent measurement*

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment losses (if applicable). Fair value is determined with regard to an asset's highest and best use considering legal or physical restrictions imposed on the asset, public announcements, or commitments made in relation to the intended use of the asset. Fair value determination of non-current physical assets is discussed further in Section 8 – Risks contingencies and valuation judgements.

The carrying amount of a replaced or abandoned asset is written off in the Comprehensive Operating Statement as an expense. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases are credited directly to equity in the physical asset revaluation surplus unless the increase reverses a previous decrease that was recognised in profit or loss. In this case, the increase is recognised in profit or loss. Net revaluation decreases are recognised immediately as expenses in profit or loss, unless there is an asset revaluation surplus. In this case the decrease is recognised against the physical asset revaluation surplus.

There were no changes in valuation techniques throughout the year to 30 June 2020.

#### *Land and buildings*

An independent valuation of land and buildings is required every five years. Interim management valuations may occur in between independent valuations if fair value assessments indicate material changes in values. The last independent valuation was undertaken by a Certified Practising Valuer, Peter Molloy AAPI of Property Dynamics Pty Ltd, on behalf of the Valuer-General Victoria (VGV) as at 30 June 2016. An interim management valuation of land was performed at 30 June 2017 using VGV indices. The interim valuation led to an increment of \$2.0m which was recognised in the accounts at 30 June 2017. Another interim management valuation was performed on 30 June 2018, which led to an increment of \$3.3m recognised in the accounts at 30 June 2018. A third interim valuation was performed on 30 June 2019 which led to a \$1.9m decrement recognised in the accounts as at 30 June 2019. A fourth interim valuation was performed on 30 June 2020 which led to a \$2.3m increment recognised in the accounts as at 30 June 2020.

The carrying amount (cost less accumulated depreciation) of land and buildings exclusive of revaluations was \$4.4m (2019 \$4.4m) and \$7.0m (2019 \$7.2m) respectively.

### Infrastructure

The valuation of infrastructure assets has been determined in accordance with an independent valuation. KPMG was engaged by City West Water as experts for this purpose. The valuation is at fair value based on the income approach (discounted cash flow method). For the purpose of the fair value estimate provided, fair market value is defined as 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.

The carrying amount (cost less accumulated depreciation) of infrastructure exclusive of revaluations was \$1,954.3m (2019 \$1,714.2m).

### Plant and equipment, motor vehicles and leasehold improvements

Plant and equipment, motor vehicles and leasehold improvements are measured at carrying value (current replacement cost) which is fair value. Unless there is market evidence that carrying value is significantly different to market value no adjustment will be made to the existing carrying value.

### 5.2 Depreciation of infrastructure, property, plant and equipment

All infrastructure assets, buildings, plant and equipment and other non-current physical assets (excluding items under operating leases and assets held for sale) that have a limited useful life are depreciated.

Depreciation is calculated on a straight line basis at rates that allocate an asset's value less any estimated residual value over its estimated useful life. The useful life and residual value of each group of assets is reviewed annually.

Depreciation of a new infrastructure asset begins in the month following the practical completion of works. Depreciation of other new assets begins in the month following acquisition.

### Useful lives

The estimated useful lives of infrastructure, property plant and equipment are listed below.

Asset type	Range
Buildings	5 – 90 years
Infrastructure assets	3 – 100 years
Plant and equipment	3 – 50 years
Motor vehicles	5 years
Leasehold improvements	7 – 20 years
Right-of-use-assets (note 5.9)	3-47 years

### 5.3 Impairment of infrastructure, property, plant and equipment

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 value exceeds its recoverable amount the difference is written off by a charge to the Comprehensive Operating Statement, unless the write-down can be offset against an asset revaluation surplus amount applicable to that class of asset.

Recoverable amounts for assets held primarily to generate net cash inflows are measured at the higher of the net present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. 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 unless an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement. In this case the reversal of that impairment loss is recognised in the Comprehensive Operating Statement.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 5. Assets available to support the provision of services (continued)

#### 5.4 Commitments for capital expenditure on infrastructure, property, plant and equipment

	2020 \$'000	2019 \$'000
Not later than one year	11,787	17,817
Later than one year but not later than five years	-	3,793
<b>Total capital commitments</b>	<b>11,787</b>	<b>21,610</b>

Commitments for future expenditure include capital commitments arising from contracts. These commitments are not recognised in the Balance Sheet. They are disclosed at nominal value inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

#### 5.5 Intangible assets

	Software \$'000	Water entitlements \$'000	Other intangible assets \$'000	Works in progress \$'000	Total \$'000
<b>2019</b>					
Cost at 1 July 2018	130,069	96,916	26	5,382	232,393
Accumulated amortisation at 1 July 2018	(67,951)	-	-	-	(67,951)
Carrying amount at 1 July 2018	62,118	96,916	26	5,382	164,442
Additions	-	-	-	12,740	12,740
Transfers (net) <sup>1</sup>	6,818	-	-	(5,856)	962
Impairment (net)	-	-	-	-	-
Amortisation expense	(10,996)	-	-	-	(10,996)
<b>Cost at 30 June 2019</b>	<b>119,045</b>	<b>96,916</b>	<b>26</b>	<b>12,266</b>	<b>228,253</b>
<b>Accumulated amortisation at 30 June 2019</b>	<b>(61,105)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61,105)</b>
<b>Carrying amount at 30 June 2019</b>	<b>57,940</b>	<b>96,916</b>	<b>26</b>	<b>12,266</b>	<b>167,148</b>
<b>2020</b>					
Cost at 1 July 2019	119,045	96,916	26	12,266	228,253
Accumulated amortisation at 1 July 2019	(61,105)	-	-	-	(61,105)
Carrying amount at 1 July 2019	57,940	96,916	26	12,266	167,148
Additions	-	-	-	15,201	15,201
Transfers (net) <sup>1</sup>	11,781	-	-	(11,634)	147
Disposals (net)	(33)	-	-	-	(33)
Impairment (net)	-	-	-	(255)	(255)
Amortisation expense	(12,457)	-	-	-	(12,457)
<b>Cost at 30 June 2020</b>	<b>130,724</b>	<b>96,916</b>	<b>26</b>	<b>15,578</b>	<b>243,244</b>
<b>Accumulated amortisation at 30 June 2020</b>	<b>(73,493)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,493)</b>
<b>Carrying amount at 30 June 2020</b>	<b>57,231</b>	<b>96,916</b>	<b>26</b>	<b>15,578</b>	<b>169,751</b>

1. Balance represents a transfer to/from infrastructure, property, plant and equipment. This occurs upon capitalisation of a project that generates both tangible and intangible assets.

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and impairment losses (if applicable). Intangible assets consist of software, water entitlement rights and other intangible assets.

### Software

Software assets are initially recognised at cost and subsequently recognised at cost less accumulated amortisation and impairment losses (if applicable).

### Water entitlements

Water entitlements have an indefinite useful life as they are held in perpetuity. As such they are not amortised. Instead they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Water entitlements represent City West Water's bulk water entitlements held in Northern Victoria as a result of its investment in Stage 1 of the Goulburn-Murray Water Connections Project. The project was originally established in 2007 as the Northern Victoria Irrigation Renewal Project (NVIRP). On 1 July 2012 NVIRP was merged with Goulburn-Murray Water to form the Goulburn-Murray Water Connections Project. The metropolitan water retailers contributed \$300m to the \$1 billion Stage 1 investment, which was completed in 2013. City West Water contributed \$100m to the Connections Project to fund 25GL in long-term average annual water savings. Water entitlement accrues to City West Water as long-term savings are made under the Project. The Project is scheduled for completion in 2020. The carrying amount at balance date represents City West Water's share of contributions, net of the share of contributions from four regional urban water corporations with access to Melbourne's pooled entitlement.

### Other intangible assets

Other intangible assets have an indefinite useful life as they are held in perpetuity. As such they are not amortised. Instead they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

## 5.6 Amortisation of intangible assets

All intangible assets with a useful life are amortised.

Amortisation is generally calculated on a straight line basis at rates that allocate an asset's value less any estimated residual value over its estimated useful life. The useful life and residual value of each group of assets is reviewed annually.

Amortisation of new software and other intangible assets begins in the month following commissioning.

### Useful lives

The estimated useful lives of intangible assets are listed below.

Asset type	Range
Software	3 – 10 years
Water entitlements	Indefinite
Other intangible assets	Indefinite

# Notes to and forming part of the Financial Statements For the year ended 30 June 2020

## 5. Assets available to support the provision of services (continued)

### 5.7 Impairment of intangible assets

Intangible assets with indefinite useful lives are tested 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 value exceeds its recoverable amount the difference is written off by a charge to the Comprehensive Operating Statement, unless the write-down can be offset against an asset revaluation surplus amount applicable to that class of asset.

The recoverable amount for most intangible assets is measured as the higher of current replacement cost and fair value less costs to sell. Recoverable amounts for assets held primarily to generate net cash inflows are measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. 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 intangible asset is credited directly to equity, unless an impairment loss on the same class of asset was previously recognised in the Comprehensive Operating Statement. In this case a reversal of that impairment loss is also recognised in the Comprehensive Operating Statement.

### 5.8 Commitments for capital expenditure on intangible assets

	2020 \$'000	2019 \$'000
Not later than one year	162	682
Later than one year but not later than five years	189	-
<b>Total capital commitments</b>	<b>351</b>	<b>682</b>

Commitments for future capital expenditure on intangible assets include capital commitments arising from contracts. These commitments are not recognised in the Balance Sheet. They are disclosed at nominal value inclusive of GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

### 5.9 Right-of-use assets

This note provides information for leases where the corporation is a lessee.

	Buildings \$'000	Land \$'000	Equipmen \$'000	Total \$'000
<b>2020</b>				
<b>As at 30 June 2019</b>	-	-	-	-
Effects of adopting AASB 16 (note 1.3)	93,965	1,451	1,993	97,409
<b>As at 1 July 2019 – Restated</b>	93,965	1,451	1,993	97,409
Additions	-	-	485	485
Depreciation	(4,389)	(49)	(781)	(5,219)
<b>As at 30 June 2020</b>	<b>89,576</b>	<b>1,402</b>	<b>1,697</b>	<b>92,675</b>
Cost	93,965	1,451	2,478	97,894
Accumulated depreciation	(4,389)	(49)	(781)	(5,219)
<b>Carrying amount at 30 June 2020</b>	<b>89,576</b>	<b>1,402</b>	<b>1,697</b>	<b>92,675</b>

Information on lease properties is presented in note 3.6.

Other leases of properties with contract term of less than a year are either short-term and or/ leases of low-value items. City West Water has elected not to recognise right-of-use assets and lease liabilities for these leases.

***(i) The corporation's leasing activities and how these are accounted for***

The corporation leases various properties and equipment. Rental contracts are typically made for fixed periods of 3 to 47 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The corporation allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 July 2019 leases are recognised as a right-of-use asset and a corresponding liability (borrowings) at the date at which the leased asset is available for use by the corporation.

Assets and liabilities arising from a lease are initially measured on a present value basis.

*Lease liabilities*

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to comprehensive operating statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease or the Corporation's incremental borrowing rate. Treasury Corporation of Victoria (TCV)/Department of Treasury's (DTF) calculator is used to determine incremental borrowing rate. Information on incremental borrowing rate is disclosed in note 7.1.

*Right-of-use assets*

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

If the corporation is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the corporation revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the corporation.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 5. Assets available to support the provision of services (continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and photo copiers with individual values less than \$10,000 when new.

The corporation is exposed to future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from:

- variable lease payments;
- extension options and termination options;
- residual value guarantees; and
- leases not yet commenced to which the lessee is committed.

#### *Variable lease payments*

Some property leases contain variable payment terms. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established corporations. Variable lease payments that depend on a specific variable metric are recognised in the comprehensive operating statement in which the condition that triggers those payments occurs.

#### **(ii) Extension and termination options**

Extension and termination options are included in a number of property and equipment leases across the corporation. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the corporation and not by the respective lessor.

#### *Residual value guarantee*

To optimise lease costs during the contract period, the corporation sometimes provides residual value guarantees in relation to equipment leases.

#### *Critical judgements in determining the lease term*

In determining the lease term, the corporation considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, the financial effect to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$485,120.

## 6. Other assets and liabilities

This section sets out the assets and liabilities that arose from City West Water's operations.

### Structure

6.1 Receivables

6.2 Payables

6.3 Advances and deposits

6.4 Contract liabilities

6.5 Inventories

6.6 Other non-financial assets

6.7 Other provisions

### 6.1 Receivables

	2020 \$'000	2019 \$'000
<b>Contractual</b>		
Contract assets	46,222	45,679
Trade receivables	65,096	55,822
Less: Expected credit loss allowance	(4,688)	(3,486)
<b>Total contractual receivables</b>	<b>106,630</b>	<b>98,015</b>
<b>Statutory</b>		
Trade receivables	2,124	2,477
<b>Total statutory receivables</b>	<b>2,124</b>	<b>2,477</b>
<b>Total receivables</b>	<b>108,754</b>	<b>100,492</b>
<b>Represented by</b>		
Current receivables	108,754	100,492

Contractual receivables are classified as financial instruments. They are initially recognised at fair value and subsequently at amortised cost less provision for impairment.

Contract assets are recognised for water and sewage usage as well as other works and services where performance obligations have been satisfied but not yet invoiced. An accrual is done to account for water and sewage usage and other works and services not billed at the end of the period. The accrual of water usage charges and sewage disposal charges is made by using the volume of water City West Water purchases from Melbourne Water less estimate of non-revenue water.

Trade receivables are due for settlement no later than 21 days from the date of recognition. Trade receivables consist of receivables for the provision of water, sewerage and trade waste services to residential and non-residential customers as well as billing and collection fees associated with these receivables.

Statutory receivables are not classified as financial instruments as they do not arise from contracts. Statutory receivables are recognised and measured similarly to contractual receivables, except for impairment. Statutory trade receivables are GST receivables.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 6. Other assets and liabilities (Continued)

#### 6.1.1 Movements in the expected credit loss allowance

	2020 \$'000	2019 \$'000
Opening balance at the start of the year	(3,486)	(2,736)
Remeasurement of opening balance on adoption of new accounting standards – AASB15	-	(410)
Provision for expected credit loss recognised during the year	(2,327)	(3,072)
Contractual receivables written off during the year as uncollectible	1,125	2,731
<b>Closing balance at the end of the year</b>	<b>(4,688)</b>	<b>(3,486)</b>

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

To measure expected credit losses, contract receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on the payment profiles of sales over a period of three years prior to 30 June 2020 (three years to 1 July 2019). The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of customers to settle receivables. Receivables are written off when there is no reasonable expectation of recovery. Indicators of non-recovery include, amongst others, the failure of a debtor to engage in a repayment plan and failure to make contractual payments for a period of greater than 90 days past due.

In 2020, City West Water has extended its hardship and vulnerability program to its customers as a result of the impact of COVID-19. Consequently, there have been lower write-offs in comparison to 2019. The new arrangements have resulted in an increase in the 90 plus day debt (see note 6.1.2). Due to the increase in 90 plus day debt, City West Water has provided for an additional loss allowance.

#### 6.1.2 Loss allowance for contractual trade receivables

	Current \$'000	30-59 days \$'000	60-89 days \$'000	Greater than 90 days \$'000	Not impaired \$'000	Total \$'000
<b>30 June 2019</b>						
Expected loss rate	0.5%	2.8%	14.8%	36.9%		
Gross carrying amount	38,383	5,086	2,316	7,286	2,751	55,822
Loss allowance	(181)	(140)	(343)	(2,822)	-	(3,486)
<b>Net carrying amount</b>	<b>38,202</b>	<b>4,946</b>	<b>1,973</b>	<b>4,464</b>	<b>2,751</b>	<b>52,336</b>
<b>30 June 2020</b>						
Expected loss rate	0.3%	0.8%	5.3%	21.5%		
Gross carrying amount	33,299	11,561	3,787	13,601	2,848	65,096
Loss allowance	(110)	(92)	(200)	(4,286)	-	(4,688)
<b>Net carrying amount</b>	<b>33,189</b>	<b>11,469</b>	<b>3,587</b>	<b>9,315</b>	<b>2,848</b>	<b>60,408</b>

## 6.2 Payables

	2020 \$'000	2019 \$'000
<b>Contractual</b>		
Trade payables	46,285	52,919
Other payables	15,992	17,455
Deferred developer reimbursements	18,853	20,711
Sundry liabilities	277	270
<b>Total contractual payables</b>	<b>81,407</b>	<b>91,355</b>
<b>Statutory</b>		
Trade payables	1,413	313
Other payables	4,701	4,572
<b>Total statutory payables</b>	<b>6,114</b>	<b>4,885</b>
<b>Total payables</b>	<b>87,521</b>	<b>96,240</b>
<b>Represented by</b>		
Current payables	87,521	96,240

Contractual payables are classified as financial instruments. They are measured at amortised cost and recognised on an accrual basis in the period in which they are incurred. Trade payables represent liabilities for goods and services provided to City West Water prior to the end of the financial year that are unpaid at the end of the financial year. Other payables represent accrued loan interest.

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and are not included in the category of financial liabilities as they do not arise from contracts.

Deferred developer reimbursements represent a liability to reimburse developers for their costs incurred in constructing water, sewerage and/or recycled water assets on behalf of City West Water.

It is City West Water's policy to settle all payables within 30 days of receipt of invoice or, in the event of a dispute, within 30 days of the resolution of the dispute.

### 6.2.1 Maturity analysis of contractual payables

	Carrying amount \$'000	Nominal amount \$'000	1 Year or less \$'000	Over 1 Year \$'000	Total \$'000
<b>2019</b>					
Payables	91,355	91,355	91,355	-	91,355
<b>Total contractual payables</b>	<b>91,355</b>	<b>91,355</b>	<b>91,355</b>	<b>-</b>	<b>91,355</b>
<b>2020</b>					
Payables	81,407	81,407	81,407	-	81,407
<b>Total contractual payables</b>	<b>81,407</b>	<b>81,407</b>	<b>81,407</b>	<b>-</b>	<b>81,407</b>

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 6. Other assets and liabilities (Continued)

#### 6.3 Advances and deposits

	2020 \$'000	2019 \$'000
Advances and deposits	8,650	7,172
<b>Total advances and deposits</b>	<b>8,650</b>	<b>7,172</b>

Advances and deposits represent deposits received as security for capital works.

#### 6.4 Contract liabilities

	2020 \$'000	2019 \$'000
Contract liabilities	19,196	29,889
<b>Total contract liabilities</b>	<b>19,196</b>	<b>29,889</b>

Movement in contract liabilities

	\$'000
Carrying amounts as at 1 July 2019	29,889
Add: Developers contribution received for performance obligations yet to be completed during the year	81,226
Less: Revenue recognised for the completion of performance obligation	(91,919)
<b>Carrying amounts as at 30 June 2020</b>	<b>19,196</b>

Contract liabilities represent income received in advance of the corporation performing obligations required to recognise the income in the Comprehensive Operating Statement. City West Water has performance obligations relating to developer revenue from contracts with customers that are recognised either at a point in time or over time. Refer to Note 2.3 for details of these performance obligations.

#### 6.5 Inventory

	2020 \$'000	2019 \$'000
Inventory (at cost)	2,789	2,474
<b>Total inventory</b>	<b>2,789</b>	<b>2,474</b>

Inventory represents stock on hand at the end of the reporting period. Inventory is primarily used for the repair and maintenance of existing assets. Inventory is measured at the lower of cost and net realisable value.

## 6.6 Other non-financial assets

	2020 \$'000	2019 \$'000
Prepayments	4,586	4,410
Income tax refundable	-	2,821
<b>Total other non-financial assets</b>	<b>4,586</b>	<b>7,231</b>

Prepayments represent payments made in advance of the receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period. Amounts are recognised as an asset upon payment and subsequently expensed over the period the payment covers.

## 6.7 Other provisions

	2020 \$'000	2019 \$'000
<b>Current</b>		
Insurance provision	865	509
Other sundry provisions	1,312	876
<b>Total other provisions – current</b>	<b>2,177</b>	<b>1,385</b>

	Insurance \$'000	Other \$'000	Total \$'000
Carrying amount as at 1 July 2019	509	876	1,385
Additional provisions recognised	1,199	436	1,635
Payments/other sacrifices of economic benefit	(843)	-	(843)
<b>Carrying amount as at 30 June 2020</b>	<b>865</b>	<b>1,312</b>	<b>2,177</b>

Other provisions are recognised when the corporation 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.

When 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 the risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, a receivable is recognised if it is virtually certain that the economic benefits will be received and their amount can be measured reliably.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 7. Financing our operations

This section provides information on the sources of finance used by City West Water during its operations as well as interest expense (the cost of borrowings) and other information relating to the financing activities of the corporation.

#### Structure

7.1 Borrowings

7.2 Cash flow information and balances

#### 7.1 Borrowings

	2020 \$'000	2019 \$'000
<b>Current</b>		
Treasury Corporation of Victoria	23,000	19,900
Lease liabilities	2,068	-
<b>Total current borrowings</b>	<b>25,068</b>	<b>19,900</b>
<b>Non-current</b>		
Treasury Corporation of Victoria	1,370,000	1,230,000
Lease liabilities	93,917	-
<b>Total non-current borrowings</b>	<b>1,463,917</b>	<b>1,230,000</b>
<b>Total borrowings</b>	<b>1,488,985</b>	<b>1,249,900</b>

Borrowings refers to interest bearing liabilities raised from public borrowings through the Treasury Corporation of Victoria and lease liabilities.

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Borrowings include overnight (11am) borrowings, floating rate notes, fixed rate loans and flexi loans. Borrowings are used primarily to meet working capital requirements and fund capital expenditure.

The accounting policy for lease liabilities is presented in note 5.9.

Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the interest bearing liabilities using the effective interest method.

Borrowings are classified as current liabilities unless the corporation has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

City West Water has classified borrowings which mature within 12 months as non-current liabilities on the basis that the corporation has discretion to, and will refinance or roll over these loans with the Treasury Corporation of Victoria pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. 11am borrowings are classified as current borrowings.

No security has been provided in respect of any existing liability.

During the current and prior years there were no defaults or breaches of any loan.

City West Water's credit rating is BBB (2019 BBB).

### 7.1.1 Maturity analysis of borrowings

	Weighted average interest rate	Carrying amount \$'000	Nominal amount \$'000	1 year or less \$'000	Over 1 year \$'000	Total \$'000
<b>2019</b>						
Borrowings – fixed <sup>1</sup>	3.88%	1,210,000	1,210,000	-	1,210,000	1,210,000
Borrowings – floating <sup>1</sup>	1.58%	39,900	39,900	19,900	20,000	39,900
<b>Total borrowings</b>		<b>1,249,900</b>	<b>1,249,900</b>	<b>19,900</b>	<b>1,230,000</b>	<b>1,249,900</b>
<b>2020</b>						
Borrowings – fixed <sup>1</sup>	3.42%	1,360,000	1,360,000	-	1,360,000	1,360,000
Borrowings – floating <sup>1</sup>	0.42%	33,000	33,000	23,000	10,000	33,000
Borrowings – lease liabilities <sup>2</sup>	2.84%	95,985	141,842	5,129	136,713	141,842
<b>Total borrowings</b>		<b>1,488,985</b>	<b>1,534,842</b>	<b>28,129</b>	<b>1,506,713</b>	<b>1,534,842</b>

1. Weighted average interest rate is exclusive of financial accommodation levy.

2. Based on TCV yield rate plus financial accommodation levy.

### 7.1.2 Finance expenses

	2020 \$'000	2019 \$'000
<b>Finance expenses</b>		
Interest on leases liabilities	3,108	-
Interest on TCV borrowings	47,519	49,097
Financial accommodation levy	18,124	17,307
Bank charges	18	14
<b>Total finance expenses</b>	<b>68,769</b>	<b>66,418</b>

Finance expenses include costs incurred in connection with the borrowing of funds. Finance expenses include interest on bank overdrafts, short term and long-term borrowings and interest component of lease payments. Finance expense is recognised in the period in which it is incurred and measured at fair value.

### 7.2 Cash flow information and balances

	2020 \$'000	2019 \$'000
<b>Cash and cash equivalents</b>		
Cash at bank	547	1,327
<b>Total cash and cash equivalents</b>	<b>547</b>	<b>1,327</b>

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less. They are held for the purpose of meeting short term cash commitments, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as current borrowings on the Balance Sheet.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 7. Financing our operations (Continued)

#### 7.2.1 Reconciliation of profit after income tax to net cash inflow from operating activities

	2020 \$'000	2019 \$'000
<b>Profit after income tax expense</b>	<b>89,041</b>	<b>63,099</b>
Non-cash movements:		
Depreciation and amortisation of assets	65,473	52,511
Impaired receivables	2,327	3,482
Defined benefit superannuation fund expense	559	617
Asset impairments	1,306	104
Asset revaluation increment	(67)	-
Net gain on disposal of non-current physical assets	(135)	(122)
Developer contributed assets	(46,947)	(47,315)
Movements in assets and liabilities:		
Decrease/(increase) in receivables	(10,588)	3,899
Decrease/(increase) in prepayments	(176)	161
Decrease/(increase) in inventories	(315)	(776)
Decrease/(increase) in deferred tax assets due to change in accounting standards	-	3,427
Increase/(decrease) in payables	(6,070)	6,757
Increase/(decrease) in advances and deposits	1,477	1,037
Increase/(decrease) in contract liabilities	-	28,541
Increase/(decrease) in contract liabilities due to change in accounting standards	(10,693)	(11,425)
Increase/(decrease) in current tax liability	10,186	(13,250)
Increase/(decrease) in provision for employee benefits	753	895
Increase/(decrease) in other provisions	792	(284)
Increase/(decrease) in deferred tax liabilities	(8,462)	(3,248)
<b>Net cash inflow from operating activities</b>	<b>88,461</b>	<b>88,110</b>

## 8. Risks, contingencies and valuation judgements

City West Water is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

### Structure

- 8.1 Financial instruments specific disclosures
- 8.2 Contingent assets and contingent liabilities
- 8.3 Fair value determination

### 8.1 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. Due to the nature of City West Water's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example, taxes, dividends and the Environmental Contribution). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 – *Financial Instruments: Presentation*.

#### Categories of financial instruments

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the corporation to collect the contractual cash flows; and
- the asset's contractual terms give rise to cash flows that are solely payments of principal and interest.

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

Financial liabilities are initially recognised on the date of origin. They are initially measured at fair value plus any attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost, with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability using the effective interest rate method. City West Water recognises the following liabilities in this category:

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

Financial instrument assets and liabilities are offset and the net amount is presented in the balance sheet when the corporation has a right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

At the end of each reporting period, the corporation assesses whether there is objective evidence that a financial asset or group of assets is impaired. All financial instrument assets are subject to annual review for impairment.

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 methods in accordance with AASB 136 – *Impairment of Assets*.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 8. Risks, contingencies and valuation judgements (continued)

#### 8.1.1 Categorisation of financial instruments

	Note	Contractual financial assets – loans and receivables at amortised cost \$'000	Contractual financial liabilities at amortised cost \$'000
<b>2019</b>			
<b>Financial assets</b>			
Cash and cash equivalents	7.2	1,327	-
Receivables <sup>1</sup>	6.1	98,015	-
<b>Total financial assets</b>		<b>99,342</b>	<b>-</b>
<b>Financial liabilities</b>			
Payables <sup>1</sup>	6.2	-	91,355
Borrowings – fixed	7.1.1	-	1,210,000
Borrowings – floating	7.1.1	-	39,900
<b>Total financial liabilities</b>		<b>-</b>	<b>1,341,255</b>
<b>2020</b>			
<b>Financial assets</b>			
Cash and cash equivalents	7.2	547	-
Receivables <sup>1</sup>	6.1	106,630	-
<b>Total financial assets</b>		<b>107,177</b>	<b>-</b>
<b>Financial liabilities</b>			
Payables <sup>1</sup>	6.2	-	81,407
Borrowings – fixed	7.1.1	-	1,360,000
Borrowings – floating	7.1.1	-	33,000
Borrowings – lease liabilities	7.1.1	-	95,985
<b>Total financial liabilities</b>		<b>-</b>	<b>1,474,407</b>

1. Does not include statutory receivables or payables.

### 8.1.2 Financial risk management objectives and policies

City West Water's activities expose it to a variety of financial risks, principally market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of City West Water's risk management framework. City West Water's principal financial instruments comprise:

- cash assets;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables); and
- borrowings.

City West Water's principal financial instruments are loans sourced from the Treasury Corporation of Victoria. These loans include overnight (11am) borrowings, floating rate notes and fixed rate loans. They are primarily used to meet working capital requirements and fund capital expenditure. The corporation has other financial assets and liabilities such as receivables and payables which arise directly from its operating activities. City West Water's overall financial risk management strategy is to manage its financial risks within a range that is in accordance with the risk criteria established by the Board of Directors. The Chief Financial Officer evaluates and implements risk mitigation strategies in consultation with the corporation's relevant departments. The main purpose in holding financial instruments is to prudently manage the corporation's financial risks within Government policy parameters.

City West Water uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk. All interest income earned by City West Water is generated by cash deposits with the Department of Treasury and Finance's Central Banking System or 11am (short term) deposit with the Treasury Corporation of Victoria.

City West Water manages its capital by maintaining a prudent level of gearing in order to provide the State with adequate returns and to ensure City West Water can fund its operations as a going concern.

City West Water aims to maintain its gearing ratio within the Essential Services Commission's benchmark ratio of 60 per cent. City West Water's gearing ratio (debt which includes lease liabilities/total assets) for the year was 57.5 per cent compared to 50.5 per cent in 2019.

The corporation's debt to regulatory asset base (RAB) target (excluding lease liabilities) is 72.8 per cent. The target was achieved in 2020 with a debt to RAB of 70.8 per cent.

City West Water has an interest coverage target (measured as net cash flow from operations less net interest expense/net interest expense) of 1.8 times. This target was achieved in 2020 with interest coverage of 2.3 times.

The only externally imposed capital requirements applying to City West Water are:

- that the financial accommodation does not exceed the approval limits set by the Treasurer of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*; and
- that City West Water, with the exception of a trading account with overdraft facilities, is required to borrow exclusively with the Treasury Corporation of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 8. Risks, contingencies and valuation judgements (continued)

#### 8.1.2.1 Financial instruments – credit risk

Credit risk is the risk of financial loss to City West Water as the result of a customer or counterparty to a financial instrument failing to meet a contractual obligation. Credit risk arises principally in connection with City West Water's receivables.

City West Water's exposure to credit risk is influenced by the individual characteristics of each customer. The corporation's receivables balance consists of amounts due from a large number of residential customers as well as non-residential customers spread across a diverse range of industries. Receivables balances are monitored on an ongoing basis. Where applicable, collection action is taken to ensure that exposure to bad debt is minimised. City West Water has in place a policy and a procedure for the collection of overdue receivables.

City West Water's maximum exposure to credit risk is the carrying amount of receivables.

To assist customers experiencing financial hardship, during COVID-19, CWW's traditional debt collection activities have been adjusted. There were no other material changes to City West Water's credit risk profile during 2020.

#### 8.1.2.2 Financial instruments – liquidity risk

Liquidity risk is the risk that City West Water will no longer meet its financial obligations as they fall due. City West Water's policy is to pay its trade accounts payable liabilities within 30 days, or in the event of a dispute, within 30 days from the date of resolution. To assist suppliers during COVID-19, CWW implemented 10-day maximum settlement terms for suppliers from March 2020.

City West Water manages liquidity risk by maintaining adequate bank overdraft and Treasury Corporation of Victoria borrowing facilities, continuous monitoring of forecast inflows and outflows and matching the maturity profile of financial assets and financial liabilities where appropriate.

City West Water's borrowings are sourced from TCV while surplus funds are invested in the Central Banking System.

The carrying amounts of contractual financial liabilities represent the corporation's maximum exposure to liquidity risk.

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

The carrying values less any impairment provisions of trade receivables and payables are assumed to approximate their fair value due to their short term nature. The fair values of financial liabilities for disclosure purposes are estimated by discounting future contractual cash flows at the current market interest rate that is available to City West Water for similar financial instruments.

#### 8.1.2.3 Financial instruments – market risk

Market risk is the risk that changes in market prices will affect the fair value of future cash flows of City West Water's financial instruments. Market risk is comprised of interest rate risk, foreign exchange risk and other price risk. City West Water's exposure to market risk is purely through interest rates.

City West Water's exposure to market interest rates relates to its floating rate debt, roll over of fixed rate debt and new borrowings. City West Water's borrowings are sourced from the Treasury Corporation of Victoria and are managed within the range of Board and Treasurer approved limits. Interest rates and borrowing requirements are monitored regularly. City West Water manages its exposure to interest rate changes by holding a mixture of fixed and floating rate debt. City West Water's Treasury Risk Management Policy requires the corporation to limit the proportion of floating rate debt to a maximum of 30 per cent of total debt. City West Water has minimal exposure to interest rate risk through cash holdings and manages its interest rate exposure on cash by investing its surplus funds with the Central Banking System.

### Interest rate exposure and maturity analysis of financial instruments

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

	Note	Weighted average interest rate	1 Year or less \$'000	Over 1 year \$'000	Non-interest bearing \$'000	Total \$'000
<b>2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents	7.2	1.64%	1,327	-	-	1,327
Receivables <sup>1</sup>	6.1		-	-	98,015	98,015
<b>Total financial assets</b>			<b>1,327</b>	<b>-</b>	<b>98,015</b>	<b>99,342</b>
<b>Financial liabilities</b>						
Payables <sup>1</sup>	6.2		-	-	91,355	91,355
Borrowings – fixed	7.1.1	3.88%	-	1,210,000	-	1,210,000
Borrowings – floating	7.1.1	1.58%	19,900	20,000	-	39,900
<b>Total financial liabilities</b>			<b>19,900</b>	<b>1,230,000</b>	<b>91,355</b>	<b>1,341,255</b>
<b>2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	7.2	0.17%	547	-	-	547
Receivables <sup>1</sup>	6.1		-	-	106,630	106,630
<b>Total financial assets</b>			<b>547</b>	<b>-</b>	<b>106,630</b>	<b>107,177</b>
<b>Financial liabilities</b>						
Payables <sup>1</sup>	6.2		-	-	81,545	81,545
Borrowings – fixed	7.1.1	3.42%	-	1,360,000	-	1,360,000
Borrowings – floating	7.1.1	0.42%	23,000	10,000	-	33,000
Borrowings – lease liabilities	7.1.1	2.84%	2,068	93,917	-	95,985
<b>Total financial liabilities</b>			<b>25,068</b>	<b>1,463,917</b>	<b>81,545</b>	<b>1,570,530</b>

1. Does not include statutory receivables or payables.

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 8. Risks, contingencies and valuation judgements (continued)

#### Interest rate risk sensitivity

The table below represents the sensitivity of City West Water's financial assets and financial liabilities to interest rate risk.

	Note	Total \$'000	Interest rate risk			
			-0.5%		+0.5%	
			Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents <sup>1</sup>	7.2	1,327	(5)	(5)	5	5
Receivables <sup>2</sup>	6.1	98,015	-	-	-	-
<b>Total financial assets</b>		<b>99,342</b>	<b>(5)</b>	<b>(5)</b>	<b>5</b>	<b>5</b>
<b>Financial liabilities</b>						
Payables <sup>2</sup>	6.2	91,355	-	-	-	-
Borrowings <sup>3</sup>	7.1	1,249,900	1,032	1,032	(1,032)	(1,032)
<b>Total financial liabilities</b>		<b>1,341,255</b>	<b>1,032</b>	<b>1,032</b>	<b>(1,032)</b>	<b>(1,032)</b>
<b>Total increase/(decrease)</b>			<b>1,027</b>	<b>1,027</b>	<b>(1,027)</b>	<b>(1,027)</b>
<b>2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents <sup>1</sup>	7.2	547	(3)	(3)	3	3
Receivables <sup>2</sup>	6.1	106,630	-	-	-	-
<b>Total financial assets</b>		<b>107,177</b>	<b>(3)</b>	<b>(3)</b>	<b>3</b>	<b>3</b>
<b>Financial liabilities</b>						
Payables <sup>2</sup>	6.2	81,545	-	-	-	-
Borrowings – TCV <sup>3</sup>	7.1	1,393,000	1,373	1,373	(1,373)	(1,373)
Borrowings – lease liabilities <sup>4</sup>	7.1	95,985	336	336	(336)	(336)
<b>Total financial liabilities</b>		<b>1,570,530</b>	<b>1,709</b>	<b>1,709</b>	<b>(1,709)</b>	<b>(1,709)</b>
<b>Total increase/(decrease)</b>			<b>1,706</b>	<b>1,706</b>	<b>(1,706)</b>	<b>(1,706)</b>

1. Calculation is based on average cash holdings of \$0.9m (2019 \$1.0m).

2. Does not include statutory receivables and payables.

3. Calculation is based on new borrowings, loans refinanced, forward rate agreements struck during the year and average 11am balance during the year.

4. Calculation is based on outstanding lease and current incremental borrowing rate.

## 8.2 Contingent assets and contingent liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively where applicable.

Contingent assets are assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) that are not within the control of the corporation. These are classified as either quantifiable where the potential economic benefit is known or non-quantifiable.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) that are not within the control of the corporation; 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.

### Quantifiable contingent assets

In the ordinary course of business, a developer will often provide a commitment to City West Water to construct water supply and sewerage assets as part of a development project. These assets are constructed within an agreed timeframe and upon completion, ownership is transferred to City West Water. Assets that service a particular development are paid for by the developer. Assets that are required to be upsized to service adjoining developments are paid for by City West Water. Upon completion of these assets they will be transferred to City West Water, which will maintain them in perpetuity. These assets will be recognised as developer contributions upon completion (refer Note 2.3).

	2020 \$'000	2019 \$'000
<b>Quantifiable contingent assets</b>		
Water supply assets under construction	11,432	36,856
Sewerage assets under construction	32,784	27,885
Water supply assets committed to	27,436	64,397
Sewerage assets committed to	34,718	40,931
<b>Total quantifiable contingent assets</b>	<b>106,730</b>	<b>170,069</b>

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 8. Risks, contingencies and valuation judgements (continued)

#### Quantifiable contingent liabilities

Contingent upon the completion of the above assets City West Water has a liability to reimburse developers for additional works constructed at City West Water's request. These reimbursements will occur either immediately on completion of the assets or be deferred for an agreed period in accordance with the conditions of the agreement between City West Water and the developer.

These reimbursements will be recovered through a combination of new customer contributions plus service and usage charges from all customers. This is consistent with the Essential Services Commission's final determination for water and sewerage prices in June 2019 (for the 2020 reporting period).

	2020 \$'000	2019 \$'000
Quantifiable contingent liabilities		
Reimbursement for water supply assets	13,842	25,862
Reimbursement for sewerage assets	40,291	64,720
<b>Total quantifiable contingent liabilities</b>	<b>54,133</b>	<b>90,582</b>

#### Non-quantifiable contingent assets and liabilities

City West Water has legal claims pending arising out of a small number of disputes associated with its capital program and delivery of services. Due to the uncertainty inherent in litigation an accurate assessment of any outcome is not possible. City West Water is of the view that further disclosure of these disputes may prejudice the position of the corporation.

City West Water is aware of an administrative decision that has directly impacted a water corporation. City West Water was not a party to the proceeding and the decision is not binding on City West Water. City West Water is reviewing the decision in detail and considering the potential implications of this non-quantifiable contingent liability.

#### 8.3 Fair value determination

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.

The following assets and liabilities are carried at fair value:

- land, buildings, infrastructure, property plant and equipment; and
- defined benefit superannuation liability/(asset).

In addition, the fair values of other assets and liabilities which are carried at amortised cost need to be determined for disclosure purposes.

#### Fair value hierarchy

In determining fair value a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. These levels are as follows:

- Level 1 – quoted prices (unadjusted) 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.

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

### 8.3.1 Fair value determination of financial assets and liabilities

The fair values of financial liabilities are determined as follows:

- Level 1 – fair value of a financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

#### Fair value of financial instruments measured at amortised cost and fair value hierarchy measurements

	Note	Carrying amount \$'000	Fair value \$'000	Fair value measurement using		
				Level 1 <sup>3</sup> \$'000	Level 2 <sup>4</sup> \$'000	Level 3 <sup>5</sup> \$'000
<b>2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents	7.2	1,327	1,327	1,327	-	-
Receivables <sup>1</sup>	6.1	98,015	98,015	-	98,015	-
<b>Total financial assets</b>		<b>99,342</b>	<b>99,342</b>	<b>1,327</b>	<b>98,015</b>	<b>-</b>
<b>Financial liabilities</b>						
Payables <sup>1</sup>	6.2	91,355	91,355	-	91,355	-
Borrowings <sup>2</sup>	7.1	1,249,900	1,383,481	-	1,383,481	-
<b>Total financial liabilities</b>		<b>1,341,255</b>	<b>1,474,836</b>	<b>-</b>	<b>1,474,836</b>	<b>-</b>
<b>2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	7.2	547	547	547	-	-
Receivables <sup>1</sup>	6.1	106,630	106,630	-	106,630	-
<b>Total financial assets</b>		<b>107,117</b>	<b>107,117</b>	<b>547</b>	<b>106,630</b>	<b>-</b>
<b>Financial liabilities</b>						
Payables <sup>1</sup>	6.2	81,407	81,407	-	81,407	-
Borrowings – TCV <sup>2</sup>	7.1	1,393,000	1,383,481	-	1,383,481	-
Borrowings – lease liabilities		95,985	95,985	-	95,985	-
<b>Total financial liabilities</b>		<b>1,570,392</b>	<b>1,560,873</b>	<b>-</b>	<b>1,560,873</b>	<b>-</b>

1. Does not include statutory receivables or payables.

2. Fair value of borrowings is calculated by discounting expected future cash flows at the yield offered by the Treasury Corporation of Victoria as at 30 June each year.

3. Quoted prices (unadjusted) in active markets for identical assets.

4. Inputs based on observable market data (either directly using prices or indirectly derived from prices).

5. Inputs not based on observable market data.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 8. Risks, contingencies and valuation judgements (continued)

Net fair value of financial instruments is determined on the following bases:

- cash, receivables, accounts payable and deposits are valued at their carrying amounts as this is considered to be fair value;
- borrowings are valued by discounting the expected future cash flows at the yield offered by the Treasury Corporation of Victoria as at 30 June each year; and
- lease liabilities are valued by discounting the expected lease payments at the incremental borrowing rate at the date of inception.

There were no transfers between levels during the reporting period.

#### 8.3.2 Fair value determination of non-financial physical assets

Subsequent valuation of infrastructure, property, plant and equipment is at fair value. An asset's fair value is determined with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements, or commitments made in relation to the intended use of the asset. When an event or change in circumstances causes a transfer between input levels, City West Water deems the transfer to occur at the end of the reporting period in which the event takes place.

Non-specialised land is valued using the market based direct comparison method. Under this valuation method, assets are compared to comparable sales of comparable assets. As non-specialised land does not contain significant unobservable inputs these assets are classified as Level 2 fair value assets.

Specialised land is also valued using the direct comparison method, although it is adjusted for community service obligations (CSOs) to reflect the specialised nature of the land being valued. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach uses the highest and best use consideration and takes into account the use of the asset that is physically possible, legally permissible and financially viable. As adjustments for CSOs are significant unobservable inputs, specialised land is classified as a Level 3 fair value asset.

All buildings held by City West Water are non-specialised in nature and classified as Level 2 fair value assets under the market based direct comparison approach.

Infrastructure assets are measured using the income approach (discounted cash flow method). This method calculates fair value by discounting estimated future cash flows of the business to their present value and arriving at an enterprise value range. Net debt is deducted from the enterprise value range to obtain an equity value. The valuation of infrastructure assets is derived from the equity value after deducting all other assets and liabilities and grossing up for deferred tax of 30 per cent. In order to assess the reasonableness of the enterprise valuation, cross checks are performed by comparing the earnings before interest, tax and depreciation and the regulated asset value multiples under the income approach against multiples implied by share prices for comparable trading organisations and recent transactions in comparable assets. Any goodwill generated by this approach is negligible and has no bearing on the valuation of infrastructure assets. Such an approach is often referred to as a market approach or a relative value approach. Judgement is applied in selecting the appropriate valuation within the enterprise value range.

The assumptions adopted in calculating fair value in this manner are considered to be significant unobservable inputs. As such, infrastructure is classified as a Level 3 fair value asset.

A full valuation of City West Water's infrastructure assets was performed by KPMG as at 30 June 2020. The valuation process derived a range of values. The valuation adopted by City West Water represents the mid-point of this range.

The rate used to discount free cash flows to their present value is based on assumptions that market participants would reasonably be expected to use in determining the fair value of the corporation after taking into account the market

cost of debt and equity. In 2020, the financial markets have been subject to higher volatility in comparison to the prior year as a result of COVID-19. Valuation adjustments, assumptions and projections include COVID-19 related impacts which have had an effect on the weighted average cost of capital and future budgets and forecasts.

The 2020 valuation resulted in a decrement of \$128.2m compared to a decrement of \$9.8m in 2019.

Refer to Section 5 for further information on non-financial physical assets.

### Fair value of non-financial physical assets

	Carrying amount \$'000	Fair value measurement using:		
		Level 1 <sup>1</sup> \$'000	Level 2 <sup>2</sup> \$'000	Level 3 <sup>3</sup> \$'000
<b>2019</b>				
Freehold land at fair value	35,398	-	-	-
Non-specialised land		-	2,853	-
Specialised land		-	-	32,545
Non-specialised buildings at fair value	7,965	-	7,965	-
Infrastructure assets at fair value	1,892,599	-	-	1,892,599
Plant and equipment at fair value	4,341	-	-	4,341
Motor vehicles at fair value	2,537	-	-	2,537
Leasehold improvements at fair value	5,018	-	-	5,018
<b>Total infrastructure, property, plant and equipment</b>	<b>1,947,858</b>	<b>-</b>	<b>10,818</b>	<b>1,937,040</b>
<b>2020</b>				
Freehold land at fair value	37,686	-	-	-
Non-specialised land		-	3,054	-
Specialised land		-	-	34,632
Non-specialised buildings at fair value	7,743	-	7,743	-
Infrastructure assets at fair value	1,999,000	-	-	1,999,000
Plant and equipment at fair value	5,497	-	-	5,497
Motor vehicles at fair value	1,972	-	-	1,972
Leasehold improvements at fair value	4,595	-	-	4,595
<b>Total infrastructure, property, plant and equipment</b>	<b>2,056,493</b>	<b>-</b>	<b>10,797</b>	<b>2,045,696</b>

1. Quoted prices (unadjusted) in active markets for identical assets.

2. Inputs based on observable market data (either directly using prices or indirectly derived from prices).

3. Inputs not based on observable market data.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 8. Risks, contingencies and valuation judgements (continued)

#### Reconciliation of Level 3 fair value movements

	Specialised land \$'000	Infrastructure assets \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000
<b>2019</b>					
Opening balance at 1 July 2018	34,279	1,788,261	5,399	2,385	5,442
Purchases (sales)	-	(80)	-	(401)	-
Transfers into/(out of) Level 3	-	-	-	-	-
Developer contributed assets	-	47,252	-	-	-
Transfers from work in progress	-	104,806	1,137	1,349	-
Gains or losses recognised in profit after income tax					
Depreciation	-	(37,853)	(2,195)	(796)	(424)
Impairment	-	-	-	-	-
Revaluation increment/(decrement)	-	-	-	-	-
<b>Subtotal</b>	-	<b>(37,853)</b>	<b>(2,195)</b>	<b>(796)</b>	<b>(424)</b>
Gains or losses recognised in other comprehensive income					
Revaluation increment/(decrement)	(1,734)	(9,787)	-	-	-
<b>Subtotal</b>	<b>(1,734)</b>	<b>(9,787)</b>	-	-	-
<b>Closing balance at 30 June 2019</b>	<b>32,545</b>	<b>1,892,599</b>	<b>4,341</b>	<b>2,537</b>	<b>5,018</b>
<b>2020</b>					
Opening balance at 1 July 2019	32,545	1,892,599	4,341	2,537	5,018
Purchases (sales)	-	(28)	(1)	(190)	-
Transfers into/(out of) Level 3	-	-	-	-	-
Developer contributed assets	-	54,811	-	-	-
Transfers from work in progress	-	225,033	2,313	364	-
Gains or losses recognised in profit after income tax					
Depreciation	-	(45,254)	(1,156)	(739)	(423)
Impairment	-	-	-	-	-
Revaluation increment/(decrement)	-	-	-	-	-
<b>Subtotal</b>	-	<b>(45,254)</b>	<b>(1,156)</b>	<b>(739)</b>	<b>(423)</b>
Gains or losses recognised in other comprehensive income					
Revaluation increment/(decrement)	2,087	(128,161)	-	-	-
<b>Subtotal</b>	<b>2,087</b>	<b>(128,161)</b>	-	-	-
<b>Closing balance at 30 June 2020</b>	<b>34,632</b>	<b>1,999,000</b>	<b>5,497</b>	<b>1,972</b>	<b>4,595</b>

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

2019

Asset	Valuation technique	Significant unobservable input	Range (Weighted Average)	Sensitivity of the input to fair value
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	9% – 40% (27%)	A significant increase or decrease in a CSO adjustment would result in a significantly lower or higher fair value.
Infrastructure assets	Income approach (discounted cash flow method)	Discount rate (WACC)	5.2% – 5.8% (5.5%)	An increase or decrease of 0.25% in the estimated discount rate would result in a decrease of \$264m or an increase of \$316m to the valuation.
		Terminal growth rate	3.25% (3.25%)	An increase or decrease of 0.25% in the terminal growth rate would result in an increase of \$272m or a decrease of \$217m to the valuation.
		Inflation rate	2.3% (2.3%)	A significant increase or decrease in the inflation rate would result in a significantly higher or lower fair value.
		Terminal value capital expenditure	\$92.067m – \$112.527m (\$102.297m)	A significant increase or decrease in the terminal value of capital expenditure would result in a significantly higher or lower fair value.
		Useful life	3 – 100 years (74.7 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Plant and equipment	Current replacement cost	Cost per unit	\$1,000 – \$469,000 (\$16,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	3 – 50 years (13.9 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Motor vehicles	Current replacement cost	Cost per unit	\$21,000 – \$49,000 (\$35,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	5 years (5 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Leasehold improvements	Current replacement cost	Cost per unit	\$1,674 – \$724,000 (\$114,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	7 – 20 years (15.3 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2020

#### 8. Risks, contingencies and valuation judgements (continued)

2020

Asset	Valuation technique	Significant unobservable input	Range (Weighted Average)	Sensitivity of the input to fair value
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	9% – 40% (27%)	A significant increase or decrease in a CSO adjustment would result in a significantly lower or higher fair value.
Infrastructure assets	Income approach (discounted cash flow method)	Discount rate (WACC)	4.1% – 5.1% (4.8%)	An increase or decrease of 0.25% in the estimated discount rate would result in a decrease of \$349m or an increase of \$743m to the valuation.
		Terminal growth rate	3.25% (3.25%)	An increase or decrease of 0.25% in the terminal growth rate would result in an increase of \$501m or a decrease of \$362m to the valuation.
		Inflation rate	2.3% (2.3%)	A significant increase or decrease in the inflation rate would result in a significantly higher or lower fair value.
		Terminal value capital expenditure	\$82.634m to \$112.123m (\$96.521m)	A significant increase or decrease in the terminal value of capital expenditure would result in a significantly higher or lower fair value.
		Useful life	3 – 100 years (72.6 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Plant and equipment	Current replacement cost	Cost per unit	\$1,000 – \$469,000 (\$18,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	3 – 50 years (13.9 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Motor vehicles	Current replacement cost	Cost per unit	\$22,000 – \$54,000 (\$35,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	5 years (5 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.
Leasehold improvements	Current replacement cost	Cost per unit	\$1,674 – \$724,000 (\$114,000)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life	7 – 20 years (15.3 years)	A significant increase or decrease in the estimated useful life of an asset would result in a significantly higher or lower fair value.

A significant movement is considered to be a movement of sufficient magnitude as to have a material impact on the financial statements. A material impact is defined by AASB 101 *Presentation of Financial Statements* as a movement that could individually or collectively with other movements influence the economic decisions that users make on the basis of the financial statements.

The sensitivity of the fair value of infrastructure assets to a change in key assumptions is detailed in the table below.

<b>Assumption</b>	<b>2020</b>		<b>2019</b>	
Terminal year growth rate +/- 0.50%	62.1%	-31.8%	32.8%	-20.9%
Terminal year growth rate +/- 0.25%	25.1%	-18.1%	14.4%	-11.5%
Discount rate +/- 0.50%	-37.1%	74.1%	-25.7%	41.1%
Discount rate +/- 0.25%	-17.5%	37.2%	-16.7%	14.0%

Terminal year growth rate sensitivity impacts steady state cash flows, representing those expected to be received in perpetuity.

Discount rate sensitivity impacts the present value of free cash flows to the corporation.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 9. Other disclosure

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

#### Structure

- 9.1 Responsible persons and executives
- 9.2 Related parties
- 9.3 Equity
- 9.4 Ex gratia expenses
- 9.5 Accounting Standards issued that are not yet effective
- 9.6 Subsequent events

#### 9.1 Responsible persons and executives

The relevant Minister and directors of City West Water are deemed to be responsible persons by Ministerial Direction pursuant to the provisions of the *Financial Management Act 1994*.

##### 9.1.1 Responsible persons

**Persons who held the position of responsible person at any time during the 2020 financial year were as follows:**

The Hon. Lisa Neville MP	Minister for Water	1 July 2019 – 30 June 2020
Mr David Middleton	Chair	1 July 2019 – 30 June 2020
Mr David Ryan	Managing Director	1 July 2019 – 5 November 2019
Ms Maree Lang	Managing Director	6 November 2019 – 30 June 2020
Ms Elizabeth Parkin	Director	1 July 2019 – 30 September 2019
Ms Mary Beth Bauer	Director	1 July 2019 – 30 June 2020
Dr Bruce Cohen	Director	1 July 2019 – 30 June 2020
Mr Bill Jaboor	Director	1 July 2019 – 30 June 2020
Ms Constantina Dertimanis	Director	1 July 2019 – 30 September 2019
Ms Tania Fryer	Director	1 July 2019 – 30 June 2020
Mr Christopher Lovell	Director	1 July 2019 – 30 June 2020
Ms Freya Marsden	Director	1 October 2019 – 30 June 2020
Ms Sawsan Howard	Director	1 October 2019 – 30 June 2020

**Persons who held the position of responsible person at any time during the 2019 financial year were as follows:**

The Hon. Lisa Neville MP	Minister for Water	1 July 2018 – 30 June 2019
Mr David Middleton	Chair	1 July 2018 – 30 June 2019
Mr David Ryan	Managing Director	1 July 2018 – 30 June 2019
Ms Mary Beth Bauer	Director	1 July 2018 – 30 June 2019
Dr Bruce Cohen	Director	1 July 2018 – 30 June 2019
Mr Bill Jaboor	Director	1 July 2018 – 30 June 2019
Ms Elizabeth Parkin	Director	1 July 2018 – 30 June 2019
Ms Constantina Dertimanis	Director	1 July 2018 – 30 June 2019
Ms Tania Fryer	Director	1 July 2018 – 30 June 2019
Mr Christopher Lovell	Director	1 July 2018 – 30 June 2019

The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported in the Department of Parliamentary Services' Financial Report.

Remuneration received or receivable by responsible persons in connection with the management of City West Water Corporation during the current and previous reporting periods is reported in the table below.

	2020 No.	2019 No.
\$10,000 – \$19,999	2	-
\$30,000 – \$39,999	2	1
\$40,000 – \$49,999	-	1
\$50,000 – \$59,999	5	5
\$90,000 – \$99,999	1	1
\$210,000 – \$219,999	1	-
\$330,000 – \$339,999	1	-
\$420,000 – \$429,999	-	1
<b>Total</b>	<b>12</b>	<b>9</b>

	2020 \$'000	2019 \$'000
Total amount	1,014	853

### 9.1.2 Executives

	2020 \$'000	2019 \$'000
Short term employment benefits	1,275	1,730
Post employment benefits	97	114
Other long term benefits	27	32
Termination benefits	-	-
<b>Total</b>	<b>1,399</b>	<b>1,876</b>
<b>Total employees (no.)</b>	<b>7</b>	<b>6</b>
<b>Annualised employee equivalent<sup>1</sup></b>	<b>4.6</b>	<b>5.6</b>

1. Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

The number of executive officers other than the Minister or responsible persons and their total remuneration during the reporting period is shown in the table overleaf.

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

- Short term employee benefits – includes amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services;
- Post-employment benefits – includes superannuation benefits paid or payable on a discrete basis when employment has ceased;
- Other long term benefits – includes long service leave, other long service benefits and deferred compensation; and
- Termination benefits – includes termination of employment payments, such as severance packages.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 9. Other disclosure (Continued)

#### 9.2 Related parties

##### *Relevant Minister*

The relevant Minister for City West Water for the period 1 July 2019 to 30 June 2020 was the Hon. Lisa Neville MP, Minister for Water.

##### *Transactions with the relevant Minister and relevant Minister related entities*

Outside of normal citizen type transactions, there were no material transactions with the relevant Minister, their close family members or business interests during the reporting period.

##### *Key Management Personnel*

Key management personnel (as defined in AASB 124 *Related Party Disclosures*) include the Managing Director and the Board of Directors, who have the authority and responsibility for planning, directing and controlling the activities of the corporation either directly or indirectly during the year.

The names of persons who were key management personnel of City West Water at any time during the current or previous financial years are as follows: D. Middleton, D. Ryan, M. Lang, M. B. Bauer, B. Cohen, B. Jaboor, E. Parkin, C. Dertimanis, T. Fryer, C. Lovell, F. Marsden and S. Howard.

##### *Transactions with key management personnel and key management personnel related entities*

Ms Maree Lang's spouse is a key management personnel of City of Yarra. During the year, City West Water paid \$857,848 to City of Yarra for various projects. City West Water also has an outstanding \$190,280 due from City of Yarra for various work performed.

Mr Chris Lovell is the Chair of the CBD Community Reference Groups North and South – Rail Projects Victoria (RPV), the Parkville Stakeholder Reference Group - RPV, and the Arden North Melbourne Community Reference Group - RPV. During the year, City West Water received \$379,221 CY (2019 \$227,515 PY) from Rail Projects Victoria (formerly MMRA). In 2019, a further \$161,687 PY was outstanding and receivable for services rendered to the Metro Tunnel Project.

Outside of normal citizen type transactions, there were no further material transactions either with key management personnel, their close family members or business interests during the reporting period other than remuneration for employment.

Key management personnel with related party interests are not involved in any decision-making processes relevant to the related party.

##### *Payments to Key Management Personnel*

	2020 \$'000	2019 \$'000
Short term employment benefits	945	787
Post employment benefits	62	58
Other long term benefits <sup>1</sup>	6	8
Termination benefits		-
<b>Total</b>	<b>1,013</b>	<b>853</b>
<b>Total employees (no.)</b>	<b>12</b>	<b>9</b>

1. Other long term benefits represent long service leave.

### **Other related parties**

All Victorian cabinet ministers and their close family members, as well as all departments and public sector entities that are controlled and consolidated into the whole of government consolidated financial statements, are considered to be related parties of City West Water.

### **Transactions with cabinet members and related entities**

Outside of normal citizen type transactions, there were no material related party transactions with cabinet members, their close family members or their personal business interests during the current or prior financial years.

### **Power Purchase Agreement specific disclosure**

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

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

Under the Members' Agreement City West Water's liability as a member is limited to \$10 in the event of a winding up. As required by Australian accounting standards, City West 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. City West Water 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 City West 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. City West Water's share of the settlement is \$116,868.53 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 City West Water to make a loan available to the Special Purpose Vehicle (SPV) amounting to \$67,084.97. The loan, if requested by ZEW would meet the definition of a financial asset as it gives rise to a contractual right for City West Water to receive cash from ZEW at the end of the loan term. 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).

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 9. Other disclosure (Continued)

#### Victorian Government

City West Water is subject to the provisions of the *Water Act 1989* and the *Water Industry Act 1994*. City West Water operates under specific legislation and is subject to independent economic regulation. City West Water operates under a Board of Directors appointed by the Victorian Government and makes income tax equivalent and dividend payments to the Victorian Government.

#### Transactions with government controlled entities

The below table details City West Water's dealings with government controlled entities, which are considered to be related parties of City West Water. The following four pages contain more detailed information regarding related parties with significant transactions with City West Water.

	Paid \$	Payable \$	Received \$	Receivable \$
<b>2019</b>				
Yarra Valley Water	367,815	-	39,708	6,001
Goulburn Murray Water	408,313	-	6,547	-
Development Victoria	-	-	1,629,598	-
Western Water	5,555	-	36,168	64,750
Victorian Auditor-General's Office	171,600	49,600	-	-
Rail Projects Victoria	-	-	227,515	161,687
Environment Protection Authority	124,129	-	-	-
Energy and Water Ombudsman Victoria	129,960	-	-	-
Public Transport Victoria	32,134	-	700,000	-
<b>2020</b>				
Yarra Valley Water	908,497	-	41,738	4,177
Goulburn Murray Water	382,510	-	-	-
Development Victoria	-	-	674,201	-
Western Water	-	-	55,579	17,757
Victorian Auditor-General's Office	162,100	-	-	-
Rail Projects Victoria	-	-	379,221	667
Environment Protection Authority	127,222	-	36,162	-
Energy and Water Ombudsman Victoria	26,629	27,867	4,279	-
Public Transport Victoria	31,111	-	-	-

### Related parties with significant transactions

#### Department of Environment, Land, Water and Planning

City West Water bills and collects parks charges on behalf of the Department of Environment, Land, Water and Planning (DELWP). Due to the nature of the agent/principal relationship between City West Water and DELWP, City West Water does not recognise these amounts in its accounts. City West Water recognises an administration fee collected from DELWP relating to the billing and collection of parks charges as revenue.

City West Water makes various other payments to and receives other payments from DELWP which are recognised as revenue and expenses.

	2020 \$'000	2019 \$'000
<b>Payments</b>		
Parks Charge collected on behalf of DELWP	53,407	50,725
Environmental Contribution	26,457	19,843
Other	588	4
<b>Receipts</b>		
Billings and collection fee	2,307	2,282
Other	-	63
<b>Payables</b>		
Environmental Contribution	6,614	6,614
Parks Charge collected on behalf of DELWP	35	58
<b>Receivables</b>		
Billings and collection fee	137	132

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 9. Other disclosure (Continued)

#### Department of Treasury and Finance

The Department of Treasury and Finance monitors the implementation of City West Water's Corporate Plan in consultation with the Department of Environment, Land, Water and Planning.

	2020 \$'000	2019 \$'000
<b>Payments</b>		
Income tax equivalent	25,757	45,679
Dividend	75,800	20,400
Financial Accommodation Levy	17,995	16,854
Capital repatriation	-	10,880
Licence fee	-	524
<b>Payables</b>		
Financial Accommodation Levy	4,701	4,572
Income tax equivalent	7,366	2,369
<b>Receipts</b>		
Interest on CBS deposit	153	255
<b>Receivables</b>		
Income tax equivalent	-	2,821

#### Treasury Corporation of Victoria

As required by the State Government pursuant to the *Borrowing and Investment Powers Act 1987*, other than lease liabilities, City West Water's borrowings are sourced solely from the Treasury Corporation of Victoria.

	2020 \$'000	2019 \$'000
<b>Payments</b>		
Finance costs	47,418	47,941
Administration fees	1,562	1,460
<b>Receipts</b>		
Net borrowings during the year	143,100	69,700
Interest received	-	19
<b>Payables</b>		
Total borrowings	1,393,000	1,249,900
Finance costs	16,002	17,533
Administration fees	425	463

### Melbourne Water Corporation

City West Water sources all its drinking water from Melbourne Water Corporation and the majority of its sewage is treated by Melbourne Water Corporation at the Western Treatment Plant.

City West Water bills and collects drainage charges as an agent for Melbourne Water. Due to the nature of the agent/principal relationship between City West Water and Melbourne Water, City West Water does not recognise these amounts in its accounts. City West Water recognises an administration fee collected from Melbourne Water relating to the billing and collection of drainage charges as revenue.

City West Water makes various other payments to and receives other payments from Melbourne Water which are recognised as revenue and expenses.

	2020 \$'000	2019 \$'000
<b>Payments</b>		
Bulk water and sewage charges	364,155	348,155
Drainage Charge collected on behalf of Melbourne Water	60,150	60,401
Property information statements	194	201
Other	149	141
<b>Receipts</b>		
Billings and collection fee	3,745	3,886
Other	109	82
<b>Payables</b>		
Bulk water and sewage charges	3,669	3,628
Drainage Charge collected on behalf of Melbourne Water	1,220	1,261
Property information statements	-	86
<b>Receivables</b>		
Billings and collection fee	125	132

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 9. Other disclosure (Continued)

#### State Revenue Office

The State Revenue Office is the Victorian Government's tax collection agency. The State Revenue Office administers Victoria's tax legislation and collects a range of taxes, duties and levies.

	2020 \$'000	2019 \$'000
<b>Payments</b>		
Payroll tax	2,576	2,520
Unclaimed monies	-	920
<b>Receipts</b>		
Pension rebate	725	559
Land tax refund	-	250
<b>Payables</b>		
Payroll tax	209	203
<b>Receivables</b>		
Pension rebate	140	290

#### Department of Health and Human Services

City West Water provides a number of services to the community including the administration of the Pension Rebate and Health Care Card schemes on behalf of the Department of Health and Human Services.

	2020 \$'000	2019 \$'000
<b>Payments</b>		
Safe Drinking Water Levy	144	140
<b>Receipts</b>		
Pension rebate	22,740	22,901
Administration fee on pension rebate	207	205
Utility relief grant	562	382
Dialysis users' rebate	11	10
Other	-	-
<b>Receivables</b>		
Pension rebate	1,217	3,068
Administration fee on pension rebate	11	20
Dialysis users' rebate	3	2

### Other Victorian Government controlled entities

Water and sewerage services were provided to other government controlled entities for properties within City West Water's service area under normal commercial terms and conditions.

### 9.3 Equity

	2020 \$'000	2019 \$'000
Contributed equity	197,111	189,248
Physical asset revaluation surplus	83,559	171,256
Retained profits	503,461	490,312
<b>Total equity</b>	<b>784,131</b>	<b>850,816</b>

#### 9.3.1 Contributed equity

	2020 \$'000	2019 \$'000
Contributed equity at the beginning of the financial year	189,248	200,128
Asset received as contributed equity	7,863	
Capital repatriation	-	(10,880)
<b>Contributed equity at the end of the financial year</b>	<b>197,111</b>	<b>189,248</b>

In line with the requirements of the *Financial Management Act 1994*, additions to net assets which have been designated as contributed equity by the Assistant Treasurer are recognised as contributed equity. Other transfers that are in the nature of contributions or distributions have also been designated as distributions to or contributions from owners.

#### 9.3.2 Physical asset revaluation surplus

	2020 \$'000	2019 \$'000
Physical asset revaluation surplus at the beginning of the financial year	171,256	180,718
Infrastructure assets revaluation, net of tax	(89,713)	(7,857)
Land revaluation, net of tax	2,016	(1,605)
<b>Physical asset revaluation surplus at the end of the financial year</b>	<b>83,559</b>	<b>171,256</b>

Physical asset revaluation surplus is used to record revaluation increments and decrements in the value of non-current physical assets.

## Notes to and forming part of the Financial Statements For the year ended 30 June 2020

### 9. Other disclosure (Continued)

#### 9.3.3 Retained profits

	2020 \$'000	2019 \$'000
Retained profits at the beginning of the financial year	490,312	447,490
Profit after income tax expense	89,041	63,099
Final dividend paid during 2020 in respect of 2019	(53,900)	-
Final dividend paid during 2019 in respect of 2018	-	(20,400)
Interim dividend paid in respect of current year	(21,900)	-
Actuarial gain/(loss) on defined benefit superannuation plan (net of tax)	(92)	123
<b>Retained profits at the end of the financial year</b>	<b>503,461</b>	<b>490,312</b>

Retained profits represent accumulated retained profits over the lifetime of the corporation.

#### 9.4 Ex-gratia expenses

	2020 \$'000	2019 \$'000
Forgiveness or waiver of debt	103	141
Other	14	9
<b>Total ex gratia expenses</b>	<b>117</b>	<b>150</b>

Ex gratia expense items greater than or equal to \$5,000 individually or in total are disclosed.

In exceptional circumstances City West Water may waive part of a customer's debt. This will occur at the discretion of the corporation when there has been a significant undetected leak on a customer's property, unexplained high usage on a customer's account, or in cases of financial hardship.

Ex gratia expenses are recognised as part of other expenses (refer Section 3).

### 9.5 Accounting standards issued that are not yet effective

Certain new Australian Accounting Standards have been published that are applicable to City West Water, but are not mandatory for the 30 June 2020 reporting period. These standards are listed below.

Standard	Effective date	Key changes	Impact
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020	<p>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>.</p> <p>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.</p> <p>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.</p>	The corporation has not early adopted the Standard and is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Defer the application by one year to periods beginning on or after 1 January 2023.	<p>It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 <i>Classification of Liabilities as Current or Non-Current – Deferral of Effective Date</i>.</p> <p>This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The corporation will not early adopt the Standard.</p>	The corporation is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

# Notes to and forming part of the Financial Statements

## For the year ended 30 June 2020

### 9. Other disclosure (Continued)

#### 9.6 Subsequent events

COVID-19 continues to change the landscape in which organisations operate. Since 30 June 2020, a number of major developments related to COVID-19 have taken place, including implementation of Stage 4 restrictions, the extension of State of Emergency provisions, the State of Disaster declaration, increases in community transmission, business closures, and the extension of JobKeeper and JobSeeker wage subsidies at lower rates. Management is of the view that the impacts of COVID-19 have been adequately accounted for in the Financial Statements.

No other matter or circumstance has arisen since 30 June 2020 which has significantly affected, or may significantly affect:

- the corporation's operations;
- the results of those operations; and/or
- the corporation's state of affairs in the financial year subsequent to 30 June 2020.

## Statutory Certification

The attached financial statements of City West Water Corporation (the corporation) have been prepared in accordance with Direction 5.2 of the Standing Directions 2018 under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

We state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes presents fairly the financial transactions during the year ended 30 June 2020 and the financial position of the corporation 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.

This financial report was authorised for release by the Board of Directors on 25 August 2020.



**David Middleton**  
Chair



**Maree Lang**  
Managing Director



**Michael Wootten**  
Chief Financial Officer

Melbourne  
25 August 2020

# Independent Auditor's Report



## Independent Auditor's Report

### To the Board of City West Water Corporation

<b>Opinion</b>	<p>I have audited the financial report of City West Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2020</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• statutory certification.</li> </ul> <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 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 Auditor's Responsibilities for the Audit of the Financial Report section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Other Information</b>	<p>The Board is responsible for the "other information" included in the corporation's Annual Report for the year ended 30 June 2020. The other information in the Annual Report does not include the financial report, the performance report and my auditor's reports thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon.</p> <p>In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p>
<b>Key audit matters</b>	<p>Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.</p>

Key audit matter	How I addressed the matter
<p><b>Revenues from service and usage charges</b> <i>Note 2.2 – Sale of Goods and Services</i></p>	
<p><b>Revenues from service and usage charges: \$636 million.</b></p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>→ revenue is financially significant to the corporation</li> <li>→ the corporation's IT billing system and business rules are complex, and it uses several inputs, some from different sources</li> <li>→ a key input, customer water volume consumption, relies on external service providers to conduct meter readings</li> <li>→ revenue includes a significant accrual for unbilled water and sewerage services at year end that involves a higher degree of estimation uncertainty</li> <li>→ the applicable accounting standard AASB 15 <i>Revenue from Contracts with Customers</i> requires detailed and complex financial report disclosures.</li> </ul>	<p>My key procedures included:</p> <ul style="list-style-type: none"> <li>→ testing the operating effectiveness of key application controls in the billing system and key manual controls in the billing process</li> <li>→ assessing management's model, key assumptions and inputs for estimating the value of unbilled water and sewerage services accrued revenue at 30 June 2020</li> <li>→ performing substantive analytical procedures by developing an expectation of usage and service charges revenue for the period based on water volumes, number of serviced properties and approved prices, compared against the revenue recorded by the corporation</li> <li>→ reviewing the adequacy of revenue recognition and measurement policies</li> <li>→ assessing the adequacy of financial statement disclosures against AASB 15 <i>Revenue from Contracts with Customers</i>.</li> </ul>
<p><b>The fair value estimate of infrastructure assets</b> <i>Note 5.1 – Infrastructure, property, plant and equipment</i></p>	
<p><b>Fair value estimate of infrastructure assets: \$1.99 billion</b></p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>→ infrastructure assets are financially significant to the corporation</li> <li>→ the fair value estimate is derived from an income-based valuation approach that uses a discounted cashflow (DCF) model</li> <li>→ the fair value estimate relies on management's use of an external valuation expert</li> <li>→ the DCF model is highly complex and involves significant management judgements, underpinned by various subjective assumptions</li> <li>→ the calculated value is sensitive to small changes in key assumptions used in the DCF model</li> <li>→ the model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value</li> <li>→ accounting standard AASB 13 <i>Fair Value Measurement</i> (AASB 13) and the Assistant Treasurer issued Financial Reporting Direction 103H <i>Non-financial physical assets</i> (FRD 103H), both require extensive financial report disclosures.</li> </ul>	<p>My key procedures included:</p> <ul style="list-style-type: none"> <li>→ obtaining an understanding of management's approach to estimating the fair value of infrastructure</li> <li>→ assessing the competence and capability of management's expert engaged to assist with the valuation process</li> <li>→ engaging a subject matter expert to assist us in obtaining sufficient appropriate audit evidence, including: <ul style="list-style-type: none"> <li>- the appropriateness of using an income-based valuation approach</li> <li>- identification of any changes to the DCF model and/or assumptions.</li> <li>- the reasonableness and consistency of all the assumptions used in the DCF model</li> <li>- the reasonableness of all inputs used in the model, with specific reference to underlying data and supporting documentation</li> <li>- the DCF model's computational accuracy</li> <li>- assessing the completeness and adequacy of the financial report disclosures with regard to AASB 13 and FRD 103H, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis</li> </ul> </li> <li>→ evaluating our subject matter expert's workings and concluding the work was adequate for the purposes of our audit.</li> </ul>

## Independent Auditor's Report (continued)

<b>Board's responsibilities for the financial report</b>	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p>
	<p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
<b>Auditor's responsibilities for the audit of the financial report</b>	<p>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.</p>
	<p>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:</p> <ul style="list-style-type: none"> <li>• identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</li> <li>• 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</li> <li>• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board</li> <li>• conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.</li> <li>• 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.</li> </ul>

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<b>Auditor's responsibilities for the audit of the financial report (continued)</b>	<p>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.</p> <p>From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.</p>
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MELBOURNE  
4 September 2020



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

## Appendix 1

# Disclosure Index

City West Water's 2020 Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements including Financial Reporting Directions (FRDs), Ministerial Reporting Directions (MRDs) and Standing Directions of the Assistant Treasurer. This index has been prepared to facilitate identification of City West Water's compliance with statutory disclosure requirements.

### Charter and purpose

- FRD 22H Manner of establishment and the relevant Minister (p. 43)
- FRD 22H Purpose, functions, powers and duties (p. 4)
- FRD 22H Key initiatives and projects (pp. 7–9)
- FRD 22H Nature and range of services provided (p. 4)

### Management and structure

- FRD 22H Organisational structure (p. 41)
- FRD 22H Directors of the Board (pp. 43–45)

### Financial and other information

- FRD 10A Disclosure Index (pp. 138–139)
- FRD 22H Five year summary of financial results (p. 48)
- FRD 22H Disclosure of ICT expenditure (p. 49)
- FRD 22H Current year financial review (p. 47)
- FRD 22H Significant changes in financial position during the year (p. 47)
- FRD 22H Operational and budgetary objectives and performance against objectives (p. 47)
- FRD 22H Major changes or factors affecting performance (p. 47)
- FRD 22H Employment and conduct principles (p. 36)
- FRD 22H Health and safety (pp. 39–40)
- FRD 22H Subsequent events (p. 50)
- FRD 22H Application and operation of the *Freedom of Information Act 1982* (p. 51)
- FRD 22H Application and operation of the *Public Interest Disclosures Act 2012* (p. 53)
- FRD 22H Statement on National Competition Policy (p. 53)
- FRD 22H Statement on availability of other information (p. 54)
- FRD 22H Environmental performance (p. 58)

- FRD 22H Compliance with building and maintenance provisions of the *Building Act 1993* (p. 52)
- FRD 22H Details of consultancies over \$10,000 (p. 50)
- FRD 22H Details of consultancies under \$10,000 (p. 50)
- FRD 22H Disclosure of government advertising expenditure (p. 54)
- FRD 22H Workforce inclusion policy (p. 36)
- FRD 22H Key initiatives and projects (pp. 7–9)
- FRD 25D Local Jobs disclosure in the Report of Operations (p. 54)
- FRD 27C Presentation and reporting of performance information (pp. 58–60)
- FRD 29C Workforce data disclosures (p. 34)
- FRD 30D Standard requirements for the design and print of annual reports (whole report)
- SD 3.7.1 Financial management compliance attestation (p. 56)
- SD 5.2 Specific requirements under Standing Direction 5.2 3 (pp. 3, 135)

### Ministerial Reporting Directions

- MRD 01 Presentation and reporting of performance information (pp. 58–60)
- MRD 02 Reporting on water consumption and drought response (pp. 16–18, 24–25)
- MRD 03 Environmental and social sustainability reporting (pp. 14, 19–25)
- MRD 04 Disclosure of information on bulk entitlements (pp. 150–151)
- MRD 05 Annual reporting of major non-residential water users (pp. 17–18)
- MRD 06 Greenhouse gas and energy reporting (p. 29)
- MRD 07 Disclosure of information on letter of expectations (pp. 142–147)

### Compliance attestation and declaration

- SD 3.7.1 Financial management compliance attestation (p. 56)
- SD 5.2.2 Specific requirements under Standing Direction 5.2 3 (pp. 3–135)

### **Other requirements under Standing Direction 5.2**

SD 5.2.1(a) Compliance with applicable Australian accounting standards and other authoritative pronouncements (p. 68)

SD 5.2.1(a) Compliance with Ministerial Directions (p. 68)

### **Other disclosures required by FRDs in notes to and forming part of the financial statements**

FRD 3A Accounting for dividends (p. 85)

FRD 11A Disclosure of ex gratia payments (p. 132)

FRD 17B Wage inflation and discount rates for employee benefits (p. 78)

FRD 21C Disclosures of responsible persons, executive officers and other personnel (Contractors with Significant Management Responsibilities) in the Financial Report (pp. 122–123)

FRD 103H Non-financial physical assets (pp. 116–117)

FRD 105A Borrowing costs (pp. 104–105)

FRD 106 Impairment of assets (pp. 93–95)

FRD 109 Intangible assets (pp. 94–96)

FRD 110A Cash flow statements (p. 67)

FRD 112D Defined benefit superannuation obligations (pp. 79–80)

FRD 114A Financial instruments – General Government Entities and Public Non-Financial Corporations (pp. 107–111)

FRD 119A Transfers through contributed capital (p. 131)

FRD 120M Accounting and reporting pronouncements applicable to the 2019–20 reporting period (p. 133)

### **Legislation**

*Water Act 1989*

*Water Industry Act 1994*

*Freedom of Information Act 1982*

*Building Act 1993*

*Public Interest Disclosures Act 2012*

*Local Jobs First Act 2003*

*Financial Management Act 1994*

*Disability Act 2006*

## Appendix 2

### Disclosure of Information on Letter of Expectations MRD07

Priority Area	Key Performance Indicator	Measure	Definition	Comments
Climate Change  Undertake a set of activities that mitigate climate change and adapt to climate change and variability	<b>E2 Emission reductions</b>	E2  Total net emissions greenhouse gases in tonnes of CO <sub>2</sub> equivalent.	Scope 1 and scope 2 emissions only for the whole business and its activities, as specified under the National Greenhouse and Energy Reporting Scheme.	Greenhouse Gas and Energy Reporting p. 29  Emission Reduction Pledge p. 26
	<b>E3 Adaptation to climate change and variability</b>	E3  a. Qualitative description of how the Guidelines will be used.  b. Qualitative description of how adaptation will be undertaken in each of the six business areas. Include consideration of short, medium and long-term changes.  c. Qualitative description of contribution / participation.	a. NA  b. The six business areas, and adaptation considerations for each, are articulated in the WSAA Climate Change Guidelines for Victorian water corporations and has chosen to follow its approach to defining six parts of the business where adaptation is relevant.	Climate Resilience Strategy  12 Month Action Plan: Climate Resilience and Emission Reduction Pledge (June 2020–June 2021) p. 26  Water Sector Pilot Adaptation Action Plan p. 27
	a. Apply the Guidelines for Assessing the Impact of Climate Change on Water Suppliers in Victoria and demonstrate adaptation by: <ul style="list-style-type: none"> <li>• Urban Water Corporations: their application in drought preparedness and urban water strategies (Urban water corporations).</li> </ul> b. Integrate climate changes 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> c. Contribute to development of the DELWP Water Sector Climate Change Adaptation Action Plan (published October 2018).			

Priority Area	Key Performance Indicator	Measure	Definition	Comments
<p><b>Customer and community outcomes</b></p> <p>All aspects of service delivery will be customer and community centred and will continue to build extensive and effective community engagement and partnerships in planning and implementation of service delivery.</p>	<p><b>C1 Customer satisfaction (Urban Water Corporations excl Melbourne Water)</b></p> <p>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>	C1(U) Customer satisfaction survey (urbans excl MW)	As per ESC definition	No report required. DELWP to obtain data from ESC.
		(a) CR1 Water quality complaints (urbans excl MW).	No. of water quality complaints regarding discoloration, taste, odour, stained washing, illness or cloudy water per 1000 customers.	Customer responsiveness performance indicators p. 60
		(b) CR4 Number of billing payment issues (urbans excl. MW).	Billing/payment issues complaints for 1000 customers year on year.	Customer responsiveness performance indicators p. 60
		<b>C2 Customer and community engagement</b>	C2 Development and delivery of an engagement strategy / plan / policy or equivalent explanation (via the water corporation's website).	Customers First Strategy pp. 11–13 Customer Charter p. 12 Community Reference Groups (Carlton Water Main Renewal Project p. 21 Lonsdale Street Sewer Upgrade p. 22
	Stakeholder engagement based on best practice that demonstrates approaches to engagement that are open, honest and occur frequently. The DELWP Community Charter or IAP2 framework could be considered as a guide.			

## Appendix 2

### Disclosure of Information on Letter of Expectations MRD07 (continued)

Priority Area	Key Performance Indicator	Measure	Definition	Comments
<b>Water for Aboriginal cultural, spiritual and economic values</b>  Recognise and support Aboriginal cultural values and economic inclusion in the water sector.	<b><u>AC1 Engagement of Aboriginal communities</u></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.	AC1.1 A strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply good/services to water corporations.*	Explore and develop opportunities for business arrangements with Traditional Owners and Aboriginal enterprises to deliver value-for-money catchment and water services.	<b>AC1.1:</b> First Nations Advisor role p. 37  Social and sustainable procurement p. 50  Environmental Policy p. 27  Collaborative Sustainable Land Management Practices p. 27
		AC1.2 Number/ explanation of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships.	Provide opportunities for cross-cultural learning in the water sector, as well as skills training and employment for Aboriginal Victorians.	<b>AC1.2</b>  First Nations commitment and action p. 37
		AC1.3 Number of staff within the water corporation who have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last 5 years.		First Nations Employment and Retention Plan p. 37  <b>AC1.3</b>  Cultural training conducted by Koorie Heritage Trust p. 37
	<b><u>AC2 Engagement of Traditional Owners</u></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.	AC2.1 Number of engagements with Traditional Owners in water planning and management and report on outcomes.	Inform Traditional Owners when opportunities arise to access water entitlements within existing framework. Incorporate traditional ecological knowledge into water planning and management using Aboriginal Waterway Assessments and other tools developed by Traditional Owners. Notify and engage with Traditional Owners to achieve shared benefits.	Environmental Management system p. 27  First Nations commitment and action p. 37  Biodiversity and cultural heritage values p. 31
	<b><u>AC3 Aboriginal Inclusion Plan/ Reconciliation Action Plan</u></b>  To be considered in conjunction with AC1 and AC2, taking into account the relevant local context.	Development of an Aboriginal Inclusion Plan or a Reconciliation Action Plan, reflecting measures AC1.1 to AC1.3 and AC2.1.		Reconciliation Action Plan p. 37

Priority Area	Key Performance Indicator	Measure	Definition	Comments
<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 forums, 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</b> Progress towards: a. participation in, or establishment of, IWM forums in your region b. contribution to development and implementation of Strategic Directions Statements in your region c. implementation of priority IWM projects and plans as applicable delivering IWM outcomes for the region.	Facilitating regional stakeholder collaboration (including local government and Traditional Owners) to deliver placed-based IWM outcomes for the community projects that support the liveability and resilience of cities and towns of the region.	Integrated water management pp. 24–25  Collaborating for the environment p. 30
	<b>L2 Water efficiency (urban)</b>  Implement water efficiency programs aligned with Target 155	<b>L2</b> Continue to collaborate on the Victorian Efficiency Strategy by: a. Water corporations working together through a coordination group to develop statewide initiatives; a. and reporting the number of customers in need assisted by the Community Rebate Program.	The Community Rebate Program provides funding to water corporations to assist vulnerable and hardship customers.	Sustainable water use pp. 19–21  Community services obligations pp. 14–15
	<b>L3 Water bills (urban)</b>  Victorian water bills are amongst the lowest in Australia.	<b>L3</b> Total residential bill based on: a. Average consumption b. 200kl consumption.	Comparison with national median for relevant utility sixed groupings.	Total Residential water bill p. 18
	<b>L4 Payment management and hardship (not MW)</b>  Overall improved access to instalment plans for management of payments. Understand year on year trends in hardship grants.	<b>L4</b> Number of instalment plans at the end of the reporting period Number of customers awarded hardship grants.	For urbans, definition as per ESC (UPP1) and (UPP6).	Community services obligations pp. 14–15
<b>Recognising recreational values</b>  Support the wellbeing of rural and regional communities by considering recreational values in water management	<b>Rec 1 Recreational values</b>  Not applicable to Melbourne metropolitan retail water corporations.			N/A

## Appendix 2

### Disclosure of Information on Letter of Expectations MRD07 (continued)

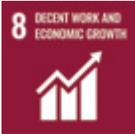
Priority Area	Key Performance Indicator	Measure	Definition	Comments
<b>Leadership and culture</b>  Reflect the needs of our diverse communities and develop strategies and goals that will increase cultural diversity in the workforce and gender equity in executive leadership	G1 Diversity and inclusion Improve gender and cultural diversity in workforce including gender equity in executive leadership. Diversity Inclusion plans to be based on best practice. The approach of the DELWP Diversity and Inclusion Strategy 2016-2020 could be considered as a guide.	G1.1 Development and delivery of a Diversity Inclusion Plan/s and publication (via the water corporation's website) of the Inclusion Plan or equivalent explanation.	A Diversity Inclusion Plan/s that includes gender equity and cultural, indigenous inclusion.	Our People p. 36
		G1.2 Number of females occupying senior executive positions over projected five-year period.		Our People p. 36
		G1.3 Adopt a 1% target for Aboriginal people in the business consistent with Vic government policy[1] and work to a stretch target of 3% by 2020 (DELWP policy[2]).		Our People p. 36
		G1.4 Actions taken to improve participation by Traditional Owners in Board committees and other organisational Committees.		First Nations Advisor role p. 37
		G1.5 Number of respondents to the VPSC People Matter Survey from each water corporation should be high or improving over time (to be based on participation in alternate years with implementation measures achievements reported in follow up year). Results indicate favourable response to implementation of diversity inclusion plan.	Staff participation in the Victorian Public Sector Commission (VPSC) People Matter Survey. Water corporation to encourage staff participation to complete annual survey or equivalent survey.	No report required. DELWP to obtain data from VPSC.
G3 Health and Safety	Sustained annual improvement against H&S performance benchmarks (AS/NZS standard 4801).	G3 Performance indicators adopted to monitor occupational health and safety in line with FRD 22H, section 6.10.		Health, safety and wellbeing pp. 39–40

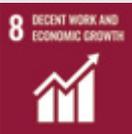
Priority Area	Key Performance Indicator	Measure	Definition	Comments
<b>Financial sustainability</b>  Delivering safe and cost-effective water and wastewater services in a financially sustainable way.	F1-F8 Financial Indicators	F1 interest cover	Financial indicators as prescribed by PRF.	Performance Report pp. 58–60
	Overall reporting on these measures should demonstrate financial sustainability and provide a positive picture of a corporation's financial sustainability over time.	F2 gearing ratio		
		F3 internal financing ratio		
		F4 current ratio		
		F5 return on Assets		
		F6 return on equity		
		F7 EBITDA Margin		

## Appendix 3

# The United Nations Global Compact

As a signatory to the United Nations Global Compact, we outline below where our policies, actions and programs highlighted in this annual report align with the 10 principles of the United Nations Sustainable Development Goals (SDGs).

	Global Compact Ten Principles	How our values guide our actions	Page
<b>Human Rights</b>      	<p>1. Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>2. Make sure that they are not complicit in human rights abuses.</p>	<p>City West Water is committed to providing a healthy and safe workplace for all staff, contractors, customers and the community, where the wellbeing of individuals is supported and diversity is actively encouraged and championed. The following policies and programs outlined in this report reflect this commitment:</p> <ul style="list-style-type: none"> <li>• Diversity and inclusion targets</li> <li>• <i>Annual Health and Safety Plan 2019–20</i></li> <li>• Social sustainability actions</li> <li>• Programs for people living with family violence</li> </ul>	<p>36</p> <p>39</p> <p>14</p> <p>12, 15, 37</p>
<b>Labour</b>   	<p>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p>4. The elimination of all forms of forced and compulsory labour.</p> <p>5. The effective abolition of child labour; and</p> <p>6. The elimination of discrimination in respect of employment and occupation.</p>	<p>City West Water is committed to a diverse and inclusive workplace culture free of discrimination. Our efforts are reflected through the following items in this report:</p> <ul style="list-style-type: none"> <li>• Diversity and inclusion targets</li> <li>• Accessibility Inclusion Plan 2019–20</li> <li>• Gender equity initiatives</li> </ul> <p>City West Water staff have access to unions and professional associations, with local delegates engaging in regular meetings with the City West Water executive.</p> <p>City West Water recognises the importance of unions and staff representation when negotiating enterprise agreements and consulting on significant work changes.</p> <p>As noted in our <i>Corporate Plan 2019-20</i>, the <i>(Commonwealth) Modern Slavery Act 2018</i> came into effect from January 2019. As required City West Water will report annually (from 2020) on the risks of modern slavery in our operations and supply chains, and the action we have taken to assess and address those risks, and the effectiveness of our response.</p>	<p>36</p> <p>39</p> <p>37</p>

Global Compact Ten Principles	How our values guide our actions	Page
<p><b>Environment</b></p>        	<p>7. Businesses should support a precautionary approach to environmental challenges;</p> <p>8. Undertake initiatives to promote greater environmental responsibility; and</p> <p>9. Encourage the development and diffusion of environmentally-friendly technologies.</p>	<p>The protection and enhancement of our environment is embedded in City West Water’s vision for the future. City West Water is dedicated to benefiting customers and the community, and understands the intrinsic link between water, the environment and human health and wellbeing. The following actions and strategies highlighted in this annual report, reflect this commitment:</p> <ul style="list-style-type: none"> <li>• Sustainable water use <span style="float: right;">19–21</span></li> <li>• Climate Resilience Strategy <span style="float: right;">26</span></li> <li>• Urban Water Strategy <span style="float: right;">24</span></li> <li>• Collaboration on environmental projects <span style="float: right;">30</span></li> <li>• Reducing energy use and emissions <span style="float: right;">30</span></li> </ul>
<p><b>Anti-Corruption</b></p>   	<p>10. Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>City West Water is committed to ensuring transparency and accountability in its administrative and management practices, and the corporation supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources or conduct involving substantial risk to public health and safety or the environment.</p> <ul style="list-style-type: none"> <li>• Commitment to compliance with the <i>Public Interest Disclosures Act 2012</i> <span style="float: right;">53</span></li> <li>• Compliance with the <i>Freedom of Information Act 1982</i> <span style="float: right;">51</span></li> <li>• Oversight of the corporation’s financial reports and information by the Risk Management and Audit Committee <span style="float: right;">45</span></li> <li>• Reporting on related party transactions as part of our Financial Statements <span style="float: right;">122</span></li> </ul>

## Appendix 4

### Bulk water entitlement reporting

City West Water Corporation holds individual delivery entitlements to the water resources of the Greater Yarra System – Thomson River Pool (managed by Melbourne Water Corporation), the Victorian Desalination Project and the Murray and Goulburn river systems.

Reporting requirements	Greater Yarra System – Thomson River Pool <sup>1</sup>	Victorian Desalination Project <sup>7</sup>	Goulburn System <sup>12</sup>	River Murray <sup>17</sup>
Amount of water taken	clause 16.1(a) 110,536.000 ML <sup>2</sup>	clause 13.1(a) 0 ML <sup>8</sup>	clause 14.1(b) 0 ML <sup>13</sup>	n/a <sup>18</sup>
Opening carryover at 1/7/19	clause 16.1(b) 80,011.763ML <sup>3</sup>	clause 13.1(a) 0 ML <sup>9</sup>	clause 14.1(c) 7,930.676 ML <sup>14</sup>	clause 11.1(a) 5,356.741 ML <sup>19</sup>
Annual water allocation made available during 2019-20	clause 16.1(b) 130,600.699 ML	clause 13.1(a) 31,258.933 ML <sup>9,10</sup>	clause 14.1(c) 7,132.000 ML <sup>14</sup>	clause 11.1(a) 5,219.300 ML <sup>19</sup>
Closing carryover as at 30/6/20	clause 16.1(b) 98,293.342 ML <sup>3</sup>	clause 13.1(a) 31,258.933 ML <sup>9</sup>	clause 14.1(c) 6,804.542 ML <sup>14,15</sup>	clause 11.1(a) 5,154.739 ML <sup>19,20</sup>
Compliant with entitlement volume	clause 16.1(c) yes <sup>5</sup>	clause 13.1(e) yes <sup>11</sup>	n/a	n/a
Assignment of bulk entitlement	clause 16.1(d) 0 ML	clause 13.1(b) 0 ML	clause 14.1(d) -7,900 ML <sup>16</sup>	clause 11.1(b) -5,150.000 ML <sup>21</sup>
Permanent transfer of all or part of bulk entitlement	clause 16.1(d) None	clause 13.1(b) None	clause 14.1(e) None	clause 11.1(c) None
Approval, amendment and implementation of the metering program	clause 16.1(e) continuing <sup>6</sup>	n/a	n/a	n/a
Amendment of bulk entitlement	clause 16.1(f) None	Clause 13.1(c) None	Clause 14.1(f) None	Clause 11.1(d) None
Any new bulk entitlement of water granted	clause 16.1(g) None	clause 13.1(d) None	None	None
<i>Any failure to comply with any provision of this bulk entitlement</i>	clause 16.1(h) None	clause 13.1(f) None	clause 14.1(g) None	clause 11.1(e) None
<i>Any difficulties experienced or anticipated in complying with this bulk entitlement and any remedial action taken or proposed</i>	clause 16.1(i) None	clause 13.1(g) None	clause 14.1(h) None	clause 11.1(f) None

#### Notes for compliance with bulk entitlements

##### Greater Yarra System – Thomson River Pool

1. We hold *Bulk Entitlement (Greater Yarra System – Thomson River Pool – City West Water) Order 2014*. Compliance requirements are set out in clauses 16.1(a)-(i).
2. We are a primary entitlement holder with an annual entitlement share of 152,797 ML.
3. The Resource Manager – Melbourne Water makes seasonal allocations monthly and maintains our water account and carry over accounting. Carry-over on 30 June 2020 accounts for estimated spills of 1,779.531

ML. The metropolitan retailers make water available in Tarago Reservoir to Gippsland Water under a Bulk Water Supply Agreement. This is used by Gippsland Water to supplement their Tarago Bulk Entitlement during periods of high demand. City West Water provided 60.9 ML under the BWSA in 2019-20.

4. For water accounting purposes, water sourced during 2019-20 under our *Bulk Entitlement (Desalinated Water – City West Water) Order 2014* is considered to have been carried over and held in the Melbourne Headworks System under our *Bulk Entitlement (Greater Yarra System – Thomson River Pool – City West Water) Order 2014*.

5. Compliance with the entitlement volume is measured by compliance with the overall cap within the source entitlements for the Thomson and Yarra systems (held by Melbourne Water).
6. Metering programs for this bulk entitlement are continually maintained and reviewed via the Bulk Water Supply Agreement between us and Melbourne Water and System Management Rules established by Melbourne Water.

### Victorian Desalination Project

7. We hold *Bulk Entitlement (Desalinated Water – City West Water) Order 2014*. Compliance requirements are set out in clauses 13.1(a)-(g).
8. We do not take water directly from the Victorian Desalination project infrastructure. We may take an average annual volume of up to 39,595 ML of desalinated water over any period of five consecutive years that is delivered to a delivery point to the Melbourne headworks system.
9. The Resource Manager – Melbourne Water makes seasonal allocations monthly and maintains our water account and carry over accounting.
10. The Hon Lisa Neville MP, Minister for Water announced a 125 GL desalinated water order for the 2019-20 year. We received our share of 31,258.9 ML of our total share 32,996 ML during 2019-20 and 1,737.1 ML of our total 32,996 ML share was delivered in 2018-19.
11. Compliance with the entitlement volumes is measured with respect to whether the annual volume taken exceeds the entitlement. This didn't occur this year.

### Goulburn System

12. We hold *Bulk Entitlement (Goulburn System – City West Water) Order 2012*. Compliance requirements are set out in clauses 14.1(a)-(h).
13. We hold this entitlement as a result of our investment in the Goulburn Murray Water Connections Project Stage 1. We took no water from this resource in 2019-20.
14. The Resource Manager – the Northern Victorian Resource Manager, makes allocation equal to one-ninth of the total Phase 4 water savings achieved in the Goulburn component of the Goulburn Murray Irrigation District (GMID) from Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.

15. Carry over on 30 June 2020 accounts for estimated evaporative losses of 358.134 ML.

16. We have water management action plans in place to manage water allocations in excess of our use. These strategies include the transfer of allocations between bulk entitlement allocation accounts and selling water allocation.

### River Murray

17. We hold *Bulk Entitlement (Murray River – City West Water) Conversion Order 2012*. Compliance requirements are set out in clauses 11.1(a)-(f).
18. We hold this entitlement as a result of our investment in the Goulburn Murray Water Connections Project Stage 1. We took no water from this resource in 2019-20.
19. The Resource Manager – the Northern Victorian Resource Manager, makes allocation equal to one-ninth of the total Phase 4 water savings achieved in the River Murray component of the Goulburn Murray Irrigation District (GMID) from Goulburn Murray Water Connections Project Stage 1 as verified in the latest audit.
20. Carry over on 30 June 2020 accounts for estimated evaporative losses of 271.302 ML.
21. We have water management action plans in place to manage water allocations in excess of our use. These strategies include the transfer of allocations between bulk entitlement allocation accounts and selling water allocation.



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