

PARLIAMENT OF VICTORIA

Public Accounts and Estimates Committee



**2017-18 and 2018-19
Financial and Performance Outcomes
General Questionnaire**

Barwon Region Water Corporation

Contents

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Introduction – Financial and Performance Outcomes Questionnaire

The Committee's inquiry into the 2017-18 and 2018-19 Financial and Performance Outcomes examines:

- the Government's actual expenditure and revenue compared to the budgeted expenditure and revenue
- the actual performance outcomes against the targeted performance outcomes at a departmental/agency level.

The inquiry aims to benefit the Parliament and the community by:

- promoting the accountability, transparency and integrity of the executive and the public sector
- encouraging the effective and efficient delivery of public services and assets.

This questionnaire seeks information on the departmental/agency financials for the 2017-18 and 2018-19 financial years, what was achieved during those years and how that compares to expectations.

Timeline and format

Responses to this questionnaire are due by **5.00pm on Thursday 12 December 2019**.

Please email the completed questionnaire (in word and pdf) to paec@parliament.vic.gov.au

Please also email a signed copy.

Consistency with the budget papers

Whenever referring to an initiative/program/project that is referred to in the budget papers, please use the same name as is used in the budget papers. This ensures that the Committee can correlate the information provided by the department with the information in the budget papers.

Basis of consolidation

For departments, please use the same basis of consolidation as was used in the budget papers and in the budget portfolio outcomes statement in the department's annual report.

Guidance

Please contact the secretariat should you require guidance in relation to any questions:

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Section A: Output variances and program outcomes

Question 1 (all departments) Completed initiatives from past budgets

Not applicable.

Question 2 (all departments) Program outcomes

Not applicable.

Question 3 (all departments) Treasurer's advances and other budget supplementation

Not applicable.

Section B: Asset investment

Question 4 (all departments) Capital expenditure variances, completion date and scope changes – existing projects

Not applicable.

Question 5 (all departments) Details of actual capital expenditure – completed projects (or expected to be completed)

Not applicable.

Question 6 (all departments) High-value high-risk projects, gateway reviews and business cases

Not applicable.

Question 7 (all departments) Public Private Partnership (PPP) expenditure – existing and completed

Not applicable.

Section C: Revenue and appropriations

Question 8 (all departments and entities) Revenue – variances from previous year

Please explain any changes equal to or greater than $\pm 10\%$ or \$100 million between the actual result for 2017-18 and 2018-19 and the actual result for 2017-18 and 2018-19 for each revenue category detailed in your operating statement. Please also indicate what any additional revenue was used for or how any reduced amounts of revenue affected service delivery and then link it to the relevant output and portfolio.

Please also detail the outcomes in the community¹ achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no revenue/income categories for the department/agency for which the 2017-18 and 2018-19 expenditure changed from the prior year's expenditure by more than $\pm 10\%$ or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

2017-18 Response

| Revenue category | 2016-17 actual (\$ million) | 2017-18 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, how was this achieved | Relevant output(s) and portfolio(s) |
|------------------------------|-----------------------------|-----------------------------|--|--|-------------------------------------|
| Non-Government contributions | 33.066 | 44.017 | Higher than expected private sector developer property development activity. | This will partly fund future capital expenditure to service growth in our customer base. | Not applicable |
| Interest | 0.271 | 0.128 | Result of revised cash management strategy and lower investment interest rates. Strategy resulted in both lower interest revenue and lower | The net impact resulted in higher retained profits to fund our capital expenditure program. | Not applicable |

¹That is, the impact of service delivery on the community rather than a description of the services delivered.

| | | | | | |
|---|---------|-------|---|--|----------------|
| | | | borrowing costs (on loan funds) with the net financial impact being an increase in profitability, i.e. the reduced borrowing costs expenses were greater than the reduced interest revenue. | | |
| Net gain/(loss) on disposal of non-financial assets | (0.082) | 1.355 | Net result on property sales is favourable with Anglesea Basin and McCurdy Rd Herne Hill sales settled. | This will partly fund future capital expenditure to service growth in our customer base. | Not applicable |

2018-19 Response

| Revenue category | 2017-18 actual (\$ million) | 2018-19 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, how was this achieved | Relevant output(s) and portfolio(s) |
|--------------------------|-----------------------------|-----------------------------|--|---|-------------------------------------|
| Service charges | 92.168 | 105.238 | Higher connections growth, increased water consumption and water loss reduced. | This will partly fund addition costs involved with running alternate water sources such as the Melbourne Geelong Pipeline and the Anglesea borefield. | Not applicable |
| Tradewaste charges | 6.878 | 7.633 | Continued growth in trade waste customers. | This will partly fund future capital expenditure to service growth in our customer base. | Not applicable |
| Government Contributions | 0.386 | 0.511 | The increase is partially driven by a DELWP contribution to Northern and Western | Funding was provided to assist develop the Northern and Western Growth Area IWM Plan. | Not applicable |

| | | | | | |
|---|--------|---------|--|---|----------------|
| | | | Growth Area Integrated Water Management (IWM) Plan. | | |
| Developer contributions | 44.017 | 36.989 | Driven by a decrease in private sector developer activity (as well as timing of completion) in 2018-19. | Lower profitability resulting in lower retained profits to fund our capital expenditure program. | |
| Other (includes rental revenue) | 7.385 | 9.297 | Increased dual pipe-related revenue due to strong growth in dual pipe growth areas, fire hydrant volume and service charges, recycled class C revenue and Black Rock WRP inlet works upgrade settlement. | This will partly fund future capital expenditure to service growth in our customer base. | Not applicable |
| Interest | 0.128 | 0.064 | Decrease in interest due to the revised cash management strategy and lower investment interest rates. | Increased profitability resulting in higher retained profits to fund our capital expenditure program. | Not applicable |
| Net gain/(loss) on disposal of non-financial assets | 1.355 | (0.005) | Favourable sales in 2017-18. Subdivision of Kadak Place, Breakwater was pushed out to 2019-20 by weather related delays. | Lower profitability resulting in lower retained profits to fund our capital expenditure program. | Not applicable |

Question 9 (all departments and entities) Revenue – variances from budget to actual

Please explain any variances equal to or greater than ±10% or \$100 million between the initial budget estimate (not the revised estimate) and the actual result for 2017-18 and 2018-19 for each revenue category detailed in your operating statement. Please also indicate what any additional revenue was used for or how any reduced amounts of revenue affected service delivery and then link it to the relevant output and portfolio.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

2017-18 Response

| Revenue category | 2017-18 Budget estimate (\$ million) | 2017-18 actual (\$ million) | Explanations for changes ±10% or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, explain why | Relevant output(s) and portfolio(s) |
|---------------------------------|--------------------------------------|-----------------------------|--|--|-------------------------------------|
| Government Contributions | 0.093 | 0.386 | Includes funding received from DELWP for the Colac Water Energy Biogrid. | This will fund the Colac Water Energy Biogrid. | Not applicable |
| Non-Government contributions | 33.305 | 44.017 | Continued high level of developer activity across the region and New Customer Contributions (NCCs) as a result of increased connection numbers. | This will partly fund future capital expenditure to service growth in our customer base. | Not applicable |
| Other (includes rental revenue) | 5.897 | 7.385 | Higher general miscellaneous revenue items than budgeted, mainly items related to the higher developer activity: e.g. installation of meters and tapping fees etc. | This will partly fund future capital expenditure to service growth in our customer base. | Not applicable |

2018-19 Response

| Revenue category | 2018-19 Budget estimate (\$ million) | 2018-19 actual (\$ million) | Explanations for changes $\pm 10\%$ or \$100 million | How the additional revenue was used/the impact of reduced revenue. If no impact, explain why | Relevant output(s) and portfolio(s) |
|---------------------------------|--------------------------------------|-----------------------------|---|--|-------------------------------------|
| Tradewaste charges | 6.700 | 7.633 | Continued growth in trade waste customers. | This will partly fund future capital expenditure to service growth in our customer base. | Not applicable |
| Government Contributions | 0.095 | 0.511 | Higher than expected contributions including a contribution to the Northern and Western Growth Area IWM Plan. | Funding was provided to assist develop the Northern and Western Growth Area IWM Plan. | Not applicable |
| Developer contributions | 30.089 | 36.989 | Higher than expected private sector developer activity. | This will partly fund future capital expenditure to service growth in our customer base. | Not applicable |
| Other (includes rental revenue) | 11.064 | 9.297 | Lower than expected external non-regulated type revenues. | Lower profitability resulting in lower retained profits to fund our capital expenditure program. | Not applicable |
| Interest | 0.026 | 0.064 | Higher than expected interest income due conservative budgeted interest rates. | Higher profitability resulting in higher retained profits to fund our capital expenditure program. | Not applicable |

Section D: Expenses

Question 10 (all departments and entities) Expenses changed from previous year

Please explain any changes equal to or greater than $\pm 10\%$ or \$100 million with regards to the actual result for 2016-17 and 2017-18 for each category of expenses detailed in your operating statement, the initial budget estimate (not the revised budget), and 2017-18 and 2018-19 actual results. Please also detail the outcomes in the community² achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

2017-18 Response

| Expenses category | 2016-17 Actual \$ million | 2017-18 Budget estimate \$ million | 2017-18 Actual \$ million | Explanations for variances $\pm 10\%$ or \$100 million | Outcomes achieved by additional expenses/impact of reduced expenses. If no impact, how was this achieved |
|-------------------|------------------------------|--|------------------------------|--|---|
| Employee benefits | 35.515 | 33.563 | 39.910 | On 2 December 2017 Barwon Water acquired a wholly owned subsidiary company resulting in the 2017-18 results being the Group Consolidated Accounts. This incorporation of the subsidiary's employee benefits for 2017-18 from 2/12/17 effectively increasing this line item compared to the 2016-17 year. This is also the main driver for the variance from the budget estimate. | Lower profitability resulting in lower retained profits to fund our capital expenditure program. |
| Other operating | 0.219 | 0.190 | 0.282 | Consists of both bad debts expense and bank fees, both incurring an unbudgeted minor increase in 2017-18 from 2016-17. | Lower profitability resulting in lower retained profits to fund our capital expenditure program. |

²That is, the impact of service delivery on the community rather than a description of the services delivered.

2018-19 Response

| Expenses category | 2017-18 Actual \$ million | 2018-19 Budget estimate \$ million | 2018-19 Actual \$ million | Explanations for variances ±10% or \$100 million | Outcomes achieved by additional expenses/impact of reduced expenses. If no impact, how was this achieved |
|----------------------------|------------------------------|--|------------------------------|---|---|
| Employee benefits | 39.910 | 39.140 | 44.315 | Increase in expense due in part to employee leave provision adjustments for the year, reflecting the indexation factor being lower and the labour inflation being higher than budget. It also incorporates a full year of the subsidiary's inclusion in the Group Consolidated Accounts. | Lower profitability resulting in lower retained profits to fund our capital expenditure program. |
| Environmental Contribution | 6.651 | 8.410 | 8.410 | Reflective of the increase in the Environmental Contribution Levy required to be paid by water corporations under the <i>Water Industry Act 1994</i> . | Lower profitability resulting in lower retained profits to fund our capital expenditure program. |
| Other operating | 0.282 | 0.190 | 0.189 | Consists of both bad debts expense and bank fees, both incurring a minor decrease in 2018-19 compared to 2017-18. | Increased profitability resulting in higher retained profits to fund our capital expenditure program. |

Question 11 (all departments and entities) Changes to service delivery from savings initiatives

Not applicable.

Question 12 (all departments) Achievement of reprioritisation of existing resources

Not applicable.

Question 13 (all departments) Contractors, Consultants and Labour Hire Arrangements

Not applicable.

Question 14 (PNFC and PFC entities only) Dividends and other amounts paid to the general government sector

Please detail the type and value of dividends, amounts equivalent to dividends, non-dividend grants, and capital repatriations paid by your agency to the general government sector in 2017-18 and 2018-19, explaining the reasons for any significant changes over that period and the impact of any changes on the entity.

2017-18 Response

| Type of dividend paid | 2017-18 Budget (\$ million) <i>BP 5, pg. 21</i> | 2017-18 Actual (\$ million) | Explanations for variances $\pm 10\%$ or \$100 million | Impact on the agency. If no impact, how was this achieved | Funding ratio at 30 June 2018 |
|-----------------------|---|--------------------------------|--|---|-------------------------------|
| Not applicable | | | | | |

2018-19 Response

| Type of dividend paid | 2018-19 Budget (\$ million) <i>BP 5, pg. 21</i> | 2018-19 Actual (\$ million) | Explanations for variances $\pm 10\%$ or \$100 million | Impact on the agency. If no impact, how was this achieved | Funding ratio at 30 June 2019 |
|-----------------------|---|--------------------------------|--|---|-------------------------------|
| Not applicable | | | | | |

Section E: Public sector workforce

Question 15 (all departments and entities) Full Time Equivalent (FTE) staff by level and category

Please fully complete the table below, providing actual FTE staff numbers at 30 June 2016, at 30 June 2017 and 30 June 2018 (broken down by the categories listed below) for the department. Please include specific categories as relevant to the department/entity and where relevant, provide a description of what categories constitute 'other'. Please provide figures consolidated on the same basis as the expenditure for the department in the budget papers and detail which, if any, entities are included in the FTE numbers provided.

| Category | 30 June 2016 Actual FTE number | 30 June 2017 Actual FTE number | 30 June 2018 Actual FTE number |
|------------------------------------|---|--------------------------------|--------------------------------|
| Secretary | | | |
| EO-1 | | | |
| EO-2 | | | |
| EO-3 | | | |
| VPS Grade 7 (STS) | Barwon Water does not employ staff according to the VPS grade structure | | |
| VPS Grade 6 | | | |
| VPS Grade 5 | | | |
| VPS Grade 4 | | | |
| VPS Grade 3 | | | |
| VPS Grade 2 | | | |
| VPS Grade 1 | | | |
| Government Teaching Service | | | |
| Health services | | | |
| Police | | | |
| Nurses/Midwives | | | |
| Allied health professionals | | | |
| Child protection | | | |
| Disability development and support | | | |
| *Youth custodial officers | | | |
| *Custodial officers | | | |
| **Other | 319.54 | 314.09 | 313.85 |
| Total | 319.54 | 314.09 | 313.85 |

***Please provide a breakdown for Youth custodial and Custodial officers by level (for example, YW1, YW2, YW3, YW4, YW5 and YW6).**

****Other includes:**

Numbers include FTE for the following entities:

Barwon Water

Question 16 (all departments and entities) Salary by employment category

In the table below, please detail the salary costs for 2016-17, 2017-18 and 2018-19, broken down by ongoing, fixed-term and casual, and explain any variances equal to or greater than $\pm 10\%$ or \$100 million between the years for each category.

| Employment category | Gross salary 2016-17 (\$ million) | Gross salary 2017-18 (\$ million) | Gross salary 2018-19 (\$ million) | Explanation for any year-on-year variances $\pm 10\%$ or \$100 million |
|---------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Ongoing | 26.13 | 29.63 | 32.37 | |
| Fixed-term | 0.93 | 1.16 | 1.49 | Fixed term employment being utilised to enable greater flexibility around specific resource requirements |
| Casual | 0.04 | 0.06 | 0.12 | Increased uptake of graduates and students |
| Total | 27.10 | 30.85 | 33.98 | |

Question 17 (all departments and entities) Executive salary increases

Please detail the number of executives who received increases in their base remuneration in 2017-18 and 2018-19, breaking that information down according to what proportion of their salary the increase was, and explaining the reasons for executives' salaries increasing in each bracket.

2017-18 Response

| Increase in base remuneration | Number of executives receiving increases in their base rate of remuneration of this amount in 2017-18, apart from normal increases due to employment agreements | Reasons for these increases |
|-------------------------------|---|--|
| 0-3% | 13 | Annual remuneration reviews as per executive contracts of employment. Increases comply with State Government Public Sector executive remuneration policy and guideline increase directives. |
| 3-5% | | |
| 5-10% | 1 | Annual remuneration reviews as per executive contracts of employment plus remuneration package adjustments applied to redress |

| | | |
|------------------|--|--|
| | | remuneration parity issues within senior executive team. |
| 10-15% | | |
| greater than 15% | | |

2018-19 Response

| Increase in base remuneration | Number of executives receiving increases in their base rate of remuneration of this amount in 2018-19, apart from normal increases due to employment agreements | Reasons for these increases |
|-------------------------------|---|--|
| 0-3% | 14 | Annual remuneration reviews as per executive contracts of employment. Increases comply with State Government Public Sector executive remuneration policy and guideline increase directives. |
| 3-5% | 1 | Annual remuneration reviews as per executive contracts of employment plus remuneration package adjustments applied to redress remuneration parity issues within senior executive team. |
| 5-10% | | |
| 10-15% | | |
| greater than 15% | | |

Question 18 (all departments and entities) Enterprise Bargaining Agreement (EBAs)

Refer to the Department of Environment, Land, Water and Planning's response to the 2017-18 and 2018-19 Financial and Performance Outcomes Questionnaire.

Section F: Government decisions impacting on the finances

Question 19 (all departments and entities) Commonwealth Government decisions

Please identify any Commonwealth Government decisions during 2017-18 and 2018-19 which had not been anticipated/not been concluded before the finalisation of the State budget in 2017-18 and 2018-19 and their impact(s) on the department's/entity's finances or activities during those years (including new funding agreements, discontinued agreements and changes to funding levels). Please quantify the impact on income and expenses where possible.

2017-18 Response

| Commonwealth Government decision | Impact(s) in 2017-18 | |
|----------------------------------|------------------------|--------------------------|
| | on income (\$ million) | on expenses (\$ million) |
| Not applicable | | |

2018-19 Response

| Commonwealth Government decision | Impact(s) in 2018-19 | |
|----------------------------------|------------------------|--------------------------|
| | on income (\$ million) | on expenses (\$ million) |
| Not applicable | | |

Question 20 (all departments and entities) Council of Australian Governments (COAG) decisions

Not applicable.

Section G: General

Question 21 (all departments and entities) Key audit matters

Please list any Key Audit Matters (KAMs) identified by the Victorian Auditor General in the department/entities 2017-18 and 2018-19 annual reports and provide information about the associated actions taken by the department/entity to benefit future disclosures or manage associated risks, since the KAMs were identified.

2017-18 Response

| Key audit matters identified | Actions taken |
|------------------------------|---------------|
| Not applicable | |

2018-19 Response

| Key audit matters identified | Actions taken |
|------------------------------|---------------|
| Not applicable | |

Question 22 (all departments and entities) Reviews/studies undertaken

- a) Please list all internal and external reviews/studies commenced or completed by or on behalf of the department/agency in 2017-18 and 2018-19 and provide the following information:
- i. Name of the review/study and which portfolio and output/agency is responsible
 - ii. Reasons for the review/study
 - iii. Terms of reference/scope of the review/study
 - iv. Timeline for the review/study
 - v. Anticipated outcomes of the review/study
 - vi. Estimated cost of the review/study and final cost (if completed)
 - vii. Final cost if completed
 - viii. Where completed, whether the review/study is publicly available and where.

2017-18 Response

| Name of the review (portfolio(s) and output(s)/agency responsible) | Reasons for the review/study | Term of reference/scope | Timeline | Anticipated outcomes | Estimated cost (\$) | Final cost if completed (\$) | Publicly available (Y/N) and URL |
|--|------------------------------|-------------------------|----------|----------------------|---------------------|------------------------------|----------------------------------|
| Not applicable | | | | | | | |

2018-19 Response

| Name of the review (portfolio(s) and output(s)/agency responsible) | Reasons for the review/study | Term of reference/scope | Timeline | Anticipated outcomes | Estimated cost (\$) | Final cost if completed (\$) | Publicly available (Y/N) and URL |
|--|---|---|----------|----------------------------------|---------------------|------------------------------|----------------------------------|
| Water Services Association of Australia – Operational Cost Best Benchmarking Study | Periodic review of operational expenses | 25 industry peers from across Australia | 2017-18 | Benchmarked operational expenses | 25,000-35,000 | 33,000 | N |

- b) Please outline the Department's/Agencies in house skills/capabilities/expertise to conduct reviews/studies/evaluations/data analysis of the programs and services for which the Department /Agency is responsible.

Barwon Water has an appropriate level of in house skills/capabilities/expertise. Where required, additional external support is engaged.

Question 23 (all departments and entities) Annual reports – performance measure targets and objective indicators

Not applicable.

Question 24 (all departments and entities) Challenges experienced by department/agency

Refer to the Department of Environment, Land, Water and Planning's response to the 2017-18 and 2018-19 Financial and Performance Outcomes Questionnaire.

Question 25 (all departments) Newly created bodies

Not applicable.

Section H: Implementation of previous recommendations

Question 26 (relevant departments only)

Not applicable.

Section I: Department of Treasury and Finance only

Question 27 (DTF only) Revenue certification

Not applicable.

Question 28 (DTF only) Net cash flows from investments in financial assets for policy purposes – General Government Sector (GGS)

Not applicable.

Question 29 (DTF only) Purchases of non-financial assets – General Government Sector (GGS)

Not applicable.

Question 30 (DTF only) Revenue initiatives

Not applicable.

Question 31 (DTF only) Expenses by departments – General Government Sector (GGS)

Not applicable.

Question 32 (DTF only) Economic variables

Not applicable.

Question 33 (DTF only) Resource Management Framework – Funding reviews

Not applicable.

Section J: Treasury Corporation of Victoria only

Question 34 Dividends

Not applicable.

Question 35 Commodity risk management

Not applicable.

Question 36 Foreign exchange risk management

Not applicable.

Question 37 Public Private Partnership (PPP) projects

Not applicable.

Question 38 Green Bonds

Not applicable.