

PARLIAMENT OF VICTORIA

Public Accounts and Estimates Committee



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

Yarra Valley Water

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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)
Developer contributed assets	20.5	23.3	Growth in development activity.	Increase to revenue and profit in comparison to the prior year.	Not applicable.
Other revenue	48.9	55.2	Higher development activity levels resulting in an increase in sales of products and services associated with new metering installations, higher water trading prices achieved in the market, land revaluation impairment writeback and additional waste to energy gate sales.	Increase to revenue and profit in comparison to prior year.	Not applicable.

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

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)
Developer contributed assets	23.3	83.6	Growth in development activity, increase in the book rates used for water and sewer assets transferred to Yarra Valley Water and the impact of the change to AASB 15 Revenue from contracts with customers.	Increase to revenue and profit in comparison to prior year.	Not applicable.

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

Please explain any variances equal to or greater than $\pm 10\%$ 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 $\pm 10\%$ 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)
Developer contributed assets	19.4	23.3	Higher development activity levels compared to budget.	Increase to revenue and profit in comparison to budget.	Not applicable.
New customer contributions by developers	27.6	32.1	Higher development activity levels compared to budget.	Increase to revenue and profit in comparison to budget.	Not applicable.
Other revenue	47.7	55.2	Higher development activity levels increased the sale of new metering related products and services and land revaluation impairment.	Increase to revenue and profit in comparison to budget.	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)
Total contributions (New customer contributions by developers and	83.8	115.8	Increases to the book rates used for the value of assets transferred from developers to Yarra Valley Water and the impact of	Increase to revenue and profit in comparison to budget.	Not applicable.

Developer contributed assets)			AASB15 Revenue from contracts with customers which brought forward revenue in 2018-19.		
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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
Depreciation	76.5	81.0	87.1	Depreciation increased due to the change in the useful life of meters and hydraulic modelling assets, several high value projects being capitalised in 2018 including Amaroo and Waste to Energy plant and the impact of the increase to infrastructure valuation from June 2017.	No additional outcomes from higher depreciation expenditure. There was a negative impact on profit compared to budget.

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
Environmental contribution	29.9	42.9	42.9	Increase in statutory levy under the <i>Water Industry Act 1994</i> .	No additional outcomes for Yarra Valley Water from higher environmental contribution expenditure. However, payments to Government are used for water related environmental initiatives. Additional cost recovered through customer pricing.
Other expenses	45.2	44.7	49.7	<p>Deferred property debt forgiveness for customers in financial difficulty.</p> <p>Higher IT costs associated with the transfer of applications from IT infrastructure / hardware to the cloud as they are upgraded / replaced.</p> <p>Increase in electricity pricing on new contracts due to higher market rates.</p>	<p>Positive customer service impact from writing off debt for vulnerable customers.</p> <p>Subject to approved business cases with supporting benefits, a number of applications have moved from infrastructure / hardware to the cloud. Therefore, we have also reduced capital expenditure on IT infrastructure / hardware.</p> <p>No additional outcomes have been achieved for the higher electricity costs. However, we have implemented a number of initiatives to reduce ongoing electricity costs and emissions including a waste to energy plant which provides electricity to a sewage treatment plant, a solar car park was built in 2019 which reduces electricity costs at Yarra Valley Water's Mitcham site and solar panels have been installed at sewage treatment plants.</p>

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
Dividends Paid	28.0	41.6	Higher than budgeted final dividend in 2016-17 (\$3.4m) and the 2017-18 interim dividend (\$10.2m) was paid in June 2018 but was not budgeted to occur until 2018-19.	Impact on borrowing levels and finance charges.	Total assets / Total Liabilities = 1.51
Capital repatriation	23.9	23.9	Not applicable.	Impact on borrowing levels and finance charges.	

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
Dividends Paid	34.0	44.1	2017-18 final dividend higher than budgeted. Profit exceeded budget as a result of increased revenue, primarily due to higher water usage and growth in development activity.	Impact on borrowing levels and finance charges.	Total assets / Total Liabilities = 1.47
Capital repatriation	23.9	23.9	Not applicable.	Impact on borrowing levels and finance charges.	

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)			
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	546.2	576.0	595.2
Total	546.2	576.0	595.2

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

****Other includes:** All Yarra Valley Water FTEs are included in Other, as the remaining categories are not applicable.

Numbers include FTE for the following entities:

Yarra Valley 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	37.4	38.7	42.5	N/A
Fixed-term	26.6	29.7	37.8	<p>Increase in 2017-18 relative to 2016-17 due to increase in number of fixed-term employees.</p> <p>Increase in 2018-19 relative to 2017-18 due to compensation for removal of performance pay from employment contracts.</p> <p>Since 2016-17 there has been an increase in staff numbers to service the growing population. In addition, there have been more roles sourced from external contractors to reduce costs.</p>
Casual	3.8	2.5	2.0	Decrease in since 2016-17 because of reduced casual employees. This has been offset by an increase in fixed term appointments.
Total	67.9	71.0	82.4	

Note: the costs disclosed in Question 16 include all salary costs (capitalised and expensed).

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%	5	Annual increments in line with government guidelines.
3-5%		
5-10%	2	Changed remuneration arrangements due to organisation restructure and expanded role scope, consistent with external assessment of roles.
10-15%	1	
greater than 15%	1	Includes parity adjustment.

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%		
3-5%		
5-10%	2	Performance payments removed from employment contracts and base rate increased to compensate for bonus removal.
10-15%	7	Performance payments removed from employment contracts and base rate increased to compensate for bonus removal.
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
No key audit matters disclosed in 2017-18.	Not applicable. The Key Audit Matters were not required to be disclosed in 2017-18 and only came into effect for Yarra Valley Water in 2018-19.

2018-19 Response

Key audit matters identified	Actions taken
<p data-bbox="190 868 801 940">Revenue from service and usage charges: \$958 million.</p> <p data-bbox="190 979 801 1051">VAGO considers this to be a key audit matter because:</p> <ul data-bbox="246 1051 801 1361" style="list-style-type: none"> - revenue recognised is financially significant to the corporation - revenue is generated by a complex IT system that uses several inputs and business rules - revenue includes a significant accrual for unbilled water and sewerage services at year end that involves a higher degree of estimation uncertainty 	<p data-bbox="801 868 2105 904">To manage the risks associated with this key audit matter, the following actions/processes are performed:</p> <ul data-bbox="851 904 2105 1118" style="list-style-type: none"> - Ensure an appropriate control environment is in place. - An internal audit program which periodically reviews underlying controls and processes associated with the revenue stream. - Ensure appropriately qualified and experienced employees have accountability of the relevant process and systems. - Maintain accounting recognition and measurement policies.

<ul style="list-style-type: none"> - a key input, customer water volume consumption, relies on external service providers to conduct meter readings. 	
<p>Fair value estimate of infrastructure assets: \$3.890 billion</p> <p>VAGO considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> - the infrastructure assets are financially significant to the corporation - the fair value estimate relies on management's use of an external valuation expert - the DCF model is highly complex and involves significant management judgements, underpinned by various subjective assumptions - the calculated value is sensitive to small changes in key assumptions used in the DCF model - the model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value - applicable accounting standard AASB 13 <i>Fair Value Measurement</i> and the Assistant Treasurer issued Financial Reporting Direction 103H <i>Non-financial physical assets</i> both require extensive financial report disclosures. 	<p>Management engages an independent subject matter expert to value the Corporation's infrastructure assets.</p>

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.

Yarra Valley Water has defined “reviews / studies” as those which are transformational to the water industry. As part of our core business we perform regular reviews/engagements which are not disclosed in the tables below including:

- Engaging with Aboriginal people in our planning processes,
- Conducting studies at our facilities into energy generation, recycled water and sewerage systems.
- Engaging experts to provide advice on minimising impact on sites of cultural or environmental significance.
- Using consultants to review complex engineering projects.

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
Affordability of water and sewerage services - Melbourne University	To understand the impact of water and sanitation bills on customers.	Yarra Valley Water customers	2018	Understanding both whether the affordability of customer bills has changed over time, and the spatial variability of the results.	\$24,000	\$24,000	Journal paper will be published in the beginning of 2020.

Thriving Communities Partnership	Bring together diverse organisations to ensure everyone has access to the modern essential services they need to thrive in contemporary Australia.	Cross sector collaboration spanning organisations in the water, energy, banking and telecommunications industries.	2017 onwards	In addition to the website and collaboration platform, regular workshops and events, TCP has released the following support tools to assist businesses and Australians alike: <ul style="list-style-type: none"> - Family Violence roundtable report - Improving Access and Support for Consumers with Cognitive Disabilities – A guide for retailers. 	\$500,000	N/A - ongoing	https://thriving.org.au/
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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
Upper Merri Creek Integrated Water Management (IWM) Sub-catchment Planning	To pilot a new partnership approach to managing water at the sub-catchment level. Support all agencies to work together to address challenges and create positive outcomes for the	Putting water at the centre of neighbourhood design in the Upper Merri Creek sub-catchment by using better urban landscaping and design approaches to mimic the natural water cycle	IWM Plan proposed to be finished by late 2020	Deliver an IWM Plan that identifies the opportunities, whilst addressing the issues, identified by the partnering organisations and enhance neighbourhoods where water	\$600,000	N/A	IWM Plan proposed to be finished by late 2020 https://uppermerricreek.com.au/

	local community and the environment.	and make better use of rainwater, stormwater and recycled water.		enables the increased connection of community.			
Trialling Digital Meters	The key driver for installing digital water meters on customer properties is to improve business productivity through a range of initiatives including (but not limited to) reduced consumption, identifying leaks on customer properties, automation of manual processes, customer self-service and improved network efficiency and forward planning.	Yarra Valley Water is trialling upgrading customers' existing water meters with Digital Meters. The trial involves replacing existing analogue meters with digital meters primarily in the Vermont South area.	Expected to be completed in 2020-21	Save water, improved customer service, improved management of assets and reduced costs.	\$2-3 million	N/A	No

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.

Yarra Valley Water has an appropriate level of research personnel. External support is engaged as required.

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.