

**PARLIAMENT OF VICTORIA**

Public Accounts and Estimates Committee



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

**South East 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](mailto: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 ±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 community<sup>1</sup> 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 ±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 ±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 and usage charges	852.9	900.7	Not applicable	Not applicable	Not applicable
Developer contributions	125.2	135.5	Not applicable	Not applicable	Not applicable
Other income	51.4	54.7	Not applicable	Not applicable	Not applicable

<sup>1</sup>That 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)
Service and usage charges	898.9	861.5	Not applicable	Not applicable	Not applicable
Developer contributions	135.5	121.3	Lower developer activity across the South East Water service area compared to prior year.	Lower profitability, tax and dividend payments. Lower retained profits to fund capital expenditure programs.	Not applicable
Other revenue	55.5	57.5	Not applicable	Not applicable	Not applicable
Other income	3.0	3.2	Not applicable	Not applicable	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)
Service and usage charges	880.1	900.7	Not applicable	Not applicable	Not applicable
Developer contributions	90.8	135.5	Higher developer activity across the South East Water service area compared to expectations.	Higher profitability, tax and dividend payments. Higher retained profits to fund capital expenditure programs.	Not applicable
Other income	30.0	54.7	Higher developer related revenue compared to expectations.	Higher profitability, tax and dividend payments. Higher retained profits to fund capital expenditure programs.	Not applicable

#### 2018-19 Response

Revenue category	2018-19 Budget estimate (\$ million)	2018-19 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)
Service and usage charges	864.2	861.5	Not applicable	Not applicable	Not applicable
Developer contributions	93.4	121.3	Higher developer activity across the South East Water service area	Higher profitability, tax and dividend payments. Higher retained profits to fund capital expenditure programs.	Not applicable

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			compared to expectations.		
Other revenue	52.6	57.5	Not applicable	Not applicable	Not applicable
Other income	3.2	3.2	Not applicable	Not applicable	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 community<sup>2</sup> 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
Operating expenses	586.9	575.8	598.9	Not applicable.	Not applicable.
Employee benefits	51.8	57.7	56.4	Not applicable.	Not applicable.
Depreciation and amortisation	89.8	94.3	91.8	Not applicable.	Not applicable.
Finance costs	81.0	85.6	82.8	Not applicable.	Not applicable.
Environmental contribution	27.9	27.9	27.9	Not applicable.	Not applicable.

#### 2018-19 Response

Expenses category	2017-18 Actual \$ million	2018-19 Budget estimate \$ million	2018-19 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
Operating expenses	598.9	607.2	620.9	Not applicable.	Not applicable.
Employee benefits	56.4	56.9	56.0	Not applicable.	Not applicable.

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

Depreciation and amortisation	91.8	97.7	95.6	Not applicable.	Not applicable.
Finance costs	82.8	91.8	83.6	Not applicable.	Not applicable.
Environmental contribution	27.9	40.7	40.7	Increase in statutory levy under the <i>Water Industry Act 1994</i> .	No impact – the additional expense is recovered through customer pricing.

**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>2017-18 BP 5, pg. 21</i>	2017-18 Actual (\$ million)	Explanations for variances ±10% or \$100 million	Impact on the agency. If no impact, how was this achieved	Funding ratio at 30 June 2018
Final dividend in respect to 2016-17	90.0	82.2	Higher than budgeted profits, due largely to revenue from developer contribution.	Level of borrowings and finance charges.	Total assets to total liabilities = 1.88
Interim dividend in respect to 2017-18		24.9			
Capital repatriation	22.2	22.2	Not applicable.	As above.	

**2018-19 Response**

Type of dividend paid	2018-19 Budget (\$ million) <i>2018-19 BP 5, pg. 21</i>	2018-19 Actual (\$ million)	Explanations for variances ±10% or \$100 million	Impact on the agency. If no impact, how was this achieved	Funding ratio at 30 June 2019
Final dividend in respect to 2017-18	56.0	58.7	Not applicable.	Level of borrowings and finance charges.	Total assets to total liabilities = 1.84
Capital repatriation	22.2	22.2	Not applicable.	As above.	

## 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	560.8	567.0	571.4
<b>Total</b>	<b>560.8</b>	<b>567.0</b>	<b>571.4</b>

**\*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:**

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### 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	53.6	56.0	62.1	Increase in roles as a result of organisational restructure in 2018 and further investment in significant capital projects in 2018–19.
Fixed-term	2.0	1.6	1.1	A number of fixed-term contracts were converted to ongoing positions, this was partly offset by an increase in traineeship roles, vacation students and intake of graduates.
Casual	0.2	0.0	0.0	Positions no longer required
<b>Total</b>	<b>55.8</b>	<b>57.6</b>	<b>63.2</b>	

Note: As reported in previous surveys, employee benefit costs reported in the annual report includes employee on-cost charges that are not paid to the employee and does not include salaries and wages for those employees working on capital related projects.

### 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%	7	Seven received annual pay increase of 2% for employees on Government Sector Executive Remuneration Panel (GSERP) contracts is consistent with government directions.

		Total nine executives as per annual report - Two executives commenced post 1 July 2017, therefore did not receive an increase to their base remuneration in 2017-18.
3-5%		
5-10%		
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%	9	The annual pay increase of 2% for employees on Government Sector Executive Remuneration Panel (GSERP) contracts is consistent with government directions.
3-5%		
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
Revenue from service usage charges are derived from a complex IT billing system with several inputs, including external service providers.	<p>South East Water has effective controls in place, including:</p> <ul style="list-style-type: none"> <li>• Implemented and regularly testing Business Continuity Plans and Disaster Recovery processes</li> <li>• Upgrading and maintaining applications and/or servers</li> <li>• Internal audits on activities and processes which captures the billing system</li> <li>• Compliance with Quality Management System standards</li> <li>• Managing investment in the most appropriate areas in the IT portfolio within a set budget.</li> </ul> <p>Note: This risk has continuously been managed by South East Water, even prior to VAGO identifying this risk as a Key Audit Matter.</p>
The fair value estimate of infrastructure assets is derived from an income-based valuation approach that uses a complex discounted cashflow model.	<p>South East Water engages an independent third party to perform the valuation of South East Water’s infrastructure assets on an annual basis. Any material movement in the infrastructure asset valuation are adjusted and disclosed in the financial report accordingly</p> <p>Note: This risk has continuously been managed by South East Water, even prior to VAGO identifying this risk as a Key Audit Matter.</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.

### 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
2018 ESC Price Review	The Essential Services Commission (ESC) reviews SEW's proposed 5-year prices for the provision of water and sewerage services to its customers	The scope of the ESC price review is outlined in the <a href="#">ESC guidance paper</a>	The 2018 price review commenced in September 2017 (submitted price submission) and was finalised in June 2018	The ESC authorises SEW tariff proposals commencing 1 July 2018 for a 5-year period	Approximately \$2 million (included in cost: ESC Licence fees; FTE costs)	\$2 million	<a href="#">2018 Pricing Submission</a>

**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
Melbourne’s Water Outlook 2019  The three metro water corporations rotate production of this report over a three-year period. South East Water had responsibility for the 2019 report	The Annual Water Outlook keeps Melburnians informed about the state’s water supplies and outlines the contingency plans being put in place to cope with any shortages should they arise this summer and autumn	The terms of Reference are listed in <a href="#">Water Corporations Statement of Obligations</a>	July 2018 to September 2018	N/A	Approx. \$30,000 – Completed in house	\$43,587 including employee on-costs of 25%	Published at the time. No longer available on SEW website <a href="#">Melbourne Water link</a>

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.

Large pieces of work, such as the ESC Price Review require the creation of dedicated team of multiple staff drawn from across the organisation, working over a period of months, to complete them.

Smaller reports, such as the Water Outlook, can be carried out in-house through the responsible team, with assistance from the communications team.

Outside consultants are engaged on an as needs basis, and are often used for in-house reviews.

**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.