Melbourne Water Annual Report

2023-24

VICTORIA State Government

Melbourne Water

Our vision

Enhancing Life and Liveability

Water is central to life. It sustains the natural environment we live in, the communities we value and the economy we depend on.

Aboriginal Acknowledgement

Melbourne Water respectfully acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners and custodians of the land and water on which all Australians rely.

We pay our respects to Bunurong, Gunaikurnai, Taungurung, Wadawurrung and Wurundjeri Woi-wurrung peoples as the Traditional Owners and custodians of the land and water on which we rely and operate. We pay our deepest respects to their Elders past, present and emerging.

We recognise and respect the continued cultural and spiritual connections that Aboriginal and Torres Strait Islander peoples have with the land and water they have cared for and protected for thousands of generations.

We demonstrate our ongoing commitment to reconciliation through our partnerships with Traditional Owners and the broader Aboriginal and Torres Strait Islander communities, as we work together to manage land and water now and into the future, while maintaining and respecting cultural and spiritual connections.

About this report

The *Melbourne Water Annual Report 2023-24* describes Melbourne Water activities undertaken between 1 July 2023 and 30 June 2024 to meet our customers' needs, regulatory obligations and contribute towards achieving our vision of enhancing life and liveability.

Melbourne Water is a Victorian Government-owned statutory authority.

This Annual Report contains climate-related and other environment, social and governance (ESG) forward-looking statements, including targets, commitments, plans, estimates, assumptions, and metrics.

There can be no assurance that future developments or performance will align with our expectations or that the effect of future developments on us will be those anticipated. Actual results and outcomes could differ materially from those we expect, or which are expressed or implied in such forward-looking statements, depending on various factors.

Readers are cautioned not to place undue reliance on such statements in light of the significant uncertainty in climate metrics and modelling that limit the extent to which they are useful for decision-making, and the many underlying risks and assumptions may cause actual outcomes to differ materially. While Melbourne Water has prepared the information in this report based on its current knowledge and understanding and in good faith, it reserves the right to change its views in the future.

Melbourne Water makes all disclosures in this Annual Report in good faith and based on its current knowledge and understanding. Nevertheless, certain representations in this Annual Report rely on the disclosures and information sourced from third parties. Melbourne Water has not taken steps to independently verify these disclosures or information (or their underlying assumptions), which may vary over time and may, in certain circumstances beyond Melbourne Water's control, include inaccuracies. These factors may impact on Melbourne Water's disclosures, including on its ability to meet commitments and goals.

All financial years within this Annual Report are represented as a date range. For example, 2023-24 refers to 1 July 2023 to 30 June 2024.

An online version and accessible text format of this report are available on our website[1]. Printed copies are available on request.

If you would like a copy of this report in a different accessible format, please call Melbourne Water on 131 722 (within Victoria) or (03) 9679 7100 (outside Victoria), or email enquiry@melbournewater.com.au.

In accordance with the *Financial Management Act 1994*, we are pleased to present Melbourne Water's Annual Report for the year ended 30 June 2024.

Greg Wilson
Chair
30 August 2024

Nerina Di Lorenzo
Managing Director
30 August 2024

[1] http://www.melbournewater.com.au

Cover photo: Cardinia Reservoir

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Report from the Chair and Managing Director

Water is essential to our way of life. At Melbourne Water, we are committed to delivering the essential services that sustain communities now and in the future.

Planning for and meeting the needs of all Melburnians is at the centre of what we do. As our city grows, we have the unique opportunity to shape the future of water through the way we recover resources, treat and reuse wastewater and ensure the availability of water sources to sustain our way of life.

We are in the decade that matters when the actions we take now will define our future. Melbourne Water is already responding to a changing climate by building resilience into our infrastructure and water supplies in preparation for extreme weather events, rising sea levels, reduced rainfall and increasing temperatures.

To help us meet these challenges, Melbourne Water has defined our sustainability role. We have significant opportunities to make positive impacts on communities by providing resilient services that enhance environmental, social, cultural and economic outcomes for current and future generations.

We have also focused our priorities to ensure we build resilience into our systems and create a fit-for-future organisation that continues to protect the resources essential to Greater Melbourne's way of life.

To catalyse the change needed to respond to the challenges of climate change and population growth, Melbourne Water is also working towards a set of strategic goals that focus on decarbonisation, the circular economy, securing future water sources, Integrated Water Management and supporting Traditional Owner self-determination.

While we continue to prioritise the critical work our customers, community and environment need from us today, we have also strengthened our priorities to meet the challenges of tomorrow.

Supporting the *Housing Statement*

Melbourne is the fastest-growing Australian city with over six million people expected to rely on our services by 2030. Melbourne Water is committed to supporting the Victorian Government's Housing Statement to provide 800,000 new houses over ten years.

As floodplain manager under the *Water Act 1989*, we are working with others to design our region's infrastructure and housing to include integrated flood management practices. This year, we have collaborated with government and other stakeholders to formulate an action plan that supports the Housing Statement delivery, including addressing broader systemic issues to better support housing. Refer to page 11 for more information on how we are supporting the Victorian Government's *Housing Statement*.

Reducing our scope 1 and 2 emissions

Melbourne Water continues to progress 'Our Path to Net Zero' strategy to reduce our annual reportable scope 1 and 2 emissions to net zero from 1 July 2029-30, as required by the Victorian Government's *Statement of Obligations (Emission Reduction)* (SoO(ER)). This includes building key infrastructure projects at our treatment plants, such as the $711 million Resource Recovery & Re-use Complex (RRRC) announced this year for the Western Treatment Plan. The RRRC will include new and improved treatment processes to reduce emissions and include a liquid food waste facility to generate renewable energy.

As part of the SoO(ER), Melbourne Water is also working towards sourcing 100 per cent of its consumed electricity from renewable sources by 2025. Further details on Melbourne Water's net zero target and strategy, including reliance on offsets and our emissions baseline can be found on page 37.

This year, we received the 2024 Australian Water Association Infrastructure Project Innovation Award, which recognises significant and innovative water infrastructure projects driving prosperity and sustainability. Melbourne Water's approach to the Biogas Handling System upgrade at the Eastern Treatment Plant was awarded for its ability to maximise biogas conversion to bioenergy, helping to deliver our commitment to decarbonisation.

Collaborating for resilient services

This year, we also worked closely with the Victorian Government and our partners to implement key water strategies, such as the *Greater Melbourne Urban Water and System Strategy: Water for Life*. This provides a clear path for our sector to work together to address challenges and achieve a greater outcome.

A changing climate means we can no longer rely solely on rainfall to meet our water needs. In a collaborative effort with South East Water, Yarra Valley Water, Greater Western Water and Barwon Water, Melbourne Water has established a shared vision for water security through The Accord. This inclusive approach ensures that all stakeholders are part of the solution.

This year, the Accord focused on long-term water security planning, including alternative water sources such as recycled water and desalination. Storages can take as little as four years to become critical. Therefore, these alternative options are increasingly important in our long-term resilience preparation.

The challenges facing the water sector are complex, and we cannot solve them alone. We are continuing to collaborate with like-minded leaders, communities, and our customers, including through our 2026 Price Submission engagement program. We look forward to continuing these conversations to better understand our customers' and community's priorities and embedding them into a robust 2026 Price Submission that delivers secure and resilient water sources for Greater Melbourne.

Walking Country together with Traditional Owners

Our commitment to walking Country together relies on our strong relationships with Traditional Owner partners. This year, we continued our journey with Traditional Owners towards formal partnership agreements, working with Gunaikurnai Land and Waters Aboriginal Corporation and Wadawurrung Traditional Owner Aboriginal Corporation to implement our commitments.

Our partnership agreements are bespoke to the relationship and designed to articulate our roles and agreed priority outcomes and activities that enable Traditional Owners to achieve self-determined outcomes.

Through our Walking Country Together Leaders Forum, we are proud of the respectful relationships developed that ensure a culturally safe workplace and continue supporting self-determination and Traditional Owner aspirations. This year, we have also continued to implement the *Innovate III Reconciliation Action Plan*, with our focus now turning to a Stretch Reconciliation Action Plan.

Preparing communities for flood events

This year, we have welcomed the Independent Review Panel's findings on the 2022 Maribyrnong flood event and accepted all 15 recommendations. These insights have enabled us to be better informed for making future decisions and helping the community prepare for future events.

Long-term sustainable flood mitigation solutions will now become a focus alongside our comprehensive community flood awareness and preparedness program. We will continue to work closely with the Victorian State Emergency Service and councils to deliver these programs.

Additionally, we have continued our ambitious five-year target to update maps and models for every catchment in Greater Melbourne. Scheduled for completion in 2026, the fast-tracked program aims to provide updated flood information so that new housing and infrastructure is more flood-ready over the next 70 years and includes climate change estimates to 2100. The Maribyrnong River Flood Model has now been released and will be used to better understand current and future flood information for the region. See page 21 for more information on Melbourne Water's flood modelling updates.

Supporting the Victorian economy

Melbourne Water's financial strength objective is to focus our activities on delivering value for our customers and strengthening our business. We remain focused on running an efficient business that delivers value-for-money outcomes for our customers and stakeholders.

Our capital investment expenditure during the year was $866.9 million, which helped us grow and renew existing infrastructure to deliver the essential services our customers expect and rely on.

We remain focused on delivering financial efficiencies in our expenditure. We aim to deliver valued services at the lowest possible cost and a commercial return for our shareholders to support the Victorian state budget outcomes. See page 79 for more information about Melbourne Water's financial commitments.

Sustaining the community, now and into the future

The actions we take today will define our future. Our people are vital to ensuring our region remains sustainable and are committed to delivering the safe and reliable services communities depend on. We are proud of our passionate workforce, who care deeply about our community, customers, the environment and each other. We look forward to supporting the future of a water-secure and thriving Greater Melbourne.

We are pleased to present Melbourne Water's Annual Report for the year ended 30 June 2024.

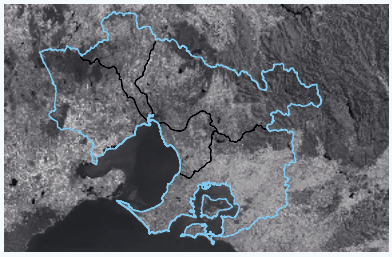
Greg Wilson
Chair

30 August 2024

Nerina Di Lorenzo
Managing Director

30 August 2024

Melbourne Water's Operating Area



2023-24 Performance Snapshot

Every five years, Melbourne Water develops a Price Submission for approval by the Essential Services Commission (ESC) that details our water, sewerage, flooding and drainage, waterways and catchment management services for Greater Melbourne. It outlines the cost of delivering our services and the prices we intend to charge customers.

As approved by the ESC, our 2021-2026 Price Determination is underpinned by six customer outcomes, which were defined in collaboration with our customers and communities. These outcomes represent what our customers value and expect from our services. Our performance snapshot shows our outcome areas and relevant performance highlights for 2023-24.

Our full Customer Outcomes Report details our annual performance for 2023-24 against these outcomes and is available on Melbourne Water's website[2].

 Access to safe and reliable water and sewerage services	• **471 billion litres** of water supplied • **366 billion litres** of sewage treated at the Eastern and Western Treatment Plants
 Melbourne's environment, rivers, creeks and bays are protected and Melbourne Water's greenhouse gas emissions are minimised	• **22,935 tonnes** of biosolids reused and delivered to farms • **20.9 billion litres** of water delivered for the environment
 Melbourne remains liveable as it deals with the impacts of climate change and population growth	• **36,649 megalitres** of recycled water produced • **$5.9 million invested** in research programs
 Melburnians are empowered to support the design and delivery of service outcomes	• **1,057 projects funded** within the waterways and drainage incentives program • **1,200 people engaged** across Greater Melbourne to understand community priorities for the 2026 Price Submission
 Easy, respectful, responsive and transparent customer service	• **Ranked first out of 58 organisations** in the utilities sector by SenseCX for call quality and customer experience for two consecutive quarters
 Bills kept as low as possible	• **$1.8 million of net savings** in operating expenditure identified through new efficiency projects

[2] https://www.melbournewater.com.au/services/prices-and-charges/price-submission

About us

Melbourne Water is owned by the Victorian Government and is the supplier of wholesale water, sewerage, drainage and waterway management services for Greater Melbourne. Importantly, we also have the role of Port Phillip and Westernport Catchment Management Authority (PPWCMA).

For over 130 years, Melbourne Water has been committed to enhancing life and liveability for Greater Melbourne through proactive planning and infrastructure development.

As prescribed by the *Water Act 1989* and in our role as floodplain manager, our responsibilities include the management of water supply catchments, treatment and distribution of drinking and recycled water, sewage treatment and removal, and the oversight of catchments, waterways and major drainage systems in the Port Phillip and Westernport regions.

Water is essential to our way of life and so is the work we do to enhance the natural environment we live in and the communities we are part of. Guided by our vision of 'Enhancing Life and Liveability', our team of experts strive to make Greater Melbourne an exceptional place to live.

Through the provision of clean drinking water, treatment of sewage to protect the health of community and the receiving environment and, where possible, adoption of resource recovery practices, collaborative efforts within our community to mitigate flood risks, and preservation of the health of Melbourne's 25,000 kilometre network of rivers, creeks and catchments, we demonstrate our genuine care for, management and protection of every aspect of the water cycle.

We recognise the impacts of climate change, which include hotter and wetter weather, more severe bushfires, and unpredictable storms and floods, and we acknowledge that the actions we take now will shape our future. We also recognise that we cannot operate in isolation. We actively engage and collaborate with a wide range of partners, including Melbourne's retail water companies, councils, developers, contractors, Traditional Owners, the community and government agencies, to deliver services valued by our customers.

Together, our focus extends beyond delivering exceptional and affordable essential services to the people of Greater Melbourne today; we are also committed to securing a sustainable and thriving community for generations to come.

Authorising structure

Melbourne Water is a body corporate established under the *Water Act 1989* and derives its authority from this act. It also has responsibilities under the *Catchment and Land Protection Act 1994*, *Public Administration Act 2004* (Vic), *Planning and Environment Act 1987* (Vic) and the Statements of Obligations issued by the Minister for Water.

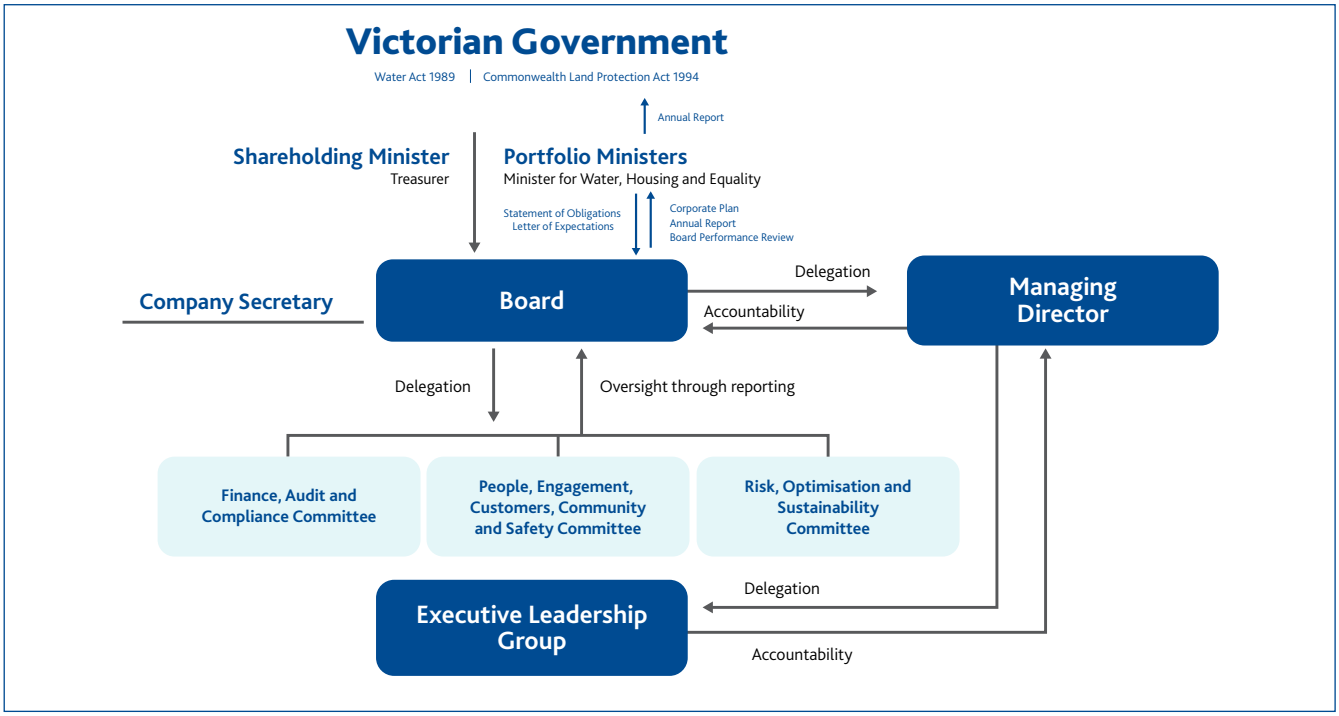
Melbourne Water has one by-law: Extension By-law No. 1: Water Supply Protection (2018).

The responsible Minister for the period from 1 July 2023 to 30 June 2024 was the Hon Harriet Shing MP, Minister for Water.

The Minister for Water has delegated powers of management under the *Water Act 1989* relating to licensed private water diversions from waterways to Melbourne Water, effective as of 1 July 1999.

The governance model for Melbourne Water is shown in Figure 1, highlighting the relationships between government, Board and management.

Figure 1: Governance relationships between the Victorian Government, Board and management.



Our vision and strategic direction

Enhancing life and liveability

Melbourne Water's vision is to enhance life and liveability across Greater Melbourne and the surrounding region. We know that water is central to life. Water sustains the natural environment we live in, the communities we value and the economy we depend on.

Our three core values are integral to the way we work.

- **Make it count:** we plot a course for the future, focused on outcomes, and prioritise fiercely, to deliver the things that really matter.
- **Dive in:** we choose curiosity over comfort, lean into tough conversations, prioritise safety, and celebrate diverse perspectives.
- **Do what's right:** as caretakers of public resources, we care deeply about our community, customers and each other, taking personal responsibility for the performance and future of our business.

Melbourne Water is working towards achieving a set of aspirational strategic goals (as referenced in our strategy diagram on page 9) by 2027 that aim to catalyse the change needed to capture opportunities and respond to the challenges of the next decade.

In addition, our strategic goals will drive our capability development, investment and performance over the coming years.

Dights Falls

Our Strategy

Our Vision:
Enhancing Life and Liveability

Our Mission:
Water is essential to our way of life and so is the work we do. Our work sustains the community, the environment and the economy now and into the future.

Our Core Services

The work we do to deliver our essential services each and every day.

- Water
- Sewerage
- Drainage
- Waterways
- Catchment management

Our Strategic Goals

Resilience

The work we do to build resilience and strengthen our existing services.

- Keep our core services strong
- Fit for the future
- Financial strength

Transition

The proactive work we do, transforming our system to manage future demands.

- Play a stronger role in resource recovery and deliver more recycled water
- Boldly progress towards decarbonisation
- Focus on New Water and Integrated Water Management

Partnerships

The work we do with internal and external partners in support of a thriving community and country.

- We will walk Country together
- Building influential relationships

Our strategic context

Delivering the Victorian Government's plan for water

Water for Victoria is the Victorian Government's statewide water plan. The plan identifies priorities for managing water across the state, including Greater Melbourne. The plan drives improved outcomes for communities in the way water is managed and delivers shared benefits, while also addressing challenges such as climate change and population growth.

We work closely with the Victorian Government to deliver our services, which have been crucial in supporting Melbourne to grow into the city it is today. This Annual Report outlines our achievements in 2023-24 to meet the changing needs of the Greater Melbourne region and addresses priorities detailed in *Water for Victoria*.

Letter of Expectations

We are further guided by the Minister for Water's Letter of Expectations and the Ministerial Reporting Directions (MRDs) administered by the Department of Energy, Environment and Climate Action (DEECA), which focus on:

- climate change and energy
- customer, community and engagement
- recognising Aboriginal values
- recognising recreational values
- resilient and liveable cities and towns
- leadership, diversity and culture
- performance and financial management
- compliance.

Sustainable Development Goals

Melbourne Water is a signatory to the United Nations Global Compact, the world's largest sustainability initiative, which encompasses the Sustainable Development Goals (SDGs). Whilst these goals were established with the aim to end extreme poverty, fight inequality and injustice, and protect our planet at the global level, the ways in which businesses can contribute to these outcomes locally are through responsible business practices and finding opportunities to solve societal challenges through business innovation and collaboration.

The SDGs provide a broad lens for planning and a common framework for communicating with partners, enabling shared value outcomes and fostering innovation. We recognise our ability to contribute to advancing each of the goals, both directly through our own work and indirectly through partnerships with customers, stakeholders and suppliers. We have previously assessed how the delivery of our services and programs of work contribute to the advancement of the SDGs[3], and this year completed a sustainability materiality assessment to identify the sustainability areas of greatest importance to our operations in alignment to the goals.

Yarra River, Warburton

[3] https://www.melbournewater.com.au/about/what-we-do/publications/delivering-sustainable-development-goals

Our operating environment

We operate in an evolving landscape shaped by significant social, demographic, political, environmental and technological changes. These factors are radically transforming the way we live, work and play.

In 2024, digital technologies such as Artificial Intelligence (AI) and automation have enhanced efficiency across industries. Renewable energy advancements are driving a significant shift towards a more sustainable future.

Additionally, population growth, climate change and economic conditions put pressure on essential services across Greater Melbourne. Within the water industry, demographic shifts are creating new demands for water services, with infill development and greenfield expansions necessitating network growth. These shifts underscore the importance of careful strategic planning to ensure that infrastructure can meet the needs of a growing and diverse population at an affordable cost.

Climate change continues to pose critical challenges, impacting water availability and exacerbating weather extremes. Victoria's climate is becoming warmer and drier. Extreme weather events, such as floods and droughts, further strain resources and infrastructure, requiring robust disaster preparedness and resilience measures to protect communities and ensure reliable service delivery.

Economic conditions are also influencing our operating environment. The cost-of-living and affordability must be balanced against high-quality services for a growing population. In particular, as regulatory commitments, infrastructure investments and construction costs exert upward pressure on prices.

Despite these challenges, environmental sustainability continues to remain a priority, with increasing expectations from the government and community for Melbourne Water to play a key role in contributing to decarbonisation, ecological conservation, and the emerging green economy.

Housing Statement

The Victorian Government's *Housing Statement* was announced in September 2023 and sets an ambitious agenda of 800,000 new houses over a ten-year period. This involves large-scale reform of the state's planning system to stimulate investment and to build homes faster.

Under the *Planning and Environment Act 1987 (Vic)*, Melbourne Water has a significant role to play as a referral authority in unlocking Melbourne's housing potential in growth and urban areas, and will need to engage with state agencies, local government, the development sector and decision makers in different ways.

Melbourne Water's response has been detailed in the *Housing Statement* Roadmap, which focuses on actions that deliver the biggest impact in supporting the *Housing Statement*.

This Roadmap approach is underpinned by five key pillars:

1. **Good decisions – made faster:** streamlining transparent and consistent decisions so people are in homes faster.
2. **Better information to support growth:** providing information to enable faster processing in low-risk areas while identifying earlier higher flood risk areas proposed for development.
3. **Greenfields:** enabling the 30 per cent of growth target by taking action to address process issues and streamlining approval processes.
4. **Established areas:** enabling the 70 per cent growth target for urban infill by providing faster advice on engineering solutions, guiding growth to safer locations, clearer identification of high hazard areas and working with government to explore infrastructure funding mechanisms.
5. **Innovative and well considered risk management:** working with government to set strategic directions for Melbourne's growth that shape the city in response to flood hazard. Exploring our changing risk profile and how we can better manage changing risk and priority locations for growth and innovative design solutions to enable safe development.

2026 Price Submission

Melbourne Water's 2026 Price Submission aims to ensure we can respond to the challenges we face in the next ten years. Subject to approval by the ESC, Victoria's independent economic regulator, the submission will detail our proposed 2026-2031 services for water, sewerage, waterways and drainage, the infrastructure investments we will make, the cost of delivering these essential services, and the prices we intend to charge.

Our 2026 Price Submission will be prepared in the context of transition to stay ahead of population growth, advancements in technology and a changing climate. All our services will need to undergo substantial change to keep pace with population growth and climate change over the next decade, including the following:

- securing new water supplies
- transitioning to new sewerage treatment technologies
- preparing drainage for more frequent and intense flood events.

Planning for this transition must balance affordability with building resilient infrastructure, ensuring we make the changes needed now to prepare for our water future.

We are developing our 2026 Price Submission with customers and communities across Greater Melbourne to ensure we embed customer values and affordability that also meet current and future challenges. The 2026 Price Submission is due to the ESC in September 2025.

The Accord

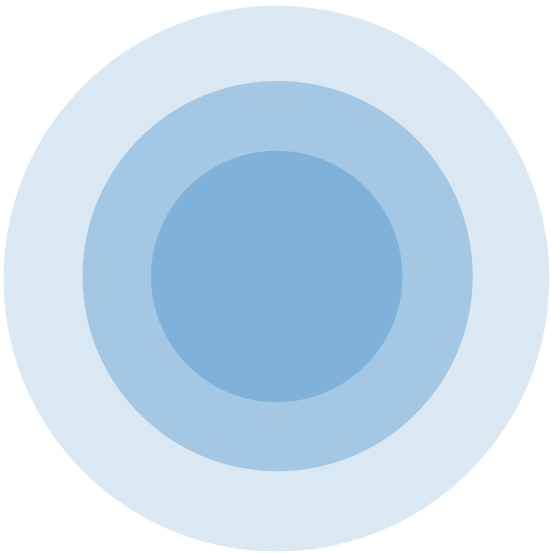
Through collaboration with South East Water, Yarra Valley Water, Greater Western Water and Barwon Water, Melbourne Water has established The Accord, which sets out a shared vision and agreed principles to guide collective efforts towards cost-effective and equitable outcomes.

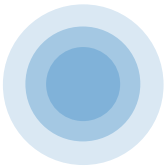
The Accord represents a commitment to act in the best interests of the communities we serve. The shared vision encompasses water security, financial sustainability of high-quality water and waste provision, partnership with Traditional Owners, water literacy and efficiency, and addresses the challenges posed by climate change resilience and transition.

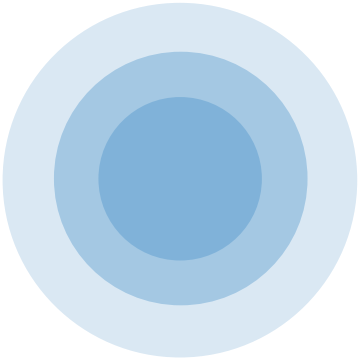
Alignment at the senior leadership levels has facilitated significant progress in system augmentation for future water resilience, the success of which is now being replicated in other key focus areas.

The foundation for the alignment is the improved way in which The Accord partners work together based on agreed principles. This has been highlighted in the way Melbourne Water has taken these principles for cooperation and applied them to key projects, including the 2026 Price Submission, bulk entitlement reform and bulk supply agreement reform.

This year's focus was to align planning for long-term water security. Although Melbourne's water supplies are currently strong, we know they can go from high to critically low in four years. Together, we have been planning to ensure that the sector has strategies in place should Greater Melbourne go into another dry period.







Our commitment to sustainability

At Melbourne Water, sustainability is about providing resilient services that enhance environmental, social, cultural and economic outcomes for current and future generations.

It is critical for our services and our community that our business remains resilient to ongoing and emerging challenges, such as climate change and rapid urbanisation.

Melbourne Water aims to share information about risks and opportunities with stakeholders and the community to support an ongoing dialogue on how we might best adapt, recognising there may be new costs or trade-offs to make, depending on the pathways chosen.

'Our Path to Net Zero' is Melbourne Water's strategy for meeting its obligations for emissions reduction. Refer to page 37 for more details.

We are working toward expanded disclosures that align with emerging best practice. A focus both globally and locally is on disclosures associated with climate change, such as the ongoing development of the Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information. We will continue to work towards broader sustainability disclosures as new guidance in this area is developed.

This year, we continued to mature our approach by completing a sustainability materiality assessment to identify the sustainability areas of greatest importance to our operations. The assessment identified our high priority sustainability focus areas and validated our existing strong focus on climate adaptation, Our Path to Net Zero and our work with state government and retail water authorities to secure our water future. The assessment also highlighted the importance of our role in preserving nature and biodiversity in our region.

We are acutely aware that the scale of challenges facing our services by the interacting risks of climate change, rapid urbanisation and population growth, and biodiversity loss will test our existing ways of operating and require us to adapt our approach over the next decade. This assessment encourages us to investigate further to understand the complex and interacting risks and opportunities in pursuit of our vision and goals.

Table 1: Sustainability materiality assessment

Material sustainability topic	Melbourne Water's impact in this topic area	Relevant SDGs
Climate resilience and adaptation	Melbourne Water impacts the resilience of our services and the region through activities including: • planning and research to understand risks • designing and constructing new and renewed assets and systems with increased resilience to climate-related impacts • managing land, biodiversity and natural assets to promote ecosystem resilience. We may face higher expenditure to adapt assets and processes to maintain service capacity and may experience increased costs associated with maintenance and operation under climate change.	SDGs most relevant to these topics:    
Carbon and energy	Melbourne Water is responsible for significant greenhouse gas emissions, primarily through our use of energy and sewage treatment processes. We are progressing Our Path to Net Zero by 2029-30. We may experience higher capital expenditure to adapt assets, systems and processes to reduce carbon emissions and align with a path to our net zero target, and operational expenditure where offsets are necessary. See page 37 for further details on our commitments and targets.	
Biodiversity	Melbourne Water impacts biodiversity through: • investment in natural resource management activities • altering flow regimes and changing stocks of water in the environment • removal/degradation of habitat through service provision. Failure to align with emerging natural capital policies may lead to reputational challenges and financial implications for Melbourne Water.	
Water security	Melbourne Water manages catchments, water storages and the transfer network to ensure Greater Melbourne's water supply remains secure. In partnership, we plan for augmentation and climate adaptive diverse water sources in response to reduced yields from catchments and increased demand. Refer to the 'Climate change and adaptation' section of this report on page 37 for more detail. Melbourne Water may incur costs to deliver augmentation and climate-adaptive diverse water sources in response to reduced yields from catchments.	

Maroondah Reservoir

Our services

Overview

Melbourne Water delivers essential services to our region every day to sustain a healthy and liveable city. As caretakers for Melbourne's water cycle, we care for all aspects of water, life and land across Greater Melbourne, including people and the natural systems.

The 2021 Price Determination currently guides our water, sewerage, waterways and drainage services, infrastructure projects, and the cost of delivering these services.

Our role as PPWCMA also means we are responsible for promoting the integrated management of land, water, natural systems, coasts, and marine environments.

Water

A safe and secure water supply is essential to our way of life.

Cardinia Reservoir

Our approach

Melbourne Water manages catchments, water storages and the water transfer network to meet the needs of a growing city and the surrounding region. With our variable climate we prepare for droughts, floods, bushfires and other weather events.

Melbourne Water supplies, treats and transfers drinking water to the city's three metropolitan retail water companies and four other regional water businesses, which in turn provide it to households and businesses across the Greater Melbourne and neighbouring regions.

Melbourne is one of only a few cities in the world that draws over half of its drinking water from protected catchments. These protected forested mountain catchments throughout the Yarra Ranges act as a vast natural filter, providing a high-quality, low-cost source of water that requires minimal treatment. This process underpins the affordability of our drinking water.

On average over the past 10 years, about a quarter of Melbourne's drinking water has come from open catchments, which incorporate mixed land uses, such as houses and farms, instead of being used exclusively to harvest water.

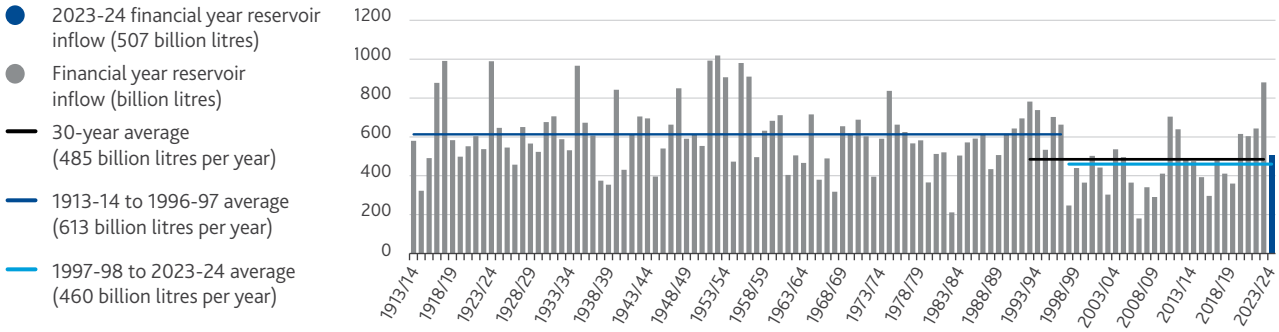
Water from open catchments undergoes additional treatment processes to ensure it meets the same quality standards as water from protected catchments. Greater Melbourne's water system also includes the Victorian Desalination Plant, which complements our catchments by providing a secure source of high-quality water independent of rainfall. The plant can provide up to 150 billion litres of drinking water each year and is a key component in ensuring long-term water security, building a buffer in our storages and taking pressure off our reservoirs during drier periods and droughts.

In 2023-24, we invested $231.1 million to safely manage the water production and supply for Greater Melbourne. Significant investments included the continued construction of a $140 million project to supply water to the north and north-west growth areas and the $161 million renewal of key transfer assets from Olinda to Mitcham and onto Syndal and Glen Waverley.

Managing water supply

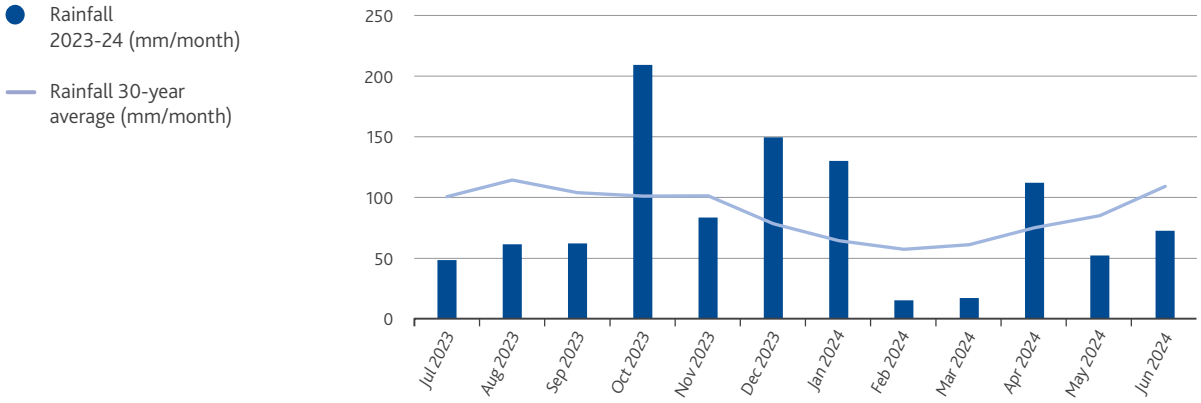
Melbourne's 10 storages commenced financial year 2023-24 at 91.7 per cent full (1,662 billion litres). Above average inflows allowed storages to remain above 95 per cent until early February 2024. However, by June 2024, they had reduced to 86.5 per cent (1,568 billion litres). See Figure 2 for more details.

Figure 2: Long-term inflow to Melbourne's major harvesting storages (Thomson, Upper Yarra, Maroondah and O'Shannassy reservoirs)



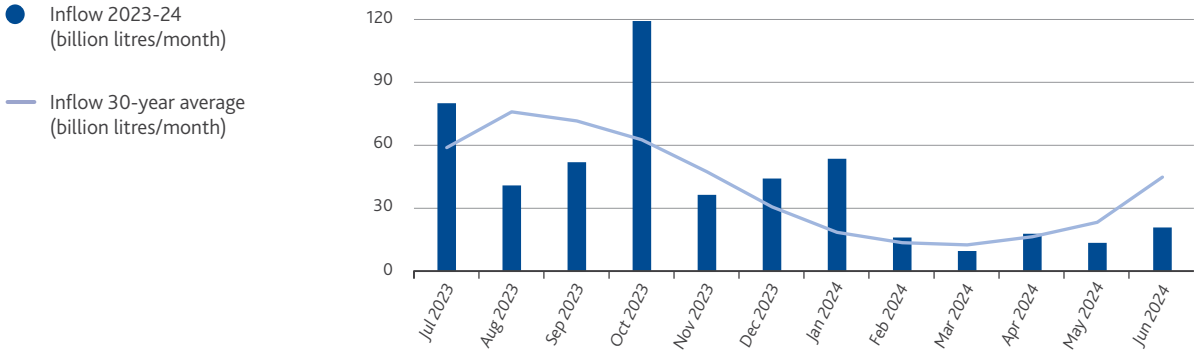
In 2023-24, Melbourne's water supply catchments received 1,015 millimetres of rainfall - 3.6 per cent below the 30-year average. It has been five years since the catchments received below average annual rainfall largely due to three consecutive wet La Niña years. The monthly average rainfall across Melbourne's catchments varied from 15 millimetres in February 2024 to 209 millimetres in October 2023 (Figure 3). Slightly more than 10 per cent of the entire rainfall for 2023-24 (104 millimetres) fell on the year's wettest day, 3 October 2023.

Figure 3: Monthly average rainfall at Melbourne's major harvesting reservoirs



The 2023-24 total inflow to Melbourne's four major harvesting storages (Thomson, Upper Yarra, Maroondah and O'Shannassy) of 507 billion litres was 5 per cent above the 485 billion litres average of the last 30 years. This was 10 per cent above average for the period since 1997, which is a DEECA scenario for future water resources planning to represent recent streamflow conditions. It was also 17 per cent below the long-term average of 613 billion litres for the pre-Millennium Drought period (1913-14 to 1996-97). See Figure 4 for more details.

Figure 4: Monthly average inflow at Melbourne's major harvesting reservoirs



Supplying our customers

To meet customer demand, Melbourne Water supplied 471 billion litres of water in 2023-24, which is 4 per cent more than the previous year.

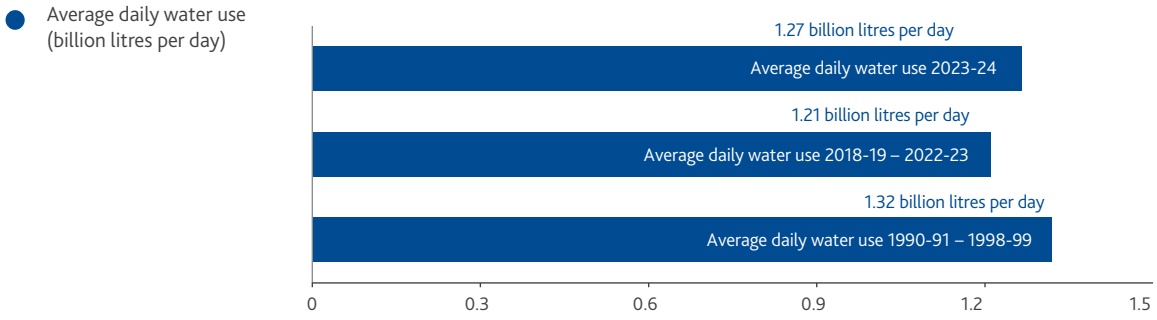
471 BILLION LITRES DELIVERED

Water consumption

Despite high rainfall, permanent water saving rules still apply across Victoria to ensure we use water wisely. Melbourne's residential water use in 2023-24 was 162 litres per person per day[4], which is 12 litres more than the Victorian Government's new target of 150 litres.

Melburnians averaged use of 1.27 billion litres of water per day this year – 5 per cent more than the last five-year average, which was influenced by wet conditions from three consecutive wet La Niña years and the coronavirus (COVID-19) pandemic. While water consumption has generally increased over the past 10 years, it is 4 per cent lower than during the 1990s.

Figure 5: Average daily total water use for Melbourne including non-residential




Yan Yean Reservoir

[4] This figure is preliminary only and based on an estimate for Quarter 4 (April–June 2024) as actuals were not yet available at the time of preparing this report. Customers are billed three months in arrears and therefore Quarter 4 customer usage is not known until early October.

Sewerage

Ensuring the health and wellbeing of Melbourne's population and environment is dependent on a safe and reliable sewerage system.


Western Treatment Plant

Our approach

The reliability of Greater Melbourne's sewerage system significantly contributes to the city's liveability. Since its establishment in the 1890s, the system has expanded and adapted with Melbourne to ensure the ongoing protection of public health, wellbeing and environment.

Melbourne Water's system is distinguished by two prominent treatment plants: the Western Treatment Plant in Werribee and the Eastern Treatment Plant in Bangholme. These facilities, coupled with an extensive network of 400 kilometres of sewers and nine sewage pumping stations, efficiently transport substantial volumes of sewage across the city to be treated.

In our long-term investment planning, we carefully consider external factors, such as population growth and climate change, to ensure the continuous evolution of our sewerage system.

The *Melbourne Sewerage Strategy* describes a 50-year transformation in our sewerage system from a mostly one-way process, which views sewage as a waste that must be collected, treated and discharged, to a circular process focused on the recovery, reuse and recycling of valuable resources like water, energy and nutrients, while ensuring Melbourne's sewerage service continues to protect public health and the environment.

In 2023-24, we invested $397.4 million to safely manage the sewage generated across Greater Melbourne. Significant investments included the continued construction of a $200 million project to duplicate the Hobsons Bay Main Sewer Yarra River crossing and the progression of $1,037 million of treatment capacity upgrades at the Western Treatment Plant.

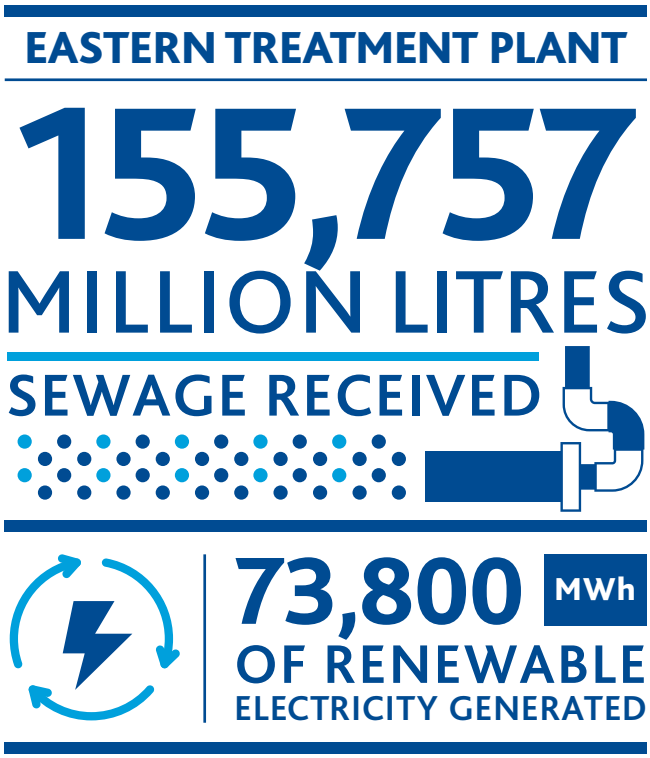
Resource Recovery & Re-use Complex

Announced in 2023-24, Melbourne Water's Resource Recovery & Re-use Complex (RRRC) aims to improve the resilience of the Western Treatment Plant as Greater Melbourne's population grows and reduce greenhouse gas emissions from our current treatment processes.

The RRRC will include:

- new preliminary and primary treatment processes to divert raw sewage away from the heavily loaded anaerobic lagoons, reducing the frequency of odour intensive maintenance works
- improved solids handling and anaerobic digestion processes to divert sludge away from the heavily loaded aerated ponds, capturing carbon and improving safety
- a new receiving facility to receive and treat tankered waste from customers to manage environmental risk and fulfil Melbourne Water's obligations under the *Environmental Protection Act*
- a new liquid food waste facility to receive waste from industrial customers for co-digestion, which will generate renewable energy.

Works will run until late 2027, with the John Holland Design Joint Venture currently progressing the Design and Construct phase this year.



Eastern Treatment Plant

In 2023-24, the Eastern Treatment Plant received 155,757 megalitres of sewage, generated 73,800 megawatt hours of electricity from renewable sources from its power station and solar farm (46 per cent of the plant's total electricity consumption) and produced 49,546 tonnes of biosolids for future reuse. The Eastern Treatment Plant also supplied 7,464 megalitres of recycled water to residential third pipe, industry and agriculture users in the south-eastern suburbs.

In December 2023, Melbourne Water commissioned a new solar farm comprising 38,960 panels, with a maximum output of 19.4 megawatts. Annual energy production is forecast to be 25,000 megawatt hours per annum, which is 16 per cent of the Eastern Treatment Plant's total energy usage.

In 2023-24, the biological solids load entering the Eastern Treatment Plant increased by up to 30 per cent. These additional solids have significantly impacted the treatment process and Melbourne Water is working with South East Water to identify the source. Contingencies are in place to manage them, and they have not impacted Environmental Protection Authority Victoria (EPAV) licence compliance. The increase has resulted in periods of reduced Class A recycled water supply reliability, however all contractual volume supply requirements to customers were met.

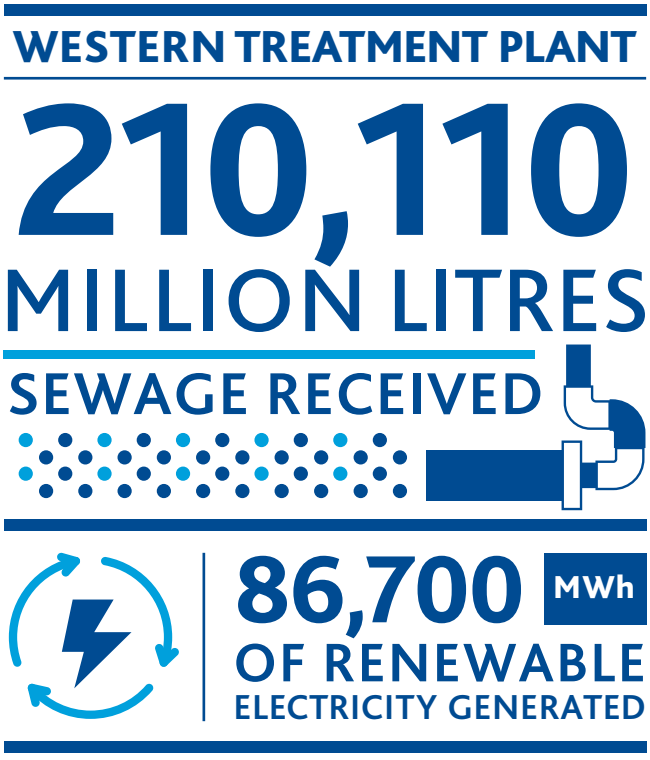
Western Treatment Plant

The Western Treatment Plant received 210,110 megalitres of sewage in 2023-24, which was 7 per cent lower than the amount received in 2022-23 due to significant rain events in that year. In addition, the Western Treatment Plant generated 86,700 megawatt hours of electricity from renewable sources such as biogas from the anaerobic lagoons. This represents 107.5 per cent of the plant's total energy consumption.

As part of the *Port Phillip Bay Environmental Management Plan (2017-2027)* and EPAV nitrogen load target to Port Philip Bay under the Environmental Reference Standard (2021), the Western Treatment Plant has a three-year rolling average limit of 3,100 tonnes per annum of total nitrogen (TN) that can be discharged to Port Phillip Bay.

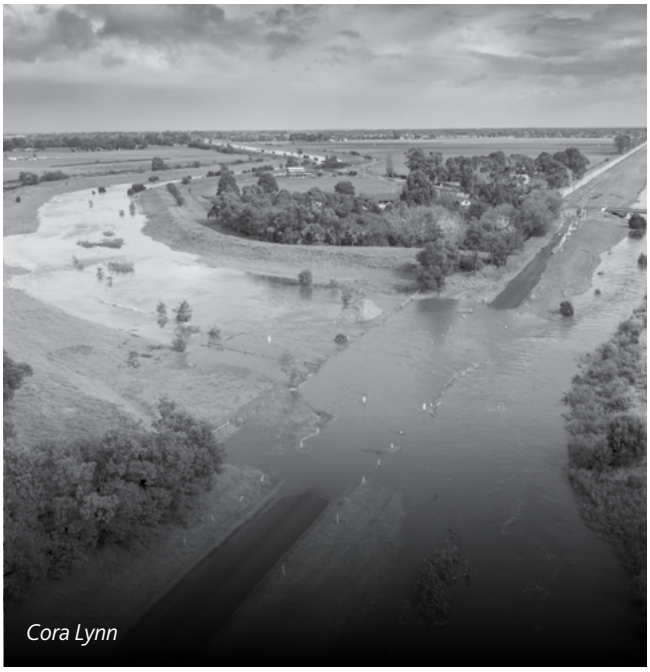
At 30 June 2024, Melbourne Water's three-year rolling average TN discharge was 3,454 tonnes. This is higher than the 3,100-tonne limit, which is mostly attributable to higher nitrogen loads into the plant above current treatment capacity during extreme wet weather events in 2022 and growth in the sewerage catchment. This is the first time since 2015-16 that the Western Treatment Plant has recorded an individual year less than the 3,100-tonne limit. The individual TN discharge for financial year 2023-24 was 3,075 tonnes.

Planned capital works are underway to support reducing nitrogen loads discharged from the Western Treatment Plant over the next decade. A new nutrient removal plant is currently under construction to remove nitrogen from the treatment process further. The new plant is expected to be operational by mid-2025, with benefits set to be seen by 2025-26. As the population grows and climate changes, further investment will be required to build additional resilience and continue to manage increased nitrogen loads to the Western Treatment Plant.



Flood and Drainage

Extreme flood events are expected to become more likely as our climate changes over the coming decades. Melbourne Water has the opportunity now to enhance Greater Melbourne's future resilience by using flood information that takes future projections into account and ensuring this information is readily available so authorities and communities can plan for flood events.


Cora Lynn

Our approach

As the region's floodplain manager and under the *Water Act 1989*, Melbourne Water plays a critical role in managing flood risk through:

- land use planning and establishment of criteria for building and renovations that minimise flooding risk and drive water-oriented urban design
- constructing, maintaining and upgrading drainage, including flood management infrastructure and multifunctional assets
- the provision of flood information and education.

We also plan for and respond to flooding that may impact our waterways, drainage, water supply and sewerage treatment, and transfer systems and services.

Melbourne Water's role is to coordinate the development and delivery of the *Flood Management Strategy* for the Port Phillip and Westernport regions and drainage services in conjunction with local and state government agencies, emergency services, the insurance and private sectors and the community.

The Victoria State Emergency Service (VICSES) is the designated control agency for flooding in Victoria. Melbourne Water partners with VICSES to support awareness and preparedness in communities at risk of flooding to build community resilience. Melbourne Water also develops flood information to inform the development of VICSES Flood Guides and Municipal Emergency Management Plans. We also contribute to flood warning services, particularly through management of flood warning hydrographic infrastructure.

Floods are a natural part of the landscape within the Port Phillip and Westernport regions. The impacts of climate change and continuing urban development means we will likely see more parts of Greater Melbourne flood in the future. As a result, flooding that would typically occur on rare occasions has the potential to become more frequent and severe.

During 2023-24, $24.5 million was allocated to renewing and enhancing our drainage and flood protection assets. In addition, $136.1 million was allocated to create new drainage and stormwater quality assets (such as wetlands) to support the development of new land.

Maribyrnong River Flood Review

On Friday 14 October 2022, significant flooding occurred within the urban catchment of the Maribyrnong River. In response, Melbourne Water established an expert panel led by former Federal and Victorian Supreme Court judge, the Honourable Tony Pagone AM, to undertake an independent review of the causes of the flooding in the urban catchment, including the impact of the Flemington Racecourse flood wall.

The findings of the Pagone Panel were released in October 2023, with Melbourne Water accepting all 15 recommendations. A six-month progress update on the recommendations was published in April 2024. Consistent with these recommendations, we have completed and released new flood modelling for the Maribyrnong River.

Insights from the review will better inform future decisions and help the community better prepare for any future event. Our focus now turns to long-term sustainable flood mitigation solutions for the catchment, as well as the comprehensive community awareness and preparedness program in partnership with VICSES and councils.

Following the Panel's findings on the Flemington Racecourse flood wall, Melbourne Water will now incorporate an examination of the flood wall mitigation into our broader investigation of potential mitigation options across the catchment.

Parliamentary Inquiry

In parallel with the Pagone review of the Maribyrnong River flooding event, Melbourne Water participated in the Legislative Council Environment and Planning Committee Inquiry, tasked with undertaking an inquiry into the 2022 flood event in Victoria.

The Inquiry is considering factors, such as cause of or contribution to the flood event, emergency services, government policy, flood mitigation strategies, the Flemington Racecourse flood wall and the Victorian planning framework.

Melbourne Water contributed to the whole of Victorian Government submission last year and participated in the Committee's hearings in October 2023 and May 2024.

Once the Committee's report is released, Melbourne Water will work with DEECA to contribute to the whole-of-government response to recommendations.

Flood modelling program

Melbourne Water works with all 38 local government agencies across our operating area through a joint flood modelling program to update flood models and maps of our waterways and drainage networks. Local government manages the drainage network on local streets, housing and industrial estates (local catchments of less than 60 hectares), feeding into the broader drainage network managed by Melbourne Water.

This year, we continued our five-year target to update maps and models for every catchment in Greater Melbourne. Scheduled for completion in 2026, the fast-tracked program aims to provide updated flood information to inform new housing and infrastructure to be more flood ready over the next 70 years. The program includes climate change estimates to 2100.

Maribyrnong River Flood Model

In April 2024, Melbourne Water released a new Maribyrnong River Flood Model[5] to better understand current and future flood information in the Maribyrnong River region, including 2024 and projected 2100 flood extent scenarios.

This new model incorporates the most up-to-date data about the Maribyrnong River, including contemporary rainfall and run-off data and detailed physical features of the floodplain. The model is also calibrated to the most recent flood event of October 2022 and climate change projections through to 2100.

Both the 2024 and 2100 scenarios are based on a flood event that has a 1 per cent chance of occurring in any given year (1% Annual Exceedance Probability).

[5] https://letstalk.melbournewater.com.au/maribyrnong-river-flood-model

Waterways

Melbourne's waterways provide habitat for more than 1800 species of native plants and 600 species of native animals. They also support the liveability of our city, providing water to homes and farms, and are enjoyable places to visit.


Maribyrnong River

Our approach

Our waterways sustain a diverse range of life, including birds, fish, frogs, platypus, macroinvertebrates and vegetation. They provide places for people to gather, exercise and relax and are important sites of cultural significance. They support the growth and prosperity of our city by providing drainage, flood mitigation and drinking water. They also provide economic benefits by supplying water for agriculture, recreational fishing, commercial industries and tourism opportunities.

Melbourne Water is the prescribed waterway manager under the *Water Act 1989* for over 25,000 kilometres of waterways, wetlands and estuaries and undertakes work to protect and improve conditions to support environmental and social values. We undertake maintenance and improvement of vegetation and habitat along waterways. We also build and maintain fishways and more than 1,000 stormwater treatment systems, including constructed wetlands.

We work together with state and local governments, non-government organisations and community groups to enhance the environmental, social, cultural and economic value of our waterways and protect them from the impacts of climate change and population growth. We also support our partners and individual landowners to deliver works through the provision of incentives and partnerships, support the planning process by offering referral advice for planning permits and actively enforce compliance measures.

The *Healthy Waterways Strategy*[6] is a shared strategy across Melbourne Water, state and local government, water corporations, Traditional Owners and land management councils, non-government organisations and the community. The strategy provides a shared regional and catchment-specific vision for the health of rivers, estuaries and wetlands in the Port Phillip and Westernport regions and contributes to delivery of the *Port Phillip and Westernport Regional Catchment Strategy*[7] and *Victorian Waterway Management Strategy*[8].

Our community engagement has highlighted the value that waterways have for people in Greater Melbourne through their support of environmental health and overall quality of life. In 2023-24, Melbourne Water invested $33.4 million to repair and protect our waterways from a variety of threats. Of this, $6.4 million was spent on improving stormwater quality through renewing and revegetating wetlands (such as Lilydale Lake Wetland, Laverton Mt St Joseph Wetland and Hallam Valley Wetland) and $26.5 million on improving waterway conditions.

[6] https://www.melbournewater.com.au/about/what-we-do/publications/healthy-waterways-strategy
[7] https://www.melbournewater.com.au/about/what-we-do/publications/regional-catchment-strategy
[8] https://www.water.vic.gov.au/waterways/victorian-waterway-management-program/victorian-waterway-management-strategy

Waterways and Drainage Investment Plan

Our Waterways and Drainage Investment Plan (WDIP) details our responsibilities, goals and service levels for our waterway management and drainage services over the five-year period from 2021 to 2026. The WDIP aligns with our commitment to enhancing life and liveability across the region and supports our responsibilities to protect and improve waterway health, provide regional drainage services, work with partner organisations to reduce flooding impacts, and manage river diversions.

As required by the Victorian Government's *Statement of Obligations*, the WDIP includes key performance indicators (KPIs) that describe how progress with implementation of the investment plan is measured over the five-year period. Melbourne Water performs an annual independent assessment of our progress against these KPIs.

In 2023-24, we continued to deliver on the KPIs relating to community engagement, education and capacity building. This included the delivery of 20 stormwater capacity building initiatives through our Clearwater program this year and the cumulative delivery of 172 community education and engagement events over the past three years.

We also continued to identify ways to improve our performance against unmet targets over the past three years, including 2023-24. This includes our target to increase stormwater harvesting and infiltration capacity by 8 gigalitres per year through Melbourne Water programs. Despite these challenges, several key projects are progressing and contributing to our overall goals. For example, the options to construct the Sunbury Stormwater Harvesting Scheme to meet waterway health outcomes, which would aim to deliver 3.8 gigalitres per year by 2026, have been fully explored and are currently for decision.

More detailed information, including our annual performance against individual KPIs can be found on our website[9].

Waterways research

This year, we continued to address key research areas, deliver communications activities and work collaboratively to achieve the *Healthy Waterways Strategy* performance objectives relating to waterways research.

Initiatives included partnering with the University of Melbourne in the Melbourne Waterway Research-Practice Partnership to conduct research into:

- improved methods for monitoring waterway health
- prioritisation tools for stream and wetland works
- options for protecting headwater streams from urbanisation
- management of deer impacts on vegetation and water quality
- the relationship between stream channel form and ecological health
- application of real-time-control technology to the management of stormwater
- approaches to increase the resilience of vegetation in a changing climate.

We also collaborated with RMIT University in the Aquatic Pollution Prevention Partnership to conduct research into pollution management in waterways on the following topics:

- developing a decision support framework to prioritise water quality management actions
- identifying cost-effective solutions for pollutants from industrial catchments
- managing emerging contaminants
- understanding the ecological impacts of sewage inputs in waterways
- assessing risks of contaminants to environmentally significant sites
- understanding climate change impacts on water quality
- managing pollution in estuaries and bays.

Work was also undertaken to explore enhanced methods for propagation and planting of seagrass to restore critical habitats in Westernport.

Melbourne Water also continued collaborative research with Traditional Owners on billabong watering along the lower Birrarung (Yarra) River (with Wurundjeri Woi-wurrung), seagrass restoration in Westernport (with Bunurong), and Port Phillip biodiversity assessments with environmental DNA (eDNA) (with Wadawurrung and Bunurong).

[9] https://www.melbournewater.com.au/services/prices-and-charges/waterways-and-drainage-charge/waterways-and-drainage-investment-plan

Catchment Management

Located on the traditional lands of the Wadawurrung, the Wurundjeri Woi-wurrung and the Bunurong Peoples, the Port Phillip and Westernport region is Victoria's most diverse and complex natural resource management area by virtue of its location, geography, land use and population.

Simons Creek

Our approach

As the region's Catchment Management Authority (CMA), Melbourne Water has specific roles, responsibilities and obligations, enabling us to adopt a more comprehensive and integrated approach to catchment management.

Covering an area of almost 13,000 square kilometres, our region extends from the You Yangs Ranges and volcanic plains in the west, across the Macedon Ranges and the Kinglake Plateau in the north, through the Yarra Valley to the foothills of the Baw Baw Plateau in the east and south to the Bass Coast. The region also includes the bays of Port Phillip and Westernport, and Victoria's two largest islands, French and Phillip Islands.

As a CMA, our role involves considering and contributing to the integrated management of land, water, biodiversity, coasts and marine environments throughout the region. It also involves extensive collaboration with diverse stakeholders and communities. Melbourne Water's statutory functions, powers and responsibilities as a CMA are set out in the *Catchment and Land Protection Act 1994*.

For the full Catchment Condition Report, see Appendix E.

Across five distinctly different major catchment systems (Werribee, Maribyrnong, Yarra, Dandenong and Westernport) the region's land and waterways form a complex network of interconnected and interdependent catchments, rivers, wetlands and estuaries, which flow to Port Phillip Bay and Westernport.

Water supply catchment management

Melbourne's water supply catchments comprise 158,000 hectares and generate 80 per cent of the region's drinking water. Our water supply catchments are serviced by 1,500 kilometres of unsealed access roads, which are constantly maintained or upgraded. This year, upgrades were made or commenced on several bridges damaged by storm events in previous years.

The 2023-24 Season Works Program is implemented under the Catchment Management Optimisation Program (CMOP) and funded by the 2021 Price Determination.

Bushfires

Bushfires in our catchments pose a significant risk to water quality and long-term water yield. They can impact water supply infrastructure and surrounding community assets.

To manage bushfire risk, Melbourne Water is involved in fire prevention, preparedness, and response and recovery activities. We maintain an initial fire suppression capability, allowing us to attack fires early to keep them as small as possible. We also undertake fuel reduction programs and bushfire strategic and operational plans.

Melbourne Water actively participates in the state's Fire Management Planning process to identify and mitigate fire risk under a coordinated framework. We proactively assess and mitigate bushfire risk on our land and apply suitable hazard mitigation, works and response capability, including planned burning, fuel break management and access road management.

Melbourne Water bushfire preparedness planning and operational activities are implemented annually from July to December. Each Melbourne Water bushfire work centre (Healesville, Warburton, Woori Yallock and Thomson) is allocated a minimum number of resources in line with DEECA recommendations, including seasonal firefighting resources. Provision is made for helicopter capability, with a helicopter stationed at the Healesville depot.

Melbourne Water participates in state and national fire preparedness activities as part of the AFAC Fire Risk Planning Working Group (national) and Forest Fire Management Victoria (FFMVic) Partnership Committee. Melbourne Water also attends relevant municipal fire committees and DEECA and Emergency Management Victoria (EMV) pre-season briefings.

Bushfire risk is captured within our enterprise risk register.

2023-24 fire season

El Niño and positive Indian Ocean Dipole (IOD) events impacted the 2023-24 fire season. El Niño typically leads to reduced rainfall in spring and early summer for eastern Australia and to warmer days in the south. When a positive IOD and El Niño occur together, the drying effect is typically stronger and more widespread. These conditions are associated with droughts and increased likelihood of bushfire.

Bushfire agency arrangements

DEECA and Parks Victoria are responsible for public land management in the catchments. Melbourne Water manages risks to drinking water and water supply infrastructure in the catchments.

Melbourne Water is part of FFMVic, a network of public land management organisations led by DEECA, including Parks Victoria and VicForests.

The Country Fire Authority (CFA) is the agency responsible for fire response on private land in the catchments.

Deer management

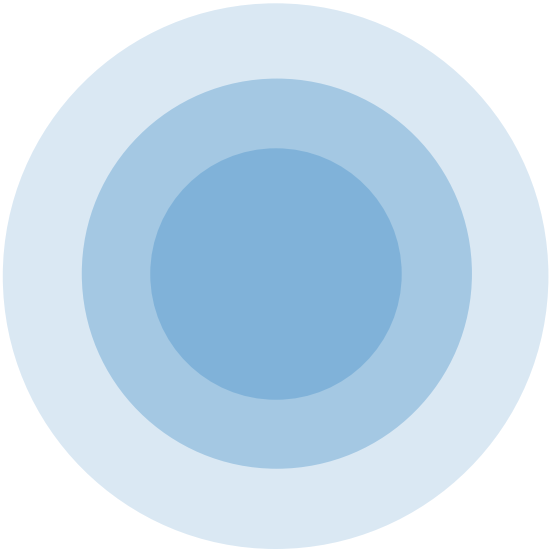
Melbourne Water participates in an active deer management program to control potential pathogens that could contaminate the water supply.

In 2023-24, deer control programs continued in Cardinia, Silvan and Upper Yarra catchments. Program planning is underway with DEECA for an expanded program in the Armstrong Creek catchment.

Current data demonstrates a reduction in risk to water supply contamination in Cardinia and Silvan catchments during the last three years as deer populations have reduced. This is also expected to reduce further at Cardinia over the next year.

Security

Melbourne Water is upgrading its security approach to protect the water supply catchments from unauthorised entry, which increases bushfire and contamination risk. This work includes the introduction of drone surveillance technology and upgrading the perimeter fencing to a higher security level barrier.



Yarra River, South Yarra

Our environment

Greater Melbourne's unique environment, which encompasses waterways, forested mountain catchments and parkland, is central to our region's life and liveability.

Melbourne Water relies on nature and biodiversity to provide essential services to the community, including:

- closed catchments to provide water filtration and reduce the cost of high-quality drinking water to communities
- floodplains and headwater streams to provide flow regulation that decreases flooding impacts
- Port Phillip Bay to receive treated wastewater, enabling safe management of the region's sewage.

Provision of our services also impacts our environment, both positively and negatively. For example:

- the release of water for environmental purposes results in improved waterway health and better habitat for flora and fauna
- sewage treatment processes release greenhouse gases, contributing to climate change
- building new infrastructure can remove vegetation and habitat, impacting biodiversity.

In alignment with our strategic goals and direction, Melbourne Water aims to reduce the impact of our operations on the environment and contribute to a secure water future for Greater Melbourne.

Resilient and liveable cities and towns

In collaboration with our partners, Melbourne Water plays a significant role in ensuring that Greater Melbourne continues to remain resilient and liveable.


Yarra River, Southbank

Our approach

Melbourne Water is uniquely placed to lead water-oriented and community-driven design that supports a water resilient future as our city grows and transforms.

As Melbourne's population is set to increase to 10 million by 2050[10], the combined pressures of growth and climate change will affect the entire water cycle, including increased demand for water, generation of more stormwater in the urban environment and reduction in water captured by our water supply catchments.

Subsequently, our need for increased drinking water supply and sanitation services, including further sewerage infrastructure, waste treatment and resource recovery, is also growing. Melbourne Water is committed to investing in critical infrastructure to support this growth.

The Greater Melbourne Urban Water and System Strategy (Water for Life), *Melbourne Sewerage Strategy*, *Flood Management Strategy – Port Phillip and Westernport 2021-2031* and *Healthy Waterways Strategy* each take an integrated approach to the water cycle, particularly in relation to how we respond to future growth and climate change. This integrated approach to planning and delivering our services will assist us to provide improved value for the community and better outcomes for the environment over the long term.

With over 32,000 hectares within our service area, land is one of Melbourne Water's most significant assets. Optimising our use and management of land can deliver a significant benefit to our communities' quality of life. As part of our WDIP, we have committed to investing $73 million in community access, involvement and recreation across our five-year price period.

[10] https://www.planning.vic.gov.au/guides-and-resources/Data-spatial-and-insights/discover-and-access-planning-open-data/urban-development-program/victoria-in-future

Preparing for Greater Melbourne's water future

Urban water efficiency

Melbourne Water, together with the urban water retail companies, runs water efficiency programs, including the refreshed Target 150, which encourages Melburnians to limit their water use to 150 litres per person per day. Melbourne's water use, compared against this target, is reported each week on Melbourne Water's website. The new target links to the industry's long-term plan outlined in *Water for Life* and the *Central and Gippsland Regional Sustainable Water Strategy* (CGRSWS).

The Target 150 campaign aims to educate the community about all aspects of the water cycle to improve water-saving habits.

In 2023-24, the campaign was put on hold due to continuing high water storages following three successive years of La Niña events. However, Melburnians are continuing to use less water per person than approximately 20 years ago: residential use is down from 247 litres per person per day in 2000-01 to 162 litres per person per day in 2023-24.

Recycled water and reliability

Melbourne Water produces recycled water at the Western and Eastern Treatment Plants, providing recycled water to customers for a range of non-drinking purposes.

Recycled water production at the Western Treatment Plant was significantly impacted during 2023-24 by two separate and unrelated incidents:

- the rupture of a concrete pipeline in late January, which impacted the ability to supply Class A and C recycled water for 19 days while the pipeline was repaired
- a blue green algal bloom in the lagoon system that interrupted supply of Class A recycled water for 58 days.

We continue to explore new opportunities to increase recycled water use and improve quality and reliability at the Western and Eastern Treatment Plants. Recycled water volumes used onsite and supplied to our customers in 2023-24 are shown in Table 2.

Table 2: Recycled water produced for 2023-24

Item	Volume (ML)
Western Treatment Plant	
Agricultural supply (On-site MPH use)	17,072
Non-agricultural supply	87
Subtotal	17,159
Supply to Southern Rural Water	
Werribee Irrigation District	2,140
Werribee Tourist Precinct	58
Subtotal	2,198
Supply to City West Water	
Werribee Employment Precinct	0
MacKillop College	18
Water tankers / standpipes	0
WWDS (non-residential)	0
WWDS (residential/commissioning)	640
Subtotal	658
Western Treatment Plant total	**20,015**
Eastern Treatment Plant	
Onsite recycling	9,170
Supply to Water Infrastructure Group	
Eastern Irrigation Scheme	5,843
Supply to South East Water	
South Eastern Outfall	1,621
Eastern Treatment Plant total	**16,634**
Total recycled	**36,649**
Treated wastewater available for recycling	362,224
Conservation flows at Western Treatment Plant	10,626
Total including conservation flow	**47,275**

Water conservation

Clearwater

Clearwater is a capacity building program recognised for its customer-driven approach to equipping the water industry with the skills, knowledge and networks to implement IWM practices. Clearwater is co-funded by Melbourne Water and DEECA.

In 2023-2024, Clearwater provided 20 dynamic capacity building initiatives and events, grew LinkedIn engagement to over 1,400 followers and issued four seasonal newsletters to over 2,400 subscribers.

Our work with our valued partners included the following:

- a joint initiative with Metropolitan Investment Evaluation Group to deliver a webinar on updated industry guideline changes and case studies, using the updated economic evaluation tools for IWM projects
- a webinar hosted by Stormwater Victoria and Melbourne Water's Flood Strategy and Stormwater Policy team presented to over 400 people in the IWM industry, keeping them informed and introducing Melbourne Water's updated MUSIC Guidelines[11]
- Clearwater's Understanding and Applying Victoria's Stormwater Planning Requirements education program, delivered through hybrid learning. In partnership with DEECA, development has commenced on a companion support program for local councils
- partnership with Engineers Australia to deliver Construction Holds Points training for the Water Sensitive Urban Design program and delivery as an online public course
- delivery, together with the Institute of Public Works Engineering Australasia, of a foundational-level stormwater training package to public sector professionals
- partnership with Griffith University International WaterCentre (IWC) to create two scholarship sponsorships for IWM leaders to attend the IWC Water Leadership Program
- Melbourne Water's Stormwater Incentives team hosting local government IWM professionals at an event focused on constructed stormwater treatment wetlands.

Malcolm Creek wetland

[11] https://www.melbournewater.com.au/media/24646/download

Delivering water for the environment

With variable seasonal conditions experienced across most of Melbourne Water's region during 2023-24, many environmental watering actions, which involve the release of water from a storage to a river or wetland, were met with unregulated flows and reservoir spills in the Yarra, Tarago, Maribyrnong and Werribee systems.

All lower Yarra billabongs were engaged by natural overbank flows in January 2024. A drier late summer and autumn resulted in support for low flow conditions along the Yarra (Birrarung). Environmental water was used to deliver 23 environmental watering actions using 20.9 gigalitres of environmental water as shown in Table 3.

See the Victorian Environmental Water Holder website[12] for more information on the terminology used to describe the types of flows in environmental watering.

Table 3: Environmental water delivered for 2023-24

River	Volume delivered (ML)	Outcomes
Yarra *(Birrarung)*	19,006	Water for the environment was actively delivered to achieve one summer/autumn fresh and one autumn high. Low flow supplementation was also delivered (in March and May). The environmental water release for summer/autumn freshes and the autumn high flow aimed to improve aquatic habitat and channel form, maintain bank vegetation and provide opportunities for fish movement. Low flow supplementation was delivered to sustain the river through periods of prolonged dry and warm conditions. Water for the environment was delivered to Yering Backswamp to improve wetland vegetation and provide habitat for frogs and birds. The site was also naturally inundated in October and December 2023. All billabongs in the lower Yarra (Birrarung) floodplain were engaged naturally in January 2024. Catchment rainfall and unregulated flows helped to achieve some watering actions, including one spring fresh, one spring high and two summer/autumn freshes.
Tarago and Bunyip	453	Tarago Reservoir spilled for most of 2023-24. As a result, the environmental entitlement remained near 3000 megalitres for most of the year. Water for the environment was actively delivered to achieve two summer/autumn freshes. These releases help to enhance habitats, maintain vegetation communities and facilitate movement and spawning of various fish species, including the endangered Australian Grayling. Catchment rainfall and unregulated flows helped to achieve some watering actions, including two spring freshes and two spring highs, five summer/autumn freshes and one autumn high.
Werribee *(Wirribi Yaluk)*	1,215	Water for the environment was actively delivered to Pyrites Creek (Reach 6) to achieve a spring continuous low flow, three spring/summer freshes and one spring/summer high flow event. These flows maintain channel form, habitat and vegetation, and allow for fish movement between pools. In the lower Werribee River, below Melton Reservoir (Reach 8 and 9) and into the estuary, water for the environment was actively delivered to achieve four summer/autumn freshes. Delivery of these freshes improves habitat, maintains vegetation, mitigates blue-green algal bloom, and supports fish and frog populations. The lower Werribee also benefited from enhanced releases through Southern Rural Water's bulk entitlement - 10 megalitres per day from Werribee Diversion Weir (January to June 2024). Catchment rainfall and unregulated flows helped to achieve some watering actions, including one fresh for Pyrites creek and one summer/autumn fresh for the lower Werribee, and achievement of low flow targets during wet periods.
Maribyrnong *(Mirrangbamurn)*	261.9	In 2023-24, 261.9 megalitres of environmental water was secured by the Victorian Environmental Water Holder through temporary trade of unused irrigation allocations. Water for the environment was actively delivered from Rosslynne reservoir to Jacksons Creek (Reach 6 and 7) to achieve five summer/autumn freshes targeting improved water quality and connectivity between in-stream habitats. Available water volumes and operational constraints limiting the maximum release from the reservoir meant full achievement of all targets (other than summer/autumn freshes) was not possible. Catchment rainfall and unregulated flows helped to achieve some watering actions, including two summer/autumn freshes for Reach 7 and partial achievement of summer/autumn low flow targets.

As storage operator and delivery partner, Melbourne Water delivered 24,679 megalitres from Thomson Reservoir to the Thomson River as water for the environment in 2023-24. This was achieved in partnership with the West Gippsland CMA and on behalf of the Victorian Environmental Water Holder.

Sustainable and resilient water services systems

Yan Yean to Bald Hill Pipeline

Construction continued this year on a 20-kilometre pipeline from the Yan Yean Water Treatment Plant to the Bald Hill, Kalkallo tank site. The new pipeline is designed to meet growing water demands and improve supply reliability in the northern suburbs, while freeing up capacity to transfer more water to the west.

Along with the installation of a new pump station near Yan Yean, 20 kilometres of steel water main was constructed from the Yan Yean Water Treatment Plant to Bald Hill tank this year. Construction is continuing under Merri Creek and the North East Rail Line, and we are undertaking water quality testing and commissioning activities in preparation for project completion in October 2024.

[12] https://www.vewh.vic.gov.au/water-for-the-environment/what-is-water-for-the-environment

Water main supplies more than water

The renewal of ageing water mains between Mitcham and Syndal as part of the M22 and M46 water main renewal program were completed this year. The $68 million project upgraded the century old asset to ensure ongoing reliable water supply.

As a further community benefit, Melbourne Water also collaborated with the community to shape and design plants, seating and safety features along the 1.5-kilometre pipe track pathway, which is now open from Mitcham to Forest Hill.

Water from the Victorian Desalination Plant

Following above-average rainfall and based on Greater Melbourne's continuing high storage levels, projected weather patterns and demand, the Victorian Government adopted the advice of Melbourne Water and the metropolitan retail water corporations to not order water from the Victorian Desalination Plant for 2023-24.

In April 2024, with the continuation of favourable catchment water supply conditions, the government announced that there was also no requirement for a desalination order for the 2024-25 period.

Since 2017, 455 billion litres of water have been supplied from the Victorian Desalination Plant. Without regular desalination orders, Victoria would not be able to meet the increase in demand over the long term. In a severe drought, storage levels can drop by 20 per cent in a year, which is why Victoria's water supply must be responsibly managed to avoid challenging water restrictions, such as those experienced during the Millennium Drought.

The Victorian Desalination Plant provides a critical element of operational flexibility during significant events, such as storms or bushfires, when parts of the system may be taken offline to manage water quality and protect the delivery of essential services. Despite recent wet years, an increasing population, expanded supply area and changing climate mean desalinated water is part of the long-term strategy to help prepare the water supply system for future dry periods and increased demand, as indicated in CGRSWS.

Non-revenue water attributable to leakage

Melbourne Water annually reviews the rate of leakage and water loss from its water supply system in line with our retailer Bulk Water Supply Agreements, our corporate strategic goals and the ESC's requirements.

The scope of this review includes:

- raw water loss from aqueduct leakage
- leaks on pipelines, valves and fittings
- wastage from tank draining to enable cleaning and condition inspection
- operational water usage for outages to enable planned works and for other purposes.

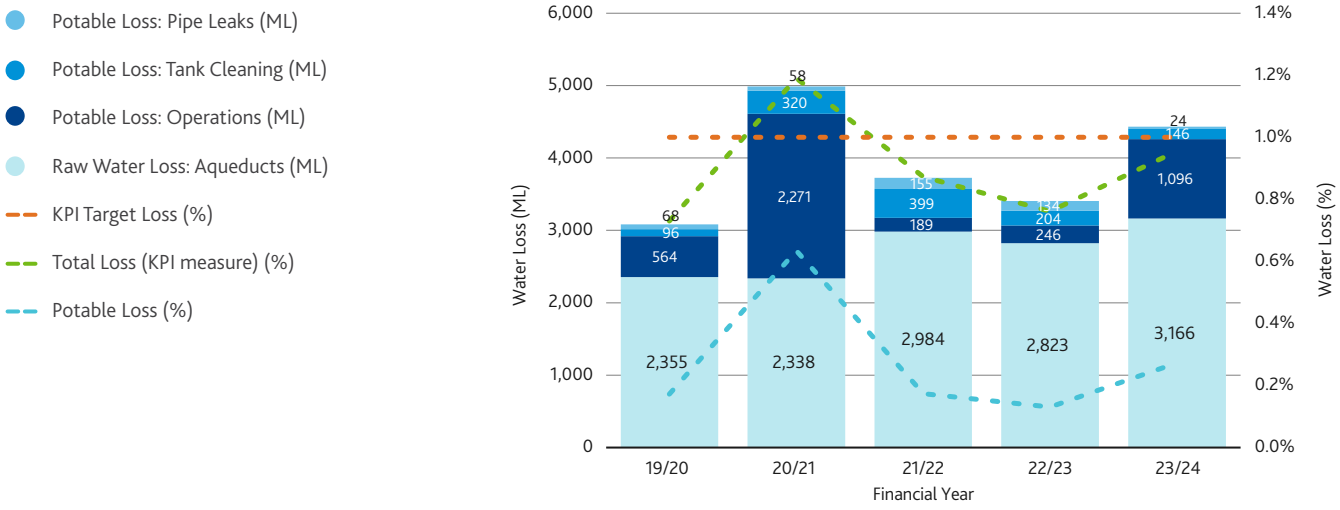
Several other losses are not included, such as reservoir evaporation, dam seepage and environmental flows.

Melbourne Water has met its KPI target of maintaining transfer losses to less than 1 per cent of water delivered to metropolitan retail water companies during financial year 2023-24. Melbourne Water recorded 4,432 megalitres of total water loss that represents 0.96 per cent of water supplied to metropolitan water retailers. The losses from potable and raw water systems were 1266 megalitres (0.27 per cent) and 3,166 megalitres (0.68 per cent) respectively. Figure 6 summarises Melbourne Water's transfer losses and performance to achieve this KPI over the past five years.

Melbourne Water continues to reduce and better account for water loss in the trunk water network though:

- utilising a dedicated in-house pipe repair crew
- cathodic protection of tanks and pipelines
- renewal of aqueducts and water mains
- flow meter validation
- other best practice asset management activities.

Figure 6: Melbourne Water's water loss KPI performance over the past five years



Integrated Water Management

Integrated Water Management (IWM) is a holistic and collaborative approach to the way we plan for and manage all elements of the water cycle. IWM considers how the delivery of water, wastewater and stormwater services can contribute to water security, public and environmental health and urban amenity.

Melbourne Water is a key delivery partner in the implementation of the IWM Framework for Victoria that seeks to coordinate and balance many views and interests in the water sector around common goals and agreed outcomes.

Integrated Water Management Forums

Melbourne Water has continued as a key partner and contributor to the DEECA-led IWM Forums. These forums are a collaborative effort to plan for better solutions to climate change, urbanisation, and environmental and economic challenges.

This year, five Catchment Scale IWM (CSIWM) action plans were released for Werribee, Maribryrnong, Yarra, Dandenong and Westernport catchment, representing over six years of work by Melbourne Water and partner agencies, including local governments, water corporations, the Victorian Planning Authority and Traditional Owner groups.

The CSIWM action plans outline over 135 actions that contribute to the IWM visions, strategic outcomes, targets and measures and are agreed to in each catchment's Strategic Direction Statements. Melbourne Water is committed to working with stakeholders to progress the CSIWM action plans over the next 10 years and update them as necessary.

Melbourne Water is the delivery lead for 14 actions and is a partner on the delivery of another 51 actions led by other organisations. All 14 of the actions led by Melbourne Water are underway, including the following projects:

- Re-imagining Blind Creek
- Living Links Program implementation in the Dandenong Catchment
- Werribee Reconfiguration Project business case investigation
- Annulus Wetlands delivery
- Monbulk Creek Smart Water Network.

These plans and actions are an example of the water sector working together to deliver outcomes that matter to the community by using an IWM approach.

Werribee System Reconfiguration Project

This year, Melbourne Water continued to work collaboratively with DEECA, Southern Rural Water, Greater Western Water and Traditional Owners (via the DEECA facilitated Traditional Owner Partnership) to progress the Preliminary Business Case for the Werribee System Reconfiguration Project (WRSP).

The WSRP is a key commitment of the CRGSWS and *Water for Life* and explores alternative ways to use and share water in the Werribee system, including greater use of recycled water and subsequent return of river water to the environment, Traditional Owners and urban users.

Key project activities for 2023-24 included the following:

- Southern Rural Water led engagement with Werribee Irrigation District growers on the project. Melbourne Water has also been actively involved in discussions with growers, particularly focused on the supply and quality of Class A recycled water, which is a fundamental aspect of this project.
- Increased Traditional Owner involvement in the project, particularly through the Traditional Owner Partnership facilitated by DEECA, which enables Traditional Owner groups to self-determine their involvement in and contribution to the project. In March 2024, Wadawurrung, Wurundjeri Woi-wurrung and Bunurong Traditional Owner groups confirmed unanimous support for water returns to be used in the Preliminary Business Case. Wurundjeri Woi-wurrung and Wadawurrung have representatives on the Project Steering Committee.
- Completion of a concept design and cost estimate for the Western Treatment Plant Class A recycled water upgrade to enable the reconfiguration of water in the Werribee system.

The joint project team is currently working towards a submission for federal funding to support the development of a Detailed Business Case. The submission is expected to be made in January 2025.

Circular Economy

Recycling in construction projects

This year, Melbourne Water and John Holland trialled the feasibility of using a general blended cement, containing approximately 25 per cent recycled supplementary cementing materials, as part of the Hobsons Bay Main Sewer project ground improvement works.

The trial revealed that general blended cement performed equally to general purpose cement. Therefore, approximately 486 tonnes of cement containing recycled material was used in the project. Additionally, the trial provided an example for other industry projects to use recycled cement materials for ground improvement works in the future.

Biosolids reuse program

In 2023-24, Melbourne Water safely applied biosolids from the Western Treatment Plant to suitable broad-acre farmland in Victoria's west. These biosolids are applied as a soil supplement and can contribute nutrients, carbon and trace elements often scarce in Australian soils.

The 2024 biosolids reuse program delivered 22,935 tonnes of biosolids to eight farms. This is approximately 56 per cent of the annual solids production at the Western Treatment Plant. The three-year rolling average for biosolids reuse for Melbourne Water is 66 per cent.

Melbourne Water worked with LOOP Organics and its partner, Mahonys Transport, to deliver biosolids to farmland from January to March 2024. Farm machinery was used to spread and incorporate the biosolids into the land to maximise nutrient improvement.

Melbourne Water continues to work with the EPAV, the water industry, customers and community to implement measures that are considered as the best available techniques or technologies to meet its General Environmental Duty.

Drinking water quality

Melbourne's safe and trusted water supply system is central to our customers' experience and perceptions of Melbourne Water. Our obligations are set out in the *Safe Drinking Water Act 2003* (Vic) and the *Safe Drinking Water Regulations 2015* and are enforced by the Department of Health.

As a provider of essential services, Melbourne Water takes its responsibility for public health extremely seriously and regularly seeks to improve our water supply system and quality management controls.

Opportunities to improve our system controls are underway or in planning, incorporating thinking about climate and other resilience pressures so our system can adapt. To ensure a coordinated and risk-driven response, these opportunities have been collated into a single Drinking Water Quality Improvement Program, spanning Melbourne Water's planning, delivery and safety groups. Focus areas include improvements in foundational activities, core business processes, short and long-term risk interventions and emergency response.

In addition, Melbourne Water continues to work in collaboration with the Department of Health, DEECA, and metropolitan water corporations to deliver joint improvements to enable a sector-wide approach to drinking water quality improvements and ensure public health is protected.

This year, we continued implementation of our *Drinking Water Quality Strategy*. This strategy outlines an approach that maintains and builds on the achievements and legacy assets of the past, while planning approaches and solutions suitable for the future.

Effective catchment protection remains a cornerstone of our approach to managing drinking water quality risks for our existing water supply catchments. However, going forward, our reliance on sophisticated engineered treatment barriers will grow as we source increasingly large volumes of manufactured water as climate change, a growing population and other factors drive an evolution in our supply sources.

To ensure we are prepared for the challenges and opportunities of the future, the *Drinking Water Quality Strategy* describes four strategic goals:

- **Continuity of supply:** We continuously improve our systems, processes, people and infrastructure to enable us to do the basics of drinking water quality risk management brilliantly.
- **Source management:** We take a robust multiple barrier approach to managing drinking water quality risks, ensuring that drinking water from all existing and potential future sources are equally safe.
- **Trust, innovation and leadership:** Our customers, stakeholders, and regulators value and trust our leadership and innovation in managing our drinking water supplies.
- **Resilience of safe supply:** Potential threats are anticipated, and appropriate measures are in place to enable supply to continue during and after extreme events with minimised impacts on customers.

Our strategies

Central and Gippsland Region Sustainable Water Strategy

Melbourne Water contributed to the development of the CGRSWS, released by DEECA in 2022. The CGRSWS established the path towards greater use of manufactured water, the delivery of more water for the environment, an increased uptake of IWM and the creation of water entitlements for Traditional Owners.

This year, we have continued to participate in actions to secure more water for the environment and have worked closely with state and local governments to enable IWM at a city scale, which will help protect waterways from stormwater pollution while retaining more water for the urban natural environment.

Melbourne Water also continued to work with government and other water corporations to improve water sharing arrangements for towns in the central region connected to the Melbourne Supply System.

Greater Melbourne Urban Water and System Strategy – Water for Life

To prepare for our needs over the next 50 years, Melbourne Water and the three metropolitan retail water corporations launched *Water for Life* in 2023.

The strategy is a significant step forward for industry collaboration, where a shared, whole-of-system approach now sits within a single strategy, providing greater benefit to the broader water network and community.

Water for Life identifies the best mix of actions to supply water to our towns and cities via an adaptive plan that includes several short and long-term options and pathways to manage the water supply deficit by incorporating climate resilient or manufactured water.

The adaptive plan demonstrates the likelihood that new water supplies will need to be added to our existing system within the next 10 years, as well as several system augmentations over the next 50 years. As most options take years of planning and investment, Melbourne Water is already planning for and undertaking readiness activities now. The implementation of actions in *Water for Life* are aligned with those in the CGRSWS and require a coordinated delivery effort.

Healthy Waterways Strategy

The *Healthy Waterways Strategy* mid-term evaluation concluded this year. It evaluated trends of values and conditions, changes to threats and the effectiveness of interventions. In addition, it looked at the likelihood of meeting 10-year targets, the factors influencing strategy implementation and reviewed the effectiveness of co-delivery to help achieve strategy outcomes. An independent panel of waterway and evaluation experts guided the review and Melbourne Water's Waterways and Wetlands Research program supported the evaluation.

A response to the mid-term recommendations and socialisation of results with key agency partners and the community is being developed. Catchment forums and workshops will further progress critical areas over the coming year.

Progress of the *Healthy Waterways Strategy* can be found in the Report Card[13] and information on the mid-term review can be found on the strategy website[14].

Regional Catchment Strategy

The latest version of the *Port Phillip and Westernport Regional Catchment Strategy* was approved by the Minister for Water on behalf of the Victorian Government in March 2023. Over 120 organisations were consulted during its development.

The Regional Catchment Strategy builds on 25 years of collaboration since its first iteration in 1995 and highlights the interconnectedness of land, water and biodiversity in the region.

It emphasises the important roles and plans of various stakeholders, including councils, government agencies, Traditional Owners, non-government organisations, industry bodies and community organisations, showcasing their contributions to the conservation efforts of the broader region.

For more information on actions, see the Catchment Condition Report in Appendix E.

Burndap Birrarung burndap umarkoo (Yarra Strategic Plan)

Burndap Birrarung burndap umarkoo (Yarra Strategic Plan) 2022–2032 puts the interests of the river and its lands at the heart of future land use planning and decision-making. It sets out a transformative shift for collaborative governance between government agencies and Traditional Owner corporations, ensuring the river and its lands are protected as one living and integrated natural entity.

Melbourne Water was appointed by the Minister for Water as the lead agency for implementation of the plan, which is required under the *Yarra River Protection (Wilip-gin Birrarung murron) Act 2017*. Melbourne Water is also one of 14 public entities listed in this Act that are responsible for implementing the plan.

As lead agency, we facilitate the Yarra Collaboration Committee, coordinate the implementation of the plan, track and measure progress, champion funding submissions, identify opportunities for collaboration, and facilitate improved partnerships with and resourcing of Traditional Owner corporations.

[13] https://healthywaterways.com.au/report-card
[14] https://healthywaterways.com.au/resources/mid-term-review

In the past year, Melbourne Water has successfully secured $1.65 million in state government funding to progress transformative projects for the corridor. These are projects that set Traditional Owners up as decision-makers, will leave a long-lasting impact and build a stronger connection between the community and the river while addressing complex multi-agency gaps.

In partnership with the Yarra Collaboration Committee, two key initiatives, Birrarung Parklands and Greening the Birrarung, will be delivered in the coming years to realise better understanding of cultural values along the corridor and engagement with Traditional Owners, a universal approach to our communication on the river as 'one living and integrated natural entity' and scaling up of our collaboration and coordination across parklands and revegetation projects.

More broadly, Melbourne Water continues with its leadership in coordinating the activities associated with the plan, its actions and embedding the necessary organisational change to support collaborative governance and decision-making for the river.

Port Phillip Bay Environmental Management Plan

The *Port Philip Bay Environmental Management Plan 2017-2027* (EMP) operates under the *Marine and Coastal Act 2018* and sets out priority goals and actions for taking care of Port Phillip Bay. The EMP is the result of a coordinated effort by DEECA, in partnership with Melbourne Water and the EPAV. As a CMA, Melbourne Water contributes to the EMP through its annual maintenance program, which has over 225 stormwater quality treatment systems across the Port Phillip and Westernport region. We also have a capital rectification program to restore functionality of stormwater assets when they are compromised by degradation and contribute to meeting the Port Phillip Bay's pollutant load target.

Melbourne Water has also conducted research on pollution impacts to waterway ecology from emerging contaminants, pesticides and other toxicants (including litter and microplastics) and developed new bioassays for early detection of detrimental effect. This has been conducted through a major collaborative research partnership between Melbourne Water and RMIT University — The Aquatic Pollution Prevention Partnership.

Additionally, Melbourne Water has a catchment pollutant loads monitoring network of eight sites with auto-samplers and water quality probes. We have partnered with Monash University to update monitoring protocols to improve reliability and accuracy of the predicted estimates to assist with quantifying pollutant loads to Port Phillip Bay.

Melbourne Water's Liveable Communities Liveable Waterways program invests in education and extension programs and grants for implementing improved urban and rural land use practices. These grants are available to councils and landholders to support a range of on-ground works and strategic projects. In 2023-24, 54 stormwater and rural land management projects were funded by the program.

Enhancing biodiversity

Melbourne Water's land supports diverse communities of native plants and animals, and we have a critical role in managing waterways, estuaries and wetlands.

In compliance with Victorian and Commonwealth biodiversity obligations, Melbourne Water develops and implements strategies to protect native biodiversity, including the following:

- *Corporate Biodiversity Conservation Action Plan 2020*
- *Catchment and Land Protection Act 1994*
- *Port Phillip and Westernport Regional Catchment Strategy*
- *Healthy Waterways Strategy*
- Sites of Biodiversity Significance Program.

Melbourne Water is also the host agency for catchment-scale programs, including Grow West, Yarra4Life and Living Links, contributing to the enhancement of catchment biodiversity, protection of threatened species protection and creation of biolinks.

During 2023-24, Melbourne Water contributed to the following activities to enhance biodiversity across our region:

- reviewed and revised the Corporate Biodiversity Conservation Action Plan and spatial prioritisation for biodiversity conservation (as a required 'sub-plan' of the *Regional Catchment Strategy*)
- received $7 million in funding as a part of the Regional Delivery Partners panel from the Federal Department of Climate Change, Energy, the Environment and Water in collaboration with the Department of Agriculture, Fisheries and Forestry to develop an Emergency Preparedness and Response Plan for the Port Phillip and Westernport region
- continued to implement the Growling Grass Frog Masterplan Program in Melbourne's urban growth areas
- commenced land management on new Crown land reserves along Merri Creek
- progressed feasibility investigations and design of 20 new habitat wetlands.

Ramsar Wetlands

As a CMA, Melbourne Water continued as lead agency of the region's Ramsar Protection Program. This long-term, collaborative environmental program works to maintain and improve the ecological values of the Westernport and Port Phillip Bay western shoreline Ramsar wetlands sites.

Melbourne Water also manages the two Great Ramsar Wetlands Project at the Western Treatment Plant and Edithvale-Seaford Wetlands Ramsar site, as well as the Westernport Enhancement Project. All three Ramsar wetlands within our region fall under our Sites of Biodiversity Significance Program, ensuring appropriate planning, management and monitoring.

The Ramsar-listed Edithvale-Seaford Wetlands are the largest remaining part of the former Carrum Carrum Swamp and home to many bird species, most significantly the endangered Australasian Bittern. Works in 2023-24 included:

- progressing the Climate Change Cost Benefit Analysis project to help understand future management options for the wetlands under a changing climate
- continuing work with RMIT to undertake research into water and sediment quality at both Edithvale and Seaford wetlands aimed at improving our understanding of water quality and flow-on effects to prey populations for shorebirds, with a recent focus on pollution sources
- commissioning a review and update of the site's Ramsar Management Plan
- on-ground works, including management of tall reeds to maintain migratory shorebird foraging and roosting habitat. Our long-term monitoring of birds by Birdlife Australia began in 1989 and confirms the value of reed management.

Western Treatment Plant

The Western Treatment Plant supports a wide range of biodiversity values, including coastal saltmarsh and temperate grasslands, and some associated threatened species, such as the Orange-bellied Parrot and Spiny Rice-flower. Lagoon-based sewage treatment and dedicated habitat ponds provide critically important habitat for waterfowl, migratory shorebirds and the endangered Growling Grass Frog.

In alignment with the *Environment Protection and Biodiversity Conservation Act 1999*, we report annually on the delivery of environmental flows and monitoring of waterbirds, Growling Grass Frogs and Straw-necked Ibis populations, as well as other management actions.

Due to an observed decline in ibis numbers, a research project has been initiated with the Arthur Rylah Institute for Environmental Research to track ibis movements in response to watering regimes to help improve future site management.

During 2023-24, Melbourne Water also supported Wadawurrung Traditional Owners with a cultural burn at Lake Borrie grassland to promote regeneration of the Spiny Rice-flower.

Western Treatment Plant

Climate change and adaptation

Our approach

Climate changes are expected to amplify existing challenges and create new ones for all of Melbourne Water's services, the natural environment, and the liveability of our region. However, there are opportunities to adapt our services and support climate resilience in the wider region. How we adapt and change will be guided by the input and priorities of stakeholders and the community.

Melbourne Water is positioned to help navigate a path that meets the region's water needs, optimises use and reuse of resources, preserves our natural environment, and sustains the liveability of our region. The adaptation and resilience investments we develop will be overseen by environmental and economic regulators and guided by engagement with our customers and overall community willingness to pay.

Under the Victorian *Statement of Obligations (Emission Reduction)* set down by the Victorian Minister for Water, Melbourne Water must:

1 Reduce our annual reportable scope 1 and 2 emissions (as calculated under National Greenhouse and Energy Reporting Scheme (NGERS) to 204,380 tonnes CO_2-e a year by 2024-25 (which represents a 50 per cent reduction from our 408,760 tonnes CO_2-e baseline, which was calculated from our average annual emissions between 2011 and 2016).

2 Source 100 per cent of our consumed electricity from renewable sources by 2025. (This must continue for all years beyond 2025).

3 Reduce our annual reportable scope 1 and scope 2 emissions to net zero from 1 July 2029.

It is important to note that there has previously been a lack of clarity with regards to the precise timing of 100 per cent renewable energy commitment under the *Statement of Obligations (Emission Reduction)*. Melbourne Water has previously reported that we would be required to source 100 per cent of our consumed electricity from renewable sources from 1 July 2024. However, upon more recent advice from DEECA, this has instead changed to 1 July 2025, meaning all electricity utilised from 1 July 2025 must be supplied from renewable sources either via onsite generation or renewable energy output under our electricity supply agreement. We have adjusted our target and emissions projection to align with this updated advice.

To ensure consistency with the language used in the *Statement of Obligations (Emission Reduction)*, Melbourne Water currently uses the words 'net zero' rather than 'carbon neutral' to describe the achievement of an annual reportable scope 1 and scope 2 emissions total of zero through emissions reduction activities. It should also be noted that supply chain emissions (scope 3) are not currently included in our targets.
For transparency, offsets will be required to meet our targets from 1 July 2024 to allow time to transform our treatment plants to lower emissions alternatives. This is discussed further on page 49.

Melbourne Water is required to report annually on a range of specific indicators relating to our scope 1, 2 and 3 emissions, electricity use and energy consumption to DEECA through 'Ministerial Reporting Direction 01 – Climate Change and Energy' and to DTF through 'Financial Reporting Direction 24 - Reporting of environmental data by government entities'. These indicators can be found in this section of the report and in Appendix F.

Governance

Our approach to climate governance and reporting significant risks and opportunities is informed by Ministerial Directions and other regulatory guidance, along with our internal business goals and tools, such as our materiality assessment (see 'Our approach to sustainability' section of this report). In 2023, Melbourne Water undertook a readiness review comparing our past climate risk disclosures and internal systems to the draft International Sustainability Standards Board (ISSB) climate reporting standards. The review identified a range of strengths and improvement areas and has informed disclosures in this report. The structure of this section of the report has also been informed by the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

Climate risk governance within Melbourne Water

The Melbourne Water Board approves overarching business Strategic Goals, including our decarbonisation goal, which has been established in alignment with the requirements of the Victorian Water Corporation's *Statement of Obligations (Emission Reduction)*. The Board also approves the capital plan through which major investments are made to deliver on, amongst other drivers, actions to address our most material climate risks and opportunities. The Board also notes the key service strategies and delegates to management the development, execution and publication of these strategies for sharing with stakeholders.

In November 2023, Melbourne Water's Board Committee structure was changed to consist of the following relevant committees:

- A Risk, Optimisation and Sustainability Committee (ROSC), with oversight of the Enterprise Risk Universe, strategic Risk Profile, and corporate governance frameworks. This committee has carriage of sustainability risks and opportunities, including climate change.
- A Finance, Audit and Compliance Committee, with oversight of the Public and Environmental Health Framework.

The Board and sub-committees provide overarching governance of the overall Enterprise Risk Universe, including climate-related risks. The Executive Leadership Group validate and monitor risks and controls included in the Enterprise Risk Universe and report the status of risks to the Board and Sub-committees. Each risk is allocated to a member of the executive leadership group as accountable and to a member of their senior leadership group as the individual risk owner responsible for overseeing controls and regular reporting. Strategic oversight and ownership of climate risk falls to the Head of Sustainable Futures.

An emissions KPI is included in our Managing Director's 2023-24 performance plan to hold emissions to no more than net 480,000 tonnes CO_2-e, across the NGERS reportable emission scopes 1 and 2. This emissions KPI was met for this period.

Strategy, material risks and opportunities

Understanding and preparing for climate risks is a critical component of Melbourne Water's long-term business strategy. We explore a range of climate scenarios and other influences, such as potential population growth, technology and regulatory change, to understand how physical and transition risks may affect resources, operations, services and stakeholders.

Climate change, extreme weather, and changes in the economic and regulatory environment have the potential to create unanticipated costs or impacts on Melbourne Water's revenue and asset values. While scenario planning is used to explore and help prepare for a wide range of potential future conditions, there is a risk that the assumptions made based on what is currently known may not reflect the actual impact of emerging risks in the future. As of 30 June 2024, Melbourne Water considered climate-related risk in the preparation of the financial statements as summarised in Note 1 (Financial reporting impacts of climate related matters) in the Financial Statements of this report.

Melbourne Water and the services we provide are also strongly dependent on nature. Often costs to infrastructure are a large focus of the financial impacts of climate change, the loss of environmental, social, economic and intrinsic value from nature is often not. The outcome is an imbalance, with many values unable to be consistently expressed and justified against their costs. Melbourne Water is currently working on improving its understanding of how to value nature, including through the exploration of standard accounts to help record economic value and demonstrate the return on investment from waterways management.

Climate risks and opportunities

Melbourne Water's approach to climate resilience builds our ability to identify and manage climate-related risks to our services, people, financial sustainability and operations over the short, medium and long term. We are responding to physical risks arising from the physical impacts of climate change and transition risks arising from the regulatory, economic, financial, technological and social changes from a transition to a low-carbon economy (noting that there would be greater environmental, economic, financial and social risks from not transitioning). These risks affect the entire organisation as the timing and severity of climate impacts are complex and uncertain, creating challenges in our ability to adapt.

Physical risks

Declining rainfall and increasing heat creating risks for water security

Description	Projected long-term decline in rainfall and potential for increased variability, such as longer, more severe droughts and more severe storms, will decrease the drinking water supply available from existing natural sources. Increasing hot weather and other extremes may drive changes in peak demand or other stresses on supply systems. In addition, warmer temperatures in water storages may increase the risk of algae or other risks to drinking water quality.
Potential financial impacts	• Costs associated with the need to manage and augment water supply systems to provide sufficient water for a growing population if supply from rain-dependent sources declines. • Costs associated with managing treatment and transfer systems to meet higher water demands. • Increasing reliance on water treatment processes and new water sources may increase the overall energy consumption of water services and the costs associated with this.
Opportunities	• Ensuring that new water sources developed to service future populations are less reliant on rainfall and less exposed to climate hazards, including supply chain risks. • Embedding IWM practices as we plan for urban growth and upgrade ageing infrastructure, aiming to make the most of all potential water resources across the region.
Management Responses	• Melbourne Water is actively planning for current and future water security, including participation in water sector working groups focused on water security, water resource and supply system modelling, system augmentation and strategy/regulation. In addition, we are exploring the potential for climate independent new water supply sources while also managing potential greenhouse gas emissions, particularly from higher grid electricity use. We are also supporting government and councils to explore both statewide and local adaptations, such as increased water transfer between Victoria's supply regions, and more rainwater tanks and water sensitive urban design.

Declining rainfall and increasing heat creating bushfire risks

Description	Rising temperatures and extreme weather events have the potential to increase the frequency and scale of bushfires. If bushfires occur in catchment areas, it may increase the risk of debris-flow contamination of water supplies. In other locations, bushfire may affect the operation or lifespan of water, sewerage or other assets.
Potential financial impacts	• Costs associated with additional water treatment and transfer activities to address water quality impacts from extreme fire events. • Costs associated with making assets more resilient or repairing damage from extreme fire events.
Opportunities	• By proactively investing in adaptation and resilience there may be opportunities to reduce impacts and costs from fire events.
Management Responses	• Recognising that fire hazards are a significant driver of water supply and quality risk, and may already be amplified by climate change, we operate ongoing catchment fire risk management programs in partnership with DEECA, Parks Victoria and the CFA. Refer to the 'Water supply catchment management' section of this report on page 25 for more details on how we prepare and plan.

Increasingly severe rainfalls creating risks of flooding and discharge of sewage	
Description	More intense or extreme rainfall events due to climate change have the potential to result in increased and more frequent flooding across the region, causing drainage systems, sewerage transfer networks, treatment plants and rivers to overflow more often. These events would also create a direct physical and financial risk for affected communities, and environmental impacts.
Potential financial impacts	• Increasing costs associated with emergency management, response and repairs from extreme flooding events. • Costs associated with managing and cleaning up sewage spills.
Opportunities	• Mapping and sharing information on potential future flood risks to inform urban planning and design, including locating new buildings outside of flood risk areas. • When existing buildings are renovated or replaced, they can be designed in a way that increases resilience and safety when floods occur. • Embedding IWM practices in urban planning, design and asset management to incorporate opportunities that capture and re-use stormwater to reduce smaller floods, improve urban greening and cooling, and deliver other benefits when drainage and other infrastructure is developed or renewed.
Management Responses	• We work with the Department of Transport and Planning (DTP), Victorian Planning Authority (VPA), the Bureau of Meteorology and councils to understand changing flood hazard and urban development as flood models are updated. Flood maps and related information are shared with all relevant government stakeholders to inform their decisions and are used by Melbourne Water in our role as a referral authority for land use and development under the *Planning and Environment Act 1987 (Vic)* and in our consultative role under the building regime (pursuant to the B*uilding Amendment Regulations 2015*). • In accordance with the Flood Management Strategy Implementation Plan, we have prepared the *Climate change in flood information and land use planning guideline* to confirm the climate settings to be applied through flood modelling and flood hazard planning scheme amendments. • A new Strategic Urban Planning Climate Risk Assessment Framework has also been prepared to help us assess climate (flood) risk as part of land use and infrastructure decision making, using both existing and updated flood information. We are now working with the VPA on land use planning for the *Housing Statement* precincts to understand flood hazard and guide development to safer locations.

Sea level rise and changing coastal process affect assets and ecosystems	
Description	Sea level rise, changing coastal storm and wind patterns, storm surges and the movement of salt water in estuaries may damage coastal communities, public assets and ecosystems.
Potential financial impacts	• Increased costs for emergency repairs. • Costs associated with the potential relocation of treatment assets from coastal areas.
Opportunities	• By investing in adaptation and resilience ahead of sea level rises, there may be opportunities to reduce impacts and costs and enable conservation of biodiversity values.
Management Responses	• A detailed coastal hazard assessment for the Western Treatment Plant has commenced, including input from DEECA. We are also partnering with DEECA and others on 'Adapt West', a Port Phillip Bay Western Shoreline Regional and Strategic Partnership to develop a coordinated regional approach to managing coastal hazards from Geelong North to Williamstown. In addition, we are updating our regional Sea Level Rise Guidelines, which are incorporated into the Planning Scheme and support land use and development decisions as part of our role as a referral authority for land use and development.

Increasingly extreme weather may cause asset and operational damage or disruption	
Description	More extreme weather may damage assets, create disruption to power and other essential supplies and affect the safety of operations. This could lead to the interruption of services.
Potential financial impacts	• Costs associated with making assets more resilient or repairing damage from extreme events.
Opportunities	• As growth and ageing assets drive expansion and renewal of systems, we have opportunities to design new investments in a way that helps them function under future conditions.
Management Responses	• Asset system risk assessment processes identify extreme weather hazards and track mitigation measures. Review of these systems to enable response and planning for climate changes are in progress.

Transition risks

Regulatory and stakeholder expectations	
Description	New and developing regulations may impose requirements associated with transitioning to a lower carbon economy or limiting the impacts of climate change, which affect our business. Community expectations for services may change as climate impacts are experienced, but willingness and ability to pay for adaptation and recovery may be limited.
Potential financial impacts	• Introduction of a carbon price may impact the costs associated with offsetting emissions. • Additional increased costs associated with changing requirements.
Opportunities	• As ageing assets are renovated and replaced, or expanded for a growing population, they can be designed to reduce greenhouse gas emissions and meet new and anticipated standards. Identifying and researching uncertain aspects of emission estimation and forecasting can improve the information we use to meet targets and plan ahead.
Management Responses	• We expect ongoing adjustment of regulations in response to community expectations and climate change. We are engaged in ongoing dialogue with regulators and regional stakeholders to understand potential changes and provide data and technical contributions to the evidence base that informs regulatory change. Transparency on climate risks enables all stakeholders to participate in determining a pathway forward.

Climate risk management

Melbourne Water's Risk Management Framework

Climate change is captured as an overarching strategic enterprise risk and as a driver of strategic service, operational and business risks within our Enterprise Risk Universe and overarching Risk Management Framework (RMF). The design and implementation of our RMF is regularly reviewed in line with the internal and external context in which we operate. Our risk management framework is underpinned by our:

- **Risk Management Policy**, which assists Melbourne Water to meet its organisational objectives by articulating its commitment to risk management and defining the organisation's risk management principles
- **Risk Appetite Statement**, which defines the amount of risk that Melbourne Water is prepared to take in the pursuit of our vision of enhancing life and liveability.

Melbourne Water continuously seeks to improve and mature its approach to risk management, which is guided by an annual risk improvement plan. Currently, the annual risk improvement plan is being driven by our Risk Management Uplift Plan from 2023 to 2025.

Assessing risk

The ongoing assessment and management of climate-related risks also occurs through the following processes:

- A biannual strategic risk report is provided to the ROSC and at least annually to the Board, including climate topics. These reports summarise the current state of overarching climate risks, any key changes and general performance of controls.
- Annual asset-system risk assessments capture near-term weather and climate-related risks to assets and inform an annual asset condition and risk reporting process.
- A pilot exploration of longer-term climate-related risks for selected operating sites over 2023-24 to inform ongoing asset climate risk process improvement.
- Ongoing research and modelling programs to explore and evaluate potential climate impacts for different areas of our business under a range of Representative Concentration Pathways (RCPs). An RCP 8.5 emissions scenario (worst case) is used in the following cases to interrogate severe climate changes:
    - water supply - water flows in our region and capacity of key systems to meet performance standards under changing conditions
    - sewage treatment - flows and spill risks for sewer transfer networks and treatment plants.
    - flooding and drainage - changes to rainfall, run-off and sea-level, which will change the frequency and severity of flood events
    - waterways and catchments - ecological changes that may affect catchments and waterways and key environmental values.
- Sea-level rise and coastal hazard impact investigations using a range of sea-level rise benchmarks provided by state government regulations or recommended by research institutions such as the CSIRO.
- Continued development of our 'emerging risk' process and register to facilitate communication and monitoring of emerging and uncertain topics that are not amenable to immediate controls.

Planning for supply and demand challenges

The prediction of a hotter, drier and more unpredictable climate with greater variability due to climate change means we need to think differently about how we source and distribute water in our region.

Using the Guidelines for Assessing the Impact of Climate Change on Water Availability in Victoria published by the Victorian Government in 2020, the Greater Melbourne water corporations have assessed how climate change could impact on the availability of water from the current supply system over the next 50 years.

As per the recommendations in the guidelines, three climate change scenarios using RCP 8.5 emissions scenario are used, considering varying rainfall outcomes from the suite of Global Climate Models used in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report. It should be noted that none of these scenarios is seen as more likely than others. They are all considered as plausible futures that should be used as a basis for planning future water supplies.

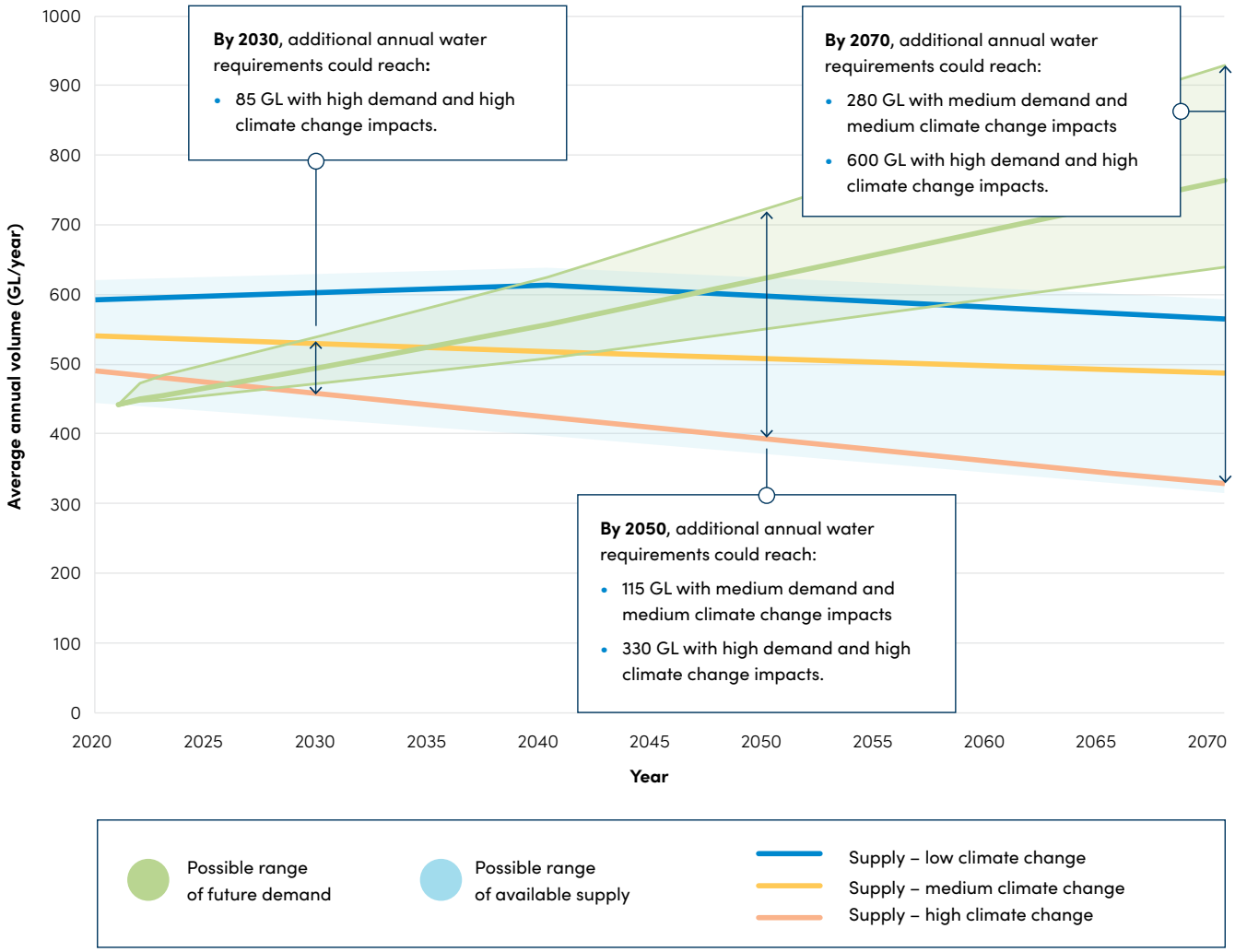
The three climate projection scenarios have been combined with the three demand growth projection scenarios as the basis for projecting the potential range of emerging water supply-demand deficits to address:

- high climate change impact and high demand growth
- medium climate change impact and medium demand growth
- low climate change impact and low demand growth.

Figure 7 shows these projections in our modelling. We have also assessed the impact of climate variability, which shows a possible range of available supply. In this figure, we have selected and shown the median water availability for each of the three supply scenarios modelled.

The supply and demand modelling indicates that under the range of scenarios explored, demand is expected to grow, and climate change will decrease the availability of water from our existing supplies, requiring us to augment the supply system over time to develop climate independent water sources.

Figure 7: High, medium and low demand growth and climate change scenarios for 2020–2070



Metrics and targets

Melbourne Water is responsible for significant greenhouse gas emissions, primarily through our use of energy and sewage treatment processes. We are progressing Our Path to Net Zero by 1 July 2029 in line with the Victorian Government's *Statement of Obligations (Emission Reduction)* and the Victorian Government's long-term target of net zero greenhouse gas emissions by 2050.

Under the *Victorian Statement of Obligations (Emission Reduction)* Melbourne Water must:

1 Reduce our annual reportable scope 1 and 2 emissions (as calculated under NGERS to 204,380 tonnes CO_2-e a year by 2024-25 (which represents a 50 per cent reduction from our 408,760 tonnes CO_2-e baseline, which was calculated from our average annual emissions between 2011 and 2016).

2 Source 100 per cent of our consumed electricity from renewable sources by 2025.

3 Reduce our annual reportable scope 1 and scope 2 emissions to net zero from 1 July 2029.

Our Eastern and Western Treatment Plants are also subject to the Federal Safeguard Mechanism. At a high-level, Melbourne Water's greenhouse gas emissions reduction requirements under the Victorian *Statement of Obligations (Emission Reduction)* and Federal Safeguard obligations are complementary.

Our energy and emissions

A breakdown of our greenhouse gas emissions by service delivery and electricity consumption from different sources for 2023-24 is provided in Table 4. All figures are calculated using NGERS carbon accounting methodologies. For additional breakdowns of our energy and emissions metrics, refer to Appendix F.

In 2023-24, there was a material decrease in total net scope 1 and 2 emissions of 8.7 per cent compared to financial year 2022-23. In particular, this is seen in the 19.6 per cent decrease in scope 2 emissions due to greater behind-the-meter electricity generation capacity.

Melbourne Water's major sources of self-generated electricity are solar and biogas. During 2023-24, infrastructure upgrades and developments across our operations contributed to an increase in generation from these sources.

New solar farms at the Winneke Water Treatment Plant in Christmas Hills and the Eastern Treatment Plant began contributing to Melbourne Water's energy generation throughout 2023-24.

In addition, the Biogas Handling System was updated at the Eastern Treatment Plant, maximising biogas conversion to bioenergy and earning Melbourne Water the 2024 Australian Water Association Infrastructure Project Innovation Award. At the Western Treatment Plant, the Plant B power station also became fully operational, providing an additional 6-megawatt capacity to generate electricity from biogas.

Solar Farm at Eastern Treatment Plant

Table 4: Scope 1 and 2 emissions and by service delivery (based on NGERS carbon accounting methodology), electricity consumption – by source

	2023-24 Result	2022-23 Result[1]	Variance (%)
Emissions			
Total Net Scope 1 and 2 emissions (t CO_2-e)	**410,056**	**449,026**	**-8.7%**
Scope 1 emissions (t CO_2-e)	260,826	263,326	-0.9%
Water treatment and supply (t CO_2-e)	21	32	-33.3%
Sewerage treatment and management (t CO_2-e)	258,851	259,849	-0.4%
Transport (t CO_2-e)	1,840	1,774	3.7%
Waterways (t CO_2-e)	113	1,670	-93.2%
Other (Offices) (t CO_2-e)	0	0	0.0%
Scope 2 emissions (t CO_2-e)	149,230	185,700	-19.6%
Water treatment and supply (t CO_2-e)	39,921	41,846	-4.6%
Sewerage treatment and management (t CO_2-e)	108,159	142,669	-24.2%
Transport (t CO_2-e)	36	3	1,310.1%
Waterways (t CO_2-e)	843	890	-5.4%
Other (Offices) (t CO_2-e)	271	292	-7.2%
Offsets (t CO_2-e)	0	0	0.0%
Carbon offsets (self-generated) retired (t CO_2-e)	0	0	0.0%
Carbon offsets (other) retired (t CO_2-e)	0	0	0.0%
Electricity			
Total electricity consumption (MWh)	**342,073**	**345,534**	**-1.0%**
Purchased directly through an electricity retailer (MWh)	188,900	218,254	-13.4%
Self-generated (MWh)	153,174	127,280	20.3%
Biogas (MWh)	116,147	107,658	7.9%
Hydroelectricity (MWh)	77	81	-4.5%
Solar (MWh)	35,368	15,256	131.8%
Natural gas combustion (MWh)	1,581	4,286	-63.1%

Note 1: At the time of the 2022-23 Annual Report, the numbers reported were the most accurate available and figures were later revised with the most up-to-date data by October 2023, in line with NGERS reporting. These numbers represent the most up to-date emission figures for 2022-23 and are therefore what is disclosed in this report.

Note 2: Scope 2 emissions from transport have increased significantly due to the expansion of Melbourne Water's electric vehicle fleet. More information about our fleet and transport emissions can be found on page 193.

Scope 3 emissions

Melbourne Water is in the early stages of scoping a strategic approach to understanding and managing our entire scope 3 emissions profile across the 15 categories prescribed by the Greenhouse Gas Protocol[15]. This includes working with the Water Services Association of Australian to identify potential approaches at an industry-wide level.

We currently track and report certain contributors to our larger scope 3 emissions profile, as required under the Ministerial Reporting Directives. This year, our total scope 3 emissions relating to waste disposal and commercial air travel decreased by 8.9 per cent, which can be attributed to a decrease in emissions from waste disposal due to reduced consumption at our head office site. However, an increase in commercial air travel emissions was also seen and, despite a decrease in the number of flights taken in 2023-24, the emissions increase was attributable to an average higher distance travelled on these flights.

Improving our understanding of our greenhouse gas emissions

Melbourne Water has established and intends to implement a proactive emissions measurement program, bolstered by the support of local and international partners. This program aims to enhance our emissions reporting, ensure greater transparency of actual emissions and identify opportunities for emissions reduction across our treatment plants.

Through the development and validation of monitoring protocols targeting major emission sources of nitrous oxide and methane, we aim to contribute to the development of new standards for measurement accuracy and predictive modelling in sewage treatment facilities. A major focus in this area is nitrous oxide emissions from nutrient removal processes.

Nitrous oxide emissions monitoring program

Melbourne Water's industry-leading nitrous oxide monitoring program with The University of Queensland has contributed fundamental knowledge of nitrous oxide emissions behaviour from biological nitrogen removal systems.

With over two years of direct measurement data, results have shown that actual emissions from the monitored system are approximately three times higher than currently reported under the NGERS framework.

This year, our reported emissions for nitrous oxide at the Eastern and Western Treatment Plants were 16,383 and 25,618 t CO_2-e using NGERS carbon accounting methodology, respectively. However, our direct emission measurement project at the Western Treatment Plant indicates that nitrous oxide emissions at this site may be as high as 72,243 t CO_2-e, which is not reflected in the reported emissions in Table 4. Nitrous oxide emissions have not been continuously monitored at our Eastern Treatment Plant at this point in time. Variations between reported and measured nitrous oxide emissions arise from the relevant immaturity in the science at the time that the current assumptions in the emission reporting calculation methods under NGERS were set by the Federal Clean Energy Regulator. As the industry's understanding of actual emissions evolves, it is anticipated that emission reporting methods and calculations will need to be updated to enable reported emissions to more closely match measured or estimated emissions. Until this occurs, Melbourne Water is voluntarily transparently disclosing this discrepancy to ensure our plans focus on real emission reductions.

The monitoring project has also revealed potential opportunities for Melbourne Water to adjust process conditions, potentially mitigating a proportion of the emissions from this source. We are currently testing these adjustments to validate and optimise our model at the Western Treatment Plant, aiming to effectively reduce our actual emissions.

Table 5: Scope 3 emissions 2023-24

Scope 3 emissions source	2023-24 Result	2022-23 Result*	Variance (%)
Waste disposal (t CO_2-e)	**19.6**	38.8	-49.5
Commercial air travel (t CO_2-e)	**43.2**	30.1	43.5
Total reported scope 3 emissions (t CO_2-e)	**62.8**	68.9	-8.9

*An error was identified in the 2022-23 prior year disclosure of scope 3 waste disposal emissions, which has been amended in this report. It was previously disclosed that the 2022-23 result was 1,286 t CO_2-e. However, it was found that this was utilising a scope 1 emissions factor, which resulted in a significantly higher and erroneous result.

[15] https://ghgprotocol.org/corporate-value-chain-scope-3-standard

Methane emissions from sludge drying

Through collaboration with the University of Melbourne, we have gained valuable insights into methane emissions from our open-air sludge drying pans, employing both direct measurement and modelling methodologies.

The findings revealed that methane emissions from this source closely adhere to NGERS emission factor guidelines, indicating broad consistency between our reported and actual emissions.

However, findings underscore the significant contribution of open-air sludge drying to our scope 1 emissions, accounting for approximately 50 per cent of our total scope 1 emissions. This highlights the imperative of implementing alternative sludge drying technologies to curb our scope 1 emissions.

Collaborative emissions projects

Sewer Methane Methods for Everyone

Co-funded by The Water Research Foundation and multiple international utilities, including Melbourne Water, Sewer Methane Methods for Everyone is a joint research project led by Brown and Caldwell.

By leveraging data from over 40 sewer sheds of varying climates and sizes, the project aims to enhance our understanding of sewer methane emissions, which are presently unaccounted for in national reporting guidelines and, therefore, currently not included in Melbourne Water's NGERS emissions estimates.

Methane technology trial

Melbourne Water has initiated a trial in collaboration with UK company QLM Technology, aimed at deploying its Quantum Gas LiDAR equipment at the Eastern Treatment Plant. This imaging technology is designed to detect, visualise and quantify methane emissions.

International partnership to reduce wastewater emissions

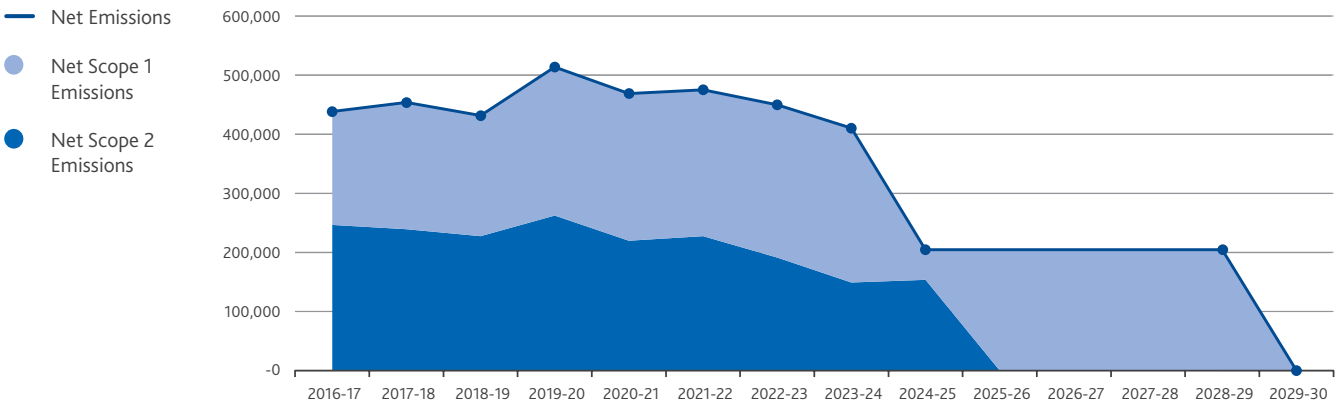
Through Melbourne Water's international alliance with Danish water utility Aarhus Vand and UK water leader Severn Trent, partners are building on their experience, expertise and innovation capacities and aim to establish new international standards for measuring and reporting emissions.

Projects and research currently underway within the partnership include:

- sharing of data and insights from nitrous oxide emission measurements at wastewater treatment plants across Europe and Australia to inform the development of standardised measurement techniques, future planning of nitrogen removal plants and mitigation of fugitive emissions
- an emissions paper to comprehensively evaluate methane emissions from wastewater treatment plants and sludge treatment facilities, which aims to summarise identified emissions sources, propose normalised emission factors, discuss the benefits and limitations of emission measurement technologies and explore potential mitigation strategies.

Reducing our emissions

Figure 8: Trajectory of net emissions from baseline year (2016-17) to achievement of 'net zero' in 2029-30 (based on NGERS carbon accounting methodology)



Integrating transition and physical risk management

An Eastern Treatment Plant Solids Adaptive Plan and a Western Treatment Plant Adaptive Plan have recently been developed. These plans outline the investments in infrastructure required to ensure we sustain and improve performance at these facilities now and into the future.

These adaptive plans outline how Melbourne Water must physically adapt in response to climate risks such as sea level rise and coastal erosion, and in its handling and treating wet weather flows to support a future which may be increasingly reliant on higher quality recycled water.

The adaptive plans also map out the potential pathways and the scale of investment required to transform our currently high greenhouse gas emission sewage treatment plants to lower emission alternatives (where mature technologies exist). Importantly, the plans consider our lower emissions alternatives in conjunction with other strategic and operational drivers such as groundwater contamination, odour, solids reuse, emerging contamination and sea level rise.

Renewable energy

Melbourne Water has a portfolio of onsite energy generation facilities throughout our water system and wastewater treatment plants. This onsite generation reduces our need to use electricity from the grid, which reduces our reportable scope 2 emissions as calculated under NGERS.

At this time, the Renewable Energy Certificates (RECs) from our onsite energy generation are sold to keep costs to customers down, which reduces the proportion of electricity that can be reported as renewable (as seen in Tables 6 and 7). However, to meet our 100 per cent renewable electricity commitment, Melbourne Water will begin retiring RECs ourselves rather than selling them in 2025-26, which was accounted for in the assumptions within the 2021 Price Submission.

Table 6: Total renewable electricity consumption, by type (MWh)

Renewable electricity consumption categories	2023-24 Renewable electricity consumption (% of total consumption)	2023-24 Renewable electricity consumption (MWh)	2022-23 Renewable electricity consumption (MWh)	Commentary
Grid-sourced	10.3%	35,361	41,059	
Self-sourced	0.00%	0	0	
Biogas	5.5%	18,710	18,710	This represents our pre-2000 renewable generation baseline
Hydroelectric	0.00%	0	0	
Solar	0.00%	0	0	
Wind	0.00%	0	0	
Total corporation - led/ self-sourced	5.5%	18,710	18,755	
Total renewable electricity consumption	15.8%	54,071	59,814	

Table 7: Renewable Energy Certificates (REC) Retirement

REC retirement method	RECs retired: 2023-24 (1 REC = 1 MWh renewable electricity)	Commentary
Voluntarily retired by Melbourne Water	0	
GreenPower	0	
Certified carbon neutral electricity purchased	0	
Voluntarily retired on Melbourne Water's behalf	0	
Total voluntarily retired	0	
Mandatorily retired	35,361	Mandatory surrender of RECs against large market electricity purchases
Total RECs retired	35,361	

Carbon offsets

Melbourne Water is developing a series of small-scale pilot carbon forests within our region to build sector capacity and test the value and co-benefits of biodiverse carbon plantings. Two forest areas are in progress on Melbourne Water land and site preparation and planting will progress over winter 2024.

In addition, a third forest area is in planning for a privately owned landholding, in partnership with a community member seeking to contribute to regional biodiversity by revegetating a cleared parcel that historically supported forest cover. Known as the Growing Carbon Project, this partnership forest planting is jointly funded by Melbourne Water, Yarra Valley Water and Greater Western Water. This project will support metropolitan water businesses to achieve carbon targets, enhance the natural environment and develop technical carbon project skills that can be shared with the wider water industry. These forests will be protected for 100 years under a 100-year 'permanence period'. As it takes time for the trees to grow and store carbon, offsets generated from these plantings will be available for use against targets in approximately five years.

We are working with VicWater and other Victorian water authorities to develop a collaborative approach to long-term carbon offset sourcing in line with policy that encourages local investment and catchment health.

To meet carbon targets in the near term, Melbourne Water anticipates a quantity of market-sourced offsets will be required. An 'integrity hierarchy' for Australian carbon offset sourcing was approved by Melbourne Water's Board in 2022. This hierarchy is focused on high-integrity, 'removals'-based offsets and due-diligence processes, in alignment with principles one and two of the Oxford Principles for Net Zero Aligned Carbon Offsetting. An integrity and risk approach for international offsets is in development, responding to rapidly evolving Australian and international regulation and best practice. Market sourcing activities to meet future targets are in progress.

Yarra River, Yarra Bend Park

Our community

Customer, community and engagement

Our customers and the community are at the centre of everything we do. Our service delivery is enabled by the trusted partnerships we have in place.

Our approach

Our customers and community reside within the Greater Melbourne region. We recognise the unique role we can play in their lives through the safe and affordable delivery of our services.

At Melbourne Water, we prioritise the current and future needs of our customers and community when delivering essential services, ensuring that our strategies, plans and projects incorporate outcomes that are most valued. We achieve this through a culture of listening and collaboration and aim to build stronger relationships with our stakeholders every day.

To update our previous Customer and Community Strategy, Melbourne Water is currently developing a forward five-year Customer Service Roadmap that is due for completion in 2024-25.

Customer segments

Our customer segments are:

- state government
- local government
- retail water companies
- industry leadership
- direct service customers (including developers)
- engaged community groups
- community.

How we interact with our customers - Customer Ecosystem

Given our unique role, Melbourne Water recognises that customers interact with us in different ways to obtain different services.

Therefore, we have developed a customer ecosystem, which recognises the different needs and complex relationships our customers have with us. For each customer group, the ecosystem defines the specific and most important drivers for customer satisfaction and reputation.

Our customer performance

As a customer-centric organisation, Melbourne Water continues to evolve alongside shifting customer expectations, internal priorities and a dynamic operating environment. This year, we continued delivering our Customer Program through our formalised Customer Improvement Planning process, which seeks to address known pain points, based on insights and data, to enhance our customers' experience.

This work has increased our customer capability and ability to build customer insights from multiple data sources, including operational performance and our ongoing customer satisfaction (CSAT) survey program, enabling our people to better identify areas for improvement and reinforce successful customer-centric outcomes.

Improved visibility of our customers' experiences through data also allows us to see links between our operational service delivery performance and customer results and feedback received through our survey programs.

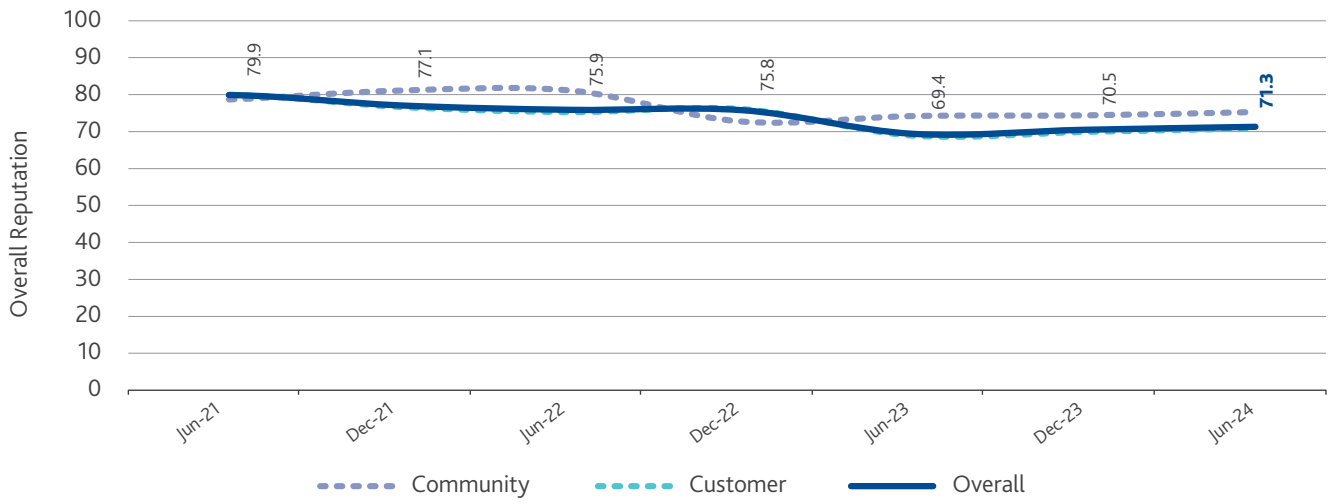
Reputation and customer satisfaction by service

Melbourne Water's reputation score with our customers and the community was at 71.3 in June 2024 (an increase on 69.4 in June 2023).

Scores are independently determined by RepTrak, a global reputation monitoring agency that has undertaken this work for Melbourne Water since 2014. The score establishes the levels of trust, esteem, admiration and respect felt by our customers and community.

Our customer experience framework continues to focus on delivering enhanced customer experiences in our role as a regulator and bulk water supplier. Our customer experience improvement programs highlight opportunities across our organisation to improve customer experiences with our services and to provide positive customer experiences, even when delivering on our statutory responsibilities and regulatory outcomes.

Figure 9: Customer reputation and satisfaction scores



Customer Service Centre results

This year, our Customer Service Centre improved on prior year results in the independent Customer Service Benchmarking Australia call quality and customer experience benchmarking program. Overall, Melbourne Water:

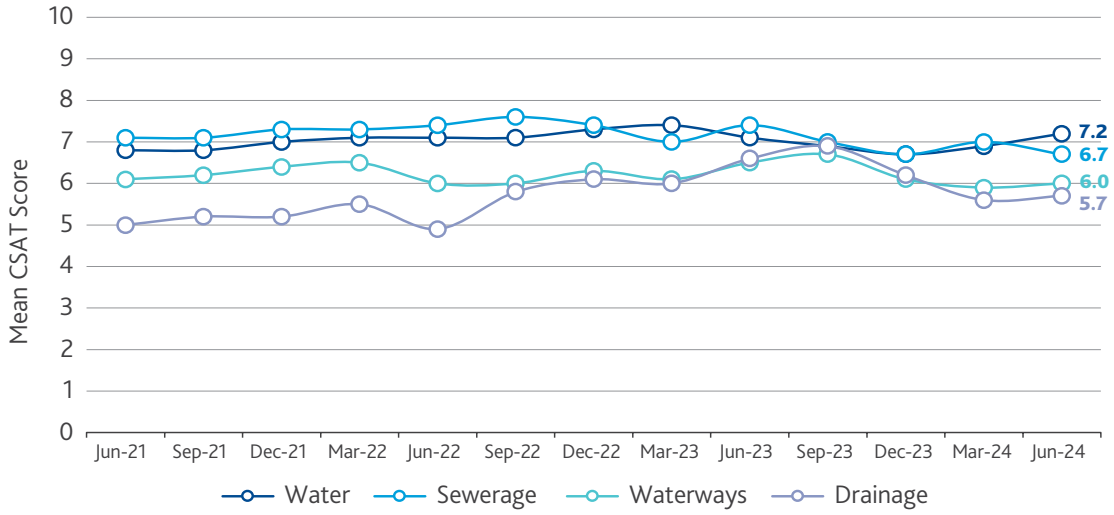
- ranked first out of 54 in the utilities sector for call quality and customer experience, for the second consecutive quarter
- ranked sixth nationally out of 209 participants across all sectors for two consecutive quarters
- received the award for 'Best in Sector' for the utilities industry twice in a row for the last two quarters of 2023-24.

Across our customer services, our CSAT performance in the past year had been moderate. 'Easy, respectful, responsive and transparent customer service' is one of our six performance outcomes under our 2021-2026 Price Determination, which was not met for the period, with customer satisfaction below target. More detailed information, including our performance against individual measures under our Outcomes can be found in our 2023-24 Customer Outcomes Report[16].

We are utilising data from our reputation and Customer Satisfaction by Service surveys to ensure there is a clear path to address customer pain points and opportunities to improve the way we deliver our services. Collaboration and responsiveness are key focus areas for improving reputation. In line with our customers' responses, we are continuing to focus on customer experience and customer outcomes across all our services.

[16] https://www.melbournewater.com.au/services/prices-and-charges/price-submission

Figure 10: Customer reputation and satisfaction scores – services



Customer and community engagement

Bringing trust and transparency to our work

Our customers and community are at the centre of everything we do. Melbourne Water continues to define its community engagement by our six engagement principles:

- Transparent
- Timely
- Meaningful
- Considered
- Inclusive
- Reflective.

Driven by these principles, Melbourne Water is continuing to expand its reach and involve more people in the strategic decisions we make through integrated digital and face-to-face engagement. This approach is led by insights into our customers' preferences for engagement and information sharing, which creates meaningful opportunities for greater diversity and inclusivity in our engagement practices.

Tailored and multi-staged engagement programs are being rolled out in support of several significant, strategic activities, including:

- public consultation on the Maribyrnong River Flood Review submission process
- implementation actions in support of our Flood Management Strategy to build community resilience and awareness of flood risks and take proactive action to be ready for flood events
- delivery of a range of strategic engagement and educational activities to raise awareness of our Western and Eastern Treatment Plants
- exploration of recreation opportunities at the Yan Yean and Tarago reservoirs
- delivery of an 'engagement always on' approach to key precincts in our operating area, such as Patterson Lakes, Koo Wee Rup Longwarry Flood Protection District and Spotswood
- strategic communications and engagement planning for the 2026 Price Submission
- 24/7 incident response to provide support to the business on communications and media
- the rollout of an extensive infrastructure delivery program and community group projects, with targeted engagement with local communities.

Our tailored engagement and communication approaches employ a range of methods, including community bulletins, focus groups, doorknocks, pop-up events and online approaches, such as deliberative panels, co-design, digital platforms and social media.

We apply an evidence-based understanding of our target audiences, informed by our customer insights research program, in addition to the IAP2 (International Association for Public Participation) levels of engagement to tailor the right types of engagement at the right times to reach a broad and diverse audience. We will continue to expand our digital engagement tools and focus on improving the evolution of our Let's Talk engagement platform to maximise two-way engagement and accessible language translation features.

Engaging our customers and community in 2026 Price Submission

In preparation for Melbourne Water's 2026 Price Submission, we are delivering a multi-faceted engagement program to ensure the voice of partners, customers, Traditional Owners, government and the community is embedded within our Price Submission process.

Over the past year, Melbourne Water has established the Water Corporation Forums, run deliberative panels and heard from over 1,200 people across Greater Melbourne in a social research survey to understand community priorities.

In 2024-25, our planned engagement includes regular meetings with key stakeholders, forums with our community panel and direct service customers, and surveys with the broader community. This work aims to build our understanding of our customers, and communities' priorities as they relate to investment trade-offs and validate whether we have incorporated their collective views into the draft submission.

We will continue to build on these findings to ensure our customers' voices and priorities influence how we work as a business and deliver value to Greater Melbourne.

Water literacy

An evidence-based approach and behaviour change framework underpin Melbourne Water's approach to connecting with customers in an engaging way to improve the water literacy of all Melburnians.

In a water-literate community, customers are informed about water cycle management and empowered to participate in shaping the future of Melbourne's water. Improved water literacy also drives an increase in customers' familiarity with our organisation, which creates a platform for Melbourne Water to deliver key programs of work into the future.

Water literacy has been built into our 2021 Price Determination and is measured through research and insights gathered on a quarterly basis via brand tracking, and biannually via the water issues survey.

This year, our Water Literacy Program engaged with over 11,000 people through a range of in person tours and educational programs delivered to a wide range of audiences, including school groups and Culturally and Linguistically Diverse (CALD) community audiences.

In partnership with ABC Education, we co-created content and resources for students and teachers aligned with the curriculum and focused on a Kids-Teaching-Kids approach to learning in delivering information about all aspects of the water cycle. This initiative has been cross-promoted via Melbourne Water and ABC Education, reaching over 2,000 views with students, teachers and community.

Our partnership with Scienceworks supporting Melbourne Water's Hobson's Main Drain project, co-created a choose-your-own adventure style experience, Super Sewage, and used play and exploration to encourage participation and learning about the Hobson Bay Sewer and the water cycle. The experience ran for two weeks during spring school holidays and resulted in 2,615 children and adults engaging and learning about the hidden water world below our city.

WaterWatch community involvement

As part of Melbourne Water's Community Connections Team, WaterWatch facilitates the delivery of community capacity building programs to build awareness of and practically enhance waterways and the environment. Some of our key partners in this include volunteers, environmental groups, the Werribee Riverkeeper, Maribyrnong River and Waterways Association, Yarra Riverkeeper, Port Phillip EcoCentre, and Merri Creek and Darebin Creek management committees.

This year, WaterWatch volunteers actively participated in litter clean-ups, educational initiatives, tree planting, webinars and citizen science programs, including the Frog Census, water quality monitoring, EstuaryWatch and PlatypusSpot programs. The efforts of these dedicated volunteers have led to increased knowledge of waterway management, a greater understanding of species diversity and abundance, and on-ground action resulting in improved habitat for waterways and biodiversity.

WaterWatch attended and presented at the National 'Future of Platypus Conference' in October 2023. With strong interest from attendees, the WaterWatch team established the National Platypus Network, bringing together scientists, researchers, community engagement practitioners, government bodies and wildlife managers for the first time and establishing quarterly meetings at which the network can share ideas, knowledge and resources that enhance the protection of platypus.

In April 2024, Melbourne Water celebrated citizen science month and WaterWatch delivered four community events to engage and encourage citizen scientists to collect frog records for the Frog Census. Participants in these events drove an increase in data collection that will contribute to shaping waterway management decisions, particularly for frog species known to be in decline.

Recognising recreational values

The water supply catchments and reservoirs around Greater Melbourne are significant assets to the Victorian community. They provide places for people to gather, exercise and relax and are important sites of cultural significance.


Maribyrnong River

Our approach

The CMOP informs how Melbourne Water approaches our adherence to water quality requirements, while also meeting the Victorian Government's expectations to increase access to and recreation at some catchments under *Water for Victoria*.

Melbourne Water has worked with DEECA and other partners to explore opportunities for recreation in water supply catchments, including options for land activation along waterways, pipe tracks and retarding basins.

Melbourne Water's website[17] provides information for numerous recreational activities, such as locations of barbecue areas, walking tracks and bike paths, and advice for fishing and bird watching. We also assess opportunities to release environmental water over long weekends to support canoeing, fishing and camping along waterways.

There are no Recreational Area Management Plans in place for reservoirs under the management of Melbourne Water as these are closed and protected catchments as part of the water supply system. Should the nature of any of the reservoirs managed by Melbourne Water change to include recreation, Melbourne Water would examine all available management options, including those provided under a Recreational Area Management Plan.

Tarago Reservoir

Melbourne Water has continued to work with DEECA, Better Boating Victoria and other relevant stakeholders to deliver drinking water treatment upgrades as part of the $12.4 million project to open Tarago Reservoir to some boating for fishing.

Design for the water treatment plant upgrade is underway and construction works are scheduled for completion by July 2025. Melbourne Water is committed to providing high-quality drinking water and, therefore, all treatment upgrades will be completed before any recreational activities commence.

[17] https://www.melbournewater.com.au/things-do

Revitalising Yan Yean Reservoir

Yan Yean Reservoir Park is a valuable public recreation space and popular location for walking and picnics. As part of Melbourne Water's vision to enhance life and liveability, we are exploring ways Yan Yean Reservoir can offer enhanced recreational and open space opportunities for the community.

Following intensive engagement with residents and locals, and completion of a Cultural Values Assessment, we are continuing to work with project partners (Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation (WWCHAC), Parks Victoria and City of Whittlesea) to develop a Future Directions Plan (FDP).

The FDP will consolidate our collective vision for the site, identify potential issues and opportunities, and help inform future recreational opportunities in keeping with the site's important water supply function and inherent environmental and cultural values.

To help inform the FDP, we are also working with WWCHAC to undertake eDNA sampling to better understand the aquatic species present in the water reservoir.

Reimagining Your Creek

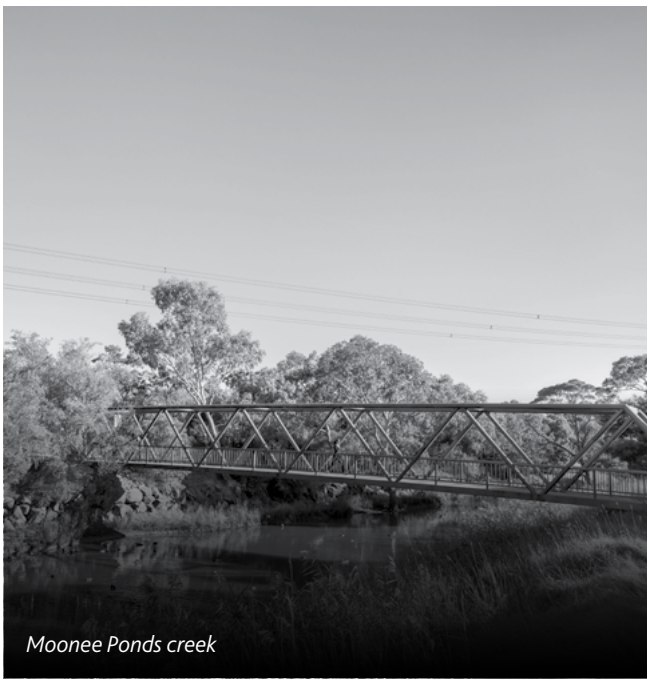
Reimagining Your Creek is a collaborative program that revitalises concrete channels into natural spaces for community enjoyment, resulting in enhanced liveability and environmental benefits. This initiative holds particular significance for suburbs where opportunities for exercise, recreation and relaxation in natural or open spaces are limited.

Reimagining Your Creek adopts a co-design approach that actively involves local communities, leveraging their knowledge, suggestions and values to optimise liveability outcomes. These projects are delivered in collaboration with DEECA, ensuring alignment with IWM policies. We also work in close partnership with Traditional Owners, local government and communities throughout the design, planning and implementation stages of the projects.

Blind Creek

Construction on Blind Creek at Lewis Park is almost complete. The new waterways and wetlands are now fully constructed with planting scheduled to take place in spring 2024. The project will:

- naturalise 1.7 kilometres of underground drain
- create three new wetlands
- create 6.3 kilometres of new shared pathways for community recreation and access along the creek
- provide 677,000 plants for improved biodiversity outcomes and 1,700 trees for improved shade and cooling
- develop community infrastructure assets, such as viewing platforms, a pedestrian bridge, steppingstone crossings and seating.



Moonee Ponds creek

Moonee Ponds Creek

Construction on Moonee Ponds Creek will be completed in late 2024. The project will convert a 360-metre section of the concrete-lined channel into a more natural and enjoyable community space. This transformation involves the planting of 43,000 native trees and shrubs, the establishment of new shared paths and a bridge, and the creation of a pond and terracing near Oak Park Reserve.

By re-naturalising the area, the creek-side environment will become more attractive, providing an opportunity for people to engage with nature in a cooler and healthier setting. This initiative will contribute to improved water quality and waterway health by regulating water flow, enhancing biodiversity and native species habitat, and activating open spaces. The initiative will also improve connections for active transportation. These efforts aim to enhance community connection and recreation in the area.

Recognising Aboriginal values

We will walk Country together and recognise that the Traditional Owners of the region have connections to and hold ancient knowledge of the land and water that are inseparable from their lives. In tending to all the rivers, creeks and surrounding land, we work as partners, we listen, and we tell the truth with Traditional Owners throughout our region.

Artwork: We will walk Country Together, Gerard Black © 2023

Our approach

Melbourne Water's approach to Traditional Owner relationships considers Traditional Owner organisations as sovereign partners in land and water management, not customers or stakeholders to be consulted in relation to these matters.

In 2023-24, we continued to develop as a culturally competent organisation by partnering with Traditional Owners on a range of activities and projects and by implementing our *Innovate III Reconciliation Action Plan* (RAP). We have also been drafting and engaging externally on a Stretch Reconciliation Action Plan to be launched in 2024-25.

Traditional Owner partnership agreements

Melbourne Water is guided by *Water is Life: Traditional Owner Access to Water Roadmap*[18] and Victorian Government policy direction, which place a high priority on working with Traditional Owners (particularly those registered with Aboriginal Party status) in recognition of the right people for Country.

This year, we continued our journey with Traditional Owners towards formal partnership agreements, working with both Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) and Wadawurrung Traditional Owner Aboriginal Corporation to implement our commitments. These agreements are bespoke to the relationship and designed to clearly articulate our roles, agreed priority outcomes and activities to enable Traditional Owners to achieve self-determined outcomes.

We are committed to formalising a partnership with Wurundjeri Woi-wurrung Corporation in 2024-25 and will progress discussions towards a formal agreement.

[18] https://www.water.vic.gov.au/our-programs/aboriginal-water-program/water-is-life-roadmap/what-water-is-life-means-for-you

Gunaikurnai Land and Waters Aboriginal Corporation

This year, Melbourne Water and GLaWAC continued to work together on priorities in our formal agreement, including eels and flows research and discussions around the management of the Silvertop Picnic area at the Thomson Reservoir. Management of Silvertop will continue as a discussion topic into 2024-25 and include face-to-face meetings.

Traditional Owner relationships

Our strategic goal of 'We will walk Country together' aims to give a voice to Traditional Owners, instead of speaking on their behalf. The following sections have been developed with our Traditional Owner partners for inclusion within this report to share their stories and their relationship with Melbourne Water over 2023-24.

Wurundjeri Woi-wurrung

Provided by the Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation

During 2023-24, Melbourne Water continued our ongoing relationship with Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation. Discussions during the year have included developing a formal partnership between the two parties, with discussion ongoing. Melbourne Water acknowledge the impact settlement and development, and the management of water has had and continues to have on Wurundjeri Woi-wurrung community and are thankful for the ability to work together.

Our work together has several focal areas, including cultural ceremony and consultations, cultural heritage management, cultural values work and cultural mapping, cultural awareness and education, water strategy and policy and caring for Country. Developing a formal partnership together will be complex and a process has been initiated to continue into 2024-25.

There has been steady growth of the Narrap Unit Water Program in terms of capacity and ability to participate. Some key highlights for the year include the negotiations around the Amcor water licence and working towards water returns to the Birrarung, involvement in seasonal watering plans and streamflow management plans. The Narrap Water Program also had input into the *Healthy Waterways Strategy* mid-term review in 2024 and provided contribution to the development of the Watts River Integrated Catchment Management Plan.

The Water Program also had critical involvement in the implementation of *Burndap Birrarung burndap umarkoo (Yarra Strategic Plan)* and the CGRSWS and have welcomed the launch of Water is Life and support its actions and guiding principles. There are several other key strategies requiring time and thought, including the *Regional Catchment Strategy*, development of new National Landcare Program projects and the review of the Victorian Waterway Management Framework.

Participation in conferences and research have been highlights, with Narrap staff presenting and participating in OzWater in May 2024. Narrap also hosted a conference tour to Bolin Bolin Wetland, highlighting the research partnership with Melbourne Water and Melbourne University. Wurundjeri Corporation and Melbourne Water continued to discuss data sovereignty, data use and reuse with a series of workshops to renew data use protocols. Narrap Rangers also completed eDNA training in 2024 and are now qualified to take and process samples. Several fauna and flora surveys are planned for the coming year and further eDNA testing continually increases knowledge of Country.

The Narrap Ranger team were very busy during 2023-24 and capacity has increased. The team has grown to 25 Rangers and 6 project support staff with a dedicated crew working many contracts for Melbourne Water. Some of the key sites have been Yan Yean Reservoir, Bolin Bolin, Laughing Waters, Macedon, Lerderderg, Coranderrk Creek, Brushy Creek, Deep Creek and Dights Falls. Main tasks include managing culturally significant sites, weed control, revegetation, site assessments and, monitoring for waterway, flora and fauna health.

During 2024, the Narrap Unit have been supported to develop a Yan Yean Healthy Country Plan. The planning process will conclude in late 2024 and involves all team members in workshopping with leaders and finalising a plan supported by Trust for Nature. Melbourne Water have enabled this process but are not involved in the planning itself until the end of the process to allow Narrap Unit members to self-determine values and management priorities without influence.

Looking at the year ahead, Wurundjeri Corporation welcome the support and commitment of Melbourne Water in the steady sustained growth of Wurundjeri capability to participate in decision-making and planning regarding their waterways and cultural landscapes.

Healthy Country planning at Yan Yean Reservoir with the Narrap Rangers.

Wadawurrung Traditional Owners Aboriginal Corporation

Provided by the Wadawurrung Traditional Owners Aboriginal Corporation (WTOAC)

The year was busy with many steps and activities in koling wada ngal – in walking together between Melbourne Water and Wadawurrung, in seeing goals in the Wadawurrung Country plan achieved, in looking after Wadawurrung Dja (Country) yaluks (water) and skies and in sharing Wadawurrung culture. These aligned with key themes and priorities of the Partnership Agreement.

Monthly partnership steering committee meetings with representatives from both WTOAC and Melbourne Water across their program areas has played an important coordination role for the partnership, building relationships and understanding of each other's work and sharing information.

Through WTOAC cultural education sessions and ceremonies, such as on Country cultural awareness sessions with Wadawurrung's cultural educator Ash Skinner, have been delivered to Melbourne Water staff. Online lunch and learn sessions have also been held on the topics of cultural heritage assessments, cultural values assessments and cultural heritage permits and how they are used in protecting Wadawurrung cultural landscapes.

A highlight project has seen the Digital Education Centre at the Western Treatment Plant transformed with the integration of Wadawurrung artist Chloe Chatterton's spirited partnership agreement artwork, Walking on Wadawurrung Dja, into the education hall.

The centre has additionally enabled sharing of Wadawurrung continuing connections and culture with students, learning about Yaluks (waterways), who Wadawurrung are and fostering connections with the cultural landscape around them through art, animation and digital storytelling.

Caring for Country

Two of a series of three collaborative workshops between Wadawurrung and Melbourne Water staff were held to build knowledge, relationships and ways of working together, helping to understand each other's program areas, create staff connections and strengthen relationships. The October 2023 workshop focused on defining what the partnership is and what current and future projects are going on.

The June 2024 workshop was focused on wiyn murrup (fire spirit), the work in cultural burning, sharing knowledge on what it has meant to the health of Wadawurrung people and the grasslands and on the previous year's cultural burning role in healing the grasslands and strengthening Wadawurrung people. The workshop also focused on working with private landholders on caring for Country and looking after cultural heritage projects, plus forming a partnership communications plan. From these workshops, a five-year partnership implementation plan is being developed.

In December 2023, Melbourne Water executive and staff visited WTOAC's Gobata Dja (Caring for Country) nursery and base at Bostock, near Ballan, providing an opportunity for Wadawurrung Traditional Owners to proudly share the journey of how the Gobata Dja program, team and base has grown, the future needs, growth and direction, with nursery expansions underway, to see more culturally important plants and threatened species back on Dja and the need for additional equipment, fire equipped vehicles and a base or depot closer to the grasslands and coast to better enable Wadawurrung to care for Dja.

WTOAC welcomed Melbourne Water support and response to this in getting a fire vehicle this year and having five of our younger Traditional Owners go through General Fire Fighter training to further support the Wiyn Murrup – cultural burning team – to build WTOAC's fire capacity and better meet the increasing needs and opportunities for cultural burns both within the Western Treatment Plant and across Wadawurrung Dja.

Wadawurrung Gobata Dja (Caring for Country) team, project officers' field and nursery crew are continuing to build their services and capacity, holding a series of on Country knowledge building days, on Yaluks (waterways) and wetlands, including one at the Western Treatment Plant in September 2024. Here the team undertook an induction at the Western Treatment Plant, so they now have safe access to the site and keys to gates and buildings to do caring for Country works across the Western Treatment Plant, including the opportunity to monitor cultural burn sites, seeing burnt and unburnt Country, showing how beneficial cultural burns are to Country and their healthy biodiversity and spending time with grassland ecologist strengthening and building their knowledge around grasslands species and sharing their cultural knowledge.

Blair Gilson from WTOAC at Lake Borrie to welcome the OzWater tour bus to the Western Treatment Plant grasslands.

Bunurong Land Council

Provided by the Bunurong Land Council Aboriginal Corporation

There has been lots of productive planning, research and field activity between Melbourne Water and Bunurong Land Council during 2023-24 with the Bunurong Water Officer. This collaboration has involved Environmental Water Planners in Service Futures and at the delivery end, the Environmental Water Resources delivery team.

This collaboration has also involved regular meetings and check-ins every few months. During regular catch ups, environmental water planning and policy, flows studies, Sustainable Water Strategy actions, water recovery and IWM were discussed.

There have also been some practical discussions about the Werribee River system, and, in particular, the Lower Werribee Diversion Weir Fishway onsite meeting. This meeting was on Country to talk about the concept of putting a fishway at the diversion weir, to provide fish movement up with Werribee River.

Bunurong Land Council have also been involved in science and research during the year, including two Tupong monitoring sessions on the Werribee River. These were conducted out in a specialist boat with scientists from the Arthur Rylah Institute collecting logged Tupong records. The purpose of this project was to track Tupong movement down the Werribee after an environmental water release below the diversion weir. This is an important species for Bunurong and also an important method to improve their knowledge of culturally important species.

The Melbourne Water Waterways and Wetlands research manager continues to work with Bunurong seagrass restoration in Western Port with support from Deakin University. There have also been eDNA training and surveys within and surrounding Port Phillip Bay.

Late in the year, following on from an enlightening presentation on values and methodologies for cultural mapping on Bunurong Country during National Reconciliation Week in collaboration with South East Water, the Bunurong Land Council put together an innovative project to record cultural information in the Westernport Bay landscape, which will be continued into 2024-25. This will provide an array of benefits as Bunurong increase their participation in land and waterway management with Melbourne Water.

Melbourne Water and Bunurong Land Council continued its partnership through the Indigenous Ramsar Ranger program, helping to protect the culturally and ecologically significant Westernport Ramsar wetland. This year marked the fourth year of this important partnership, with representatives from Bunurong Land Council assisting with the delivery of flora and fauna monitoring on French Island and Millowl (Phillip Island). Other highlights included helping restore mangrove forests by planting thousands of seedlings along the coastal foreshores at Hastings and Grantville.

Tupong monitoring on the Werribee River with Adam Atkinson from Bunurong Land Council.

Reconciliation Action Plan

Melbourne Water continued to implement the *Innovate III Reconciliation Action Plan* during 2023-24 with a focus on embedding key pillars of our journey. Through our Walking Country Together Leaders Forum we have ensured a focus on respectful relationships, embedding protocols and procedures, ensuring a culturally safe workplace, continuous growth in our cultural learning, supporting self-determination and Traditional Owner aspirations and opportunities to support Aboriginal business prosperity.

Melbourne Water's journey from 2024-25 onward will be a Stretch Reconciliation Action Plan, which involves continued progress toward targets.

National Reconciliation Week 2024

Highlights of National Reconciliation Week 2024 included:

- a community barbecue at Dardi Munwurro in Preston
- a Welcome and Smoking ceremony at the Eastern Treatment Plant, raising money and providing donations to Nairm djambana (Frankston Gathering Place) with Bunurong Land Council
- our inaugural lunchtime cultural film event at Melbourne Water's Docklands office
- an event with guest speakers at Yarra Valley Water's office in Mitcham
- a collaboration with South East Water at Frankston with a Bunurong Land Council archaeologist discussing cultural mapping.

Yoorrook Justice Commission

The Yoorrook Justice Commission was established as a Royal Commission to lead the inquiry into the impact of colonisation on First Peoples in Victoria and is the first of its kind in Australia. The Commission began in March 2022 and will establish an official public record and shared understanding of the impact of colonisation on First Peoples in Victoria. It will make recommendations for healing and system reform, and practical changes to laws, policy and education. The Commission will also outline matters to be included in future treaties.

Throughout 2023-24, we prepared and tested plans and approaches to be an enabler of this truth-telling process and to respond promptly to any requests from the Commission with openness and transparency.

The Commission hearings into Land, Sky and Waters were undertaken throughout the first half of 2024. Although Melbourne Water was not required to appear at the Commission, we actively supported the important work of the Commission and ensured our staff were informed on the role of the Commission and likely areas of relevance to Melbourne Water. We also provided updates and wellbeing support to our Aboriginal staff given the topics and issues raised at the Commission.

Western Treatment Plant - Cocoroc

Our business

Our organisation is our people. Our business encompasses the way we work with each other and our customers, the tools we use to support our work and the culture that binds us together. With safety our top priority, Melbourne Water aspires to be a leader in delivering our services. We are developing our people to respond to today's challenges, while preparing our workforce to be future-ready – bringing agility, creativity and resilience to design solutions.

Our people

At Melbourne Water, our dedicated team of professionals is fundamental to our capacity to provide vital services to Greater Melbourne.

Our approach

Population growth and climate change are challenges that require us to think differently and take new, bold approaches to the way we work.

Melbourne Water uses a multi-horizon integrated Culture, Capability and Belonging Plan, striving for a culture where we deliver results, keep our people safe, and everyone belongs and can be their best self.

Our values guide us and give us permission to take decisive actions, to make the big calls and create a future that our region relies on.

Our workforce in numbers

In 2023-24, Melbourne Water:

- employed 1,324.34 full-time equivalent (FTE) people compared to 1,204.36 FTE in 2022-23
- had females comprise 40.9 per cent of our workforce, compared to 41.7 per cent in 2022-23
- had 58.2 per cent of employees covered by the Enterprise Agreement
- filled 22.2 per cent of our vacant roles with internal candidates, consistent with our focus on career development.

For more detailed information on our workforce, see Appendix B.

Culture and engagement

In 2023, Melbourne Water launched its refreshed values and behaviours (Figure 11) to lay the foundation for our future fit culture aspiration. The launch included updated collateral and new awareness raising visuals throughout our workplaces and was integrated into our learning curriculum run for leaders through culture workshops.

Shifting culture is a medium to long-term proposition, the full impacts may not be felt in the short-term and will be embedded and reinforced through a robust culture change program over the following years. Our newly established project team has dedicated change management support and a multi-horizon project plan that outlines how different elements of shifting culture and building capability will move us towards our future fit ambition.

Figure 11: Melbourne Water values and behaviours

Culture and engagement survey

Melbourne Water conducted its employee engagement survey in June 2023. Since then, we have moved from a single annual survey and added more frequent opportunities to listen to employees by listening by introducing pulse surveys in November 2023 and March 2024. This agile approach aims to focus on specific themes and feedback more often and adapt to changing needs and environmental factors.

Melbourne Water returned an engagement score of 60 per cent in our March 2024 pulse survey, up 2 per cent from November 2023. The next comprehensive annual survey will take place in July 2024.

What we do well

Our surveys showed:

- 75 per cent of employees take great pride in contributing to Melbourne's quality of life
- 70 per cent answered favourably to recommending Melbourne Water as 'a great place to work'
- 87 per cent answering favourably to their leader genuinely caring about their safety and wellbeing
- 84 per cent believe the organisation supports a diverse and inclusive workforce.

Areas for improvement

Our surveys told us:

- There is a need for increased transparency and visibility of leadership to role model our refreshed culture/values and build trust.
- Our people want more development opportunities, career growth and robust discussions with their leaders on work goals and clarity on the path ahead.

Diversity and inclusion

Melbourne Water is dedicated to fostering a truly inclusive workplace culture where all employees know and feel they belong and which respects and values diversity in backgrounds, perspectives, skill sets and contributions. Melbourne Water's *Diversity & Inclusion Strategy (2020-2025)*[19] acts as an overarching framework for our individual action plans, which provide specific, measurable objectives to ensure progress and accountability.

Our Belonging Framework was implemented in 2024 and serves as our diversity and inclusion operating model. This intersectional framework places belonging at the forefront, engaging allies, fostering community and connection for individuals with lived experience, and promoting collaborative, efficient work across the business.

We seek to provide inclusive environments where people from our diversity and inclusion focus areas have equity in opportunities, knowing they are safe, affirmed, celebrated and can confidently bring their authentic selves to work. By cultivating an inclusive culture, identifying and removing barriers to participation, and providing opportunities for those facing significant employment inequities, we aim to enhance the diversity and vibrancy of our workforce.

Melbourne Water's Interim Accessibility Action Plan and LGBTIQA+ Inclusion Plan have been developed to align with the conclusion of our current *Diversity & Inclusion Strategy (2020-2025)*. This prepares us for the development of our longer-term accessibility and LGBTIQA+ actions within our future Belonging Workplan (2025 - 2028), which supports Melbourne Water's compliance with the *Disability Act 2006*.

Diversity and inclusion snapshot

- Women now represent 40.9 per cent of Melbourne Water's workforce, an increase of 5.4 per cent over the previous five years.
- Female representation has decreased 0.8 per cent since 2023 (down from 41.7 per cent in 2023).
- Females now represent 41.5 per cent of our Senior Leadership Group roles.
- The current gender pay gap is a -1.4 per cent variance between the base salary of women and men at Melbourne Water.
- We have 15 team members who identify as Aboriginal and Torres Strait Islander and make up 1.1 per cent of our workforce (up from 0.9 per cent in 2022-23). We have a target of increasing this to 3 per cent by 2027.
- This year, 378 employees undertook a cross-cultural training course.

Cultural awareness training

Embedding an ongoing cultural education and training plan to develop Melbourne Water employees' knowledge and awareness of Aboriginal and Torres Strait Islander peoples and culture is key to supporting and achieving reconciliation. In 2023-24, we continued to embed our three-tiered Cultural Awareness Training plan, including online cultural competency and awareness training for employees, training by third-party providers (not Traditional Owners) and training by Traditional Owners delivered on Country.

Table 8: Participation in cultural education and training in 2023-24

Training type	Number of employees in 2023-24
Cultural awareness eLearn	322
Full day externally provided training	23
Training on country with Traditional Owners	75

[19] https://www.melbournewater.com.au/about/what-we-do/policies

Gender Equality Action Plan

Melbourne Water's *Gender Equality Action Plan 2022-2025* (GEAP)[20] outlines our strategies and measures to promote gender equity within the organisation and the progress made on these initiatives, providing insights into completed actions, ongoing efforts and future plans. Key focus areas include improving gender diversity, fostering an inclusive culture and ensuring equal opportunities for all employees.

In February 2024, Melbourne Water submitted its Gender Equality Progress Report to the Gender Equality Commission, outlining the actions we have taken on our 110 strategies and measures included within our GEAP. Some of the key actions and outcomes for 2023-24 include the following:

- A digital Diversity & Inclusion Information form was rolled out across Melbourne Water to capture broader intersectional data across our organisation, including gender, living with a disability, cultural identity, religion, sexual orientation and whether the person identifies as Aboriginal and/or Torres Strait Islander.
- Employee engagement events discussed equity issues, including sexual harassment, family violence, psychological safety, challenging implicit biases, challenging assumptions around job roles and the concept of intersectionality. Engagement events and forums included the Belonging Framework Launch, International Women's Day, IDAHOBIT, NAIDOC Week, Reconciliation Week and International Day of People with a Disability. Events included speakers who shared their intersectional experiences.
- Melbourne Water continues to monitor parental leave rates, including data on uptake of and return from parental leave. Our data reports an overall improvement towards a more gender-balanced uptake and return from parental leave across the organisation. We reported that females represented the majority of staff who accessed paid Parental Leave within the 2023-24 progress reporting period (51.4 per cent). This is a decrease of 8.6 per cent from our 2020-21 baseline audit, which reported a 60 per cent female majority, illustrating a shift in caring responsibilities between men and women post the COVID-19 pandemic.

Cultural and linguistic diversity

Through our new operating model 'The Belonging Framework', Melbourne Water has established and implemented a CALD Working Group. Comprised of allies and people with lived experience, the Working Group aims to accelerate the progress of our CALD Action Plan and support the operations of our Connect Group, which provide community and connection for people with lived experience.

In addition, the Pathways Program, in partnership with Jesuit Social Services, aims to increase diversity by providing opportunities for qualified individuals from CALD backgrounds to gain Australian work experience.

[20] https://www.melbournewater.com.au/about/what-we-do/policies

Safety, health and wellbeing

Keeping our people and the community safe.

Our approach

Keeping people safe is our highest priority, whether they are employees, contractors, delivery partners, volunteers or visitors.

This year, we began the development of a new Health, Safety and Environment (HSE) Framework to provide an opportunity for Melbourne Water to set a five-year direction to enhance HSE focused performance. This framework is underpinned by a clear set of revised targets and objectives. Key drivers for the HSE Framework are to:

- strengthen the integrity of our management system performance through the publication of comprehensive HSE objectives at the organisation's top level
- take a more informed and longer-term approach to HSE improvement
- proactively manage our risks with a focus on leading indicators
- expand the focus of our existing safety reporting to include health and wellbeing and the environment.

The HSE Framework includes design principles that can be applied across Melbourne Water's diverse risk profile from major hazard facilities to treatment plants, pumping stations, wetlands and catchment areas. This requires the diligent application of process safety principles across our water and sewage treatment plants, and the use of dynamic risk assessment tools while in the field weeding, slashing and operating a chain saw.

To prioritise our safety efforts effectively, we employ a critical risk methodology. This approach focuses on identifying and mitigating risks that pose the greatest potential harm. By concentrating on these high-risk areas, we ensure that our assurance activities are targeted and aimed at reducing significant risks throughout our operations.

Health and safety initiatives

Following consultation with Melbourne Water's Health and Safety Representatives (HSRs) and the broader business, a Health, Safety and Wellbeing Calendar was created to capture themes and improvement initiatives closely aligned with our risk profile. Additionally, we continue to produce Working Well, our quarterly newsletter, which features news related to health, safety and wellbeing, practical articles, lessons learned and operational insights.

Business-wide campaigns

This year, we ran the following health and safety campaigns:

- **RUOK? Day -** Dedicated to raising mental health awareness and providing support, the campaign attracted over 200 participants. From 2024, we introduced a series of RUOK speaker events to make the campaign more intimate and engaging, which featured both external speakers and personal stories from Melbourne Water colleagues. The ongoing series ensures a continuous focus on wellbeing, aims to reduce stigma and fosters a more supportive work environment.
- **Safe Work Month -** In collaboration with WorkSafe and other partners, Melbourne Water hosted a series of in-person and online sessions in October 2023. These emphasised our commitment to workplace health, safety and wellbeing and focused on essential strategies for resilience, improving sleep, financial management and enhancing a safety culture.
- **The Step Challenge -** This three-week initiative fostered team engagement and promoted physical activity, mental health and social connection. Over 450 participants took part, surpassing last year's involvement by over 100. Our Corporate Services team emerged as the victors, averaging 139,819 steps per participant — equivalent to two full marathons.
- **Flu Vaccination Program -** Melbourne Water employees and their families were offered complimentary influenza vaccines, helping to safeguard against seasonal illness. This annual initiative provided access to the vaccine through pop-up clinics at Melbourne Water sites or by redeeming a vaccination voucher at participating pharmacies.
- **Employee Assistance Program (EAP) -** The EAP remains a cornerstone of support for our employees. EAP Awareness Sessions helped participants discover the breadth of services available, spanning traditional counselling, assistance with nutrition, and lifestyle and financial matters.

Mental health and wellbeing framework

Melbourne Water aims to foster a culture of employee wellbeing by addressing psychosocial hazards in the workplace. Collaborating with Lysander, we conducted interviews and workshops across our portfolios to gain deeper insights and inform the development of a Psychosocial Hazard Action Plan.

This plan aims to promote physical, mental, and social health, while also enhancing our organisational culture and creating an environment where every individual can thrive. Aligned with the proposed *Occupational Health and Safety Amendment (Psychological Health) Regulations*, our focus extends beyond compliance to enriching Melbourne Water's culture and fostering a supportive workplace.

Our performance

Melbourne Water successfully renewed the certification of our Integrated Management System to accredited ISO9001, ISO45001, ISO14001 and ISO22000 for another six years, confirming our systems' integrity and resilience.

Our total recordable injury frequency rate (TRIFR) increased from 3.1 (June 2023) to 7.6 (June 2024). The increase in TRIFR can largely be attributed to a heightened focus on event governance and reporting. Over the period we had an increase in the instances of both near misses and incident reporting. In addition, through tighter governance, more cases of recordable injuries were identified amongst the reported events. There was specifically an increase in the contribution of restricted work injuries. It was also observed through injury analysis that the severity of injuries decreased over the financial year.

Further analysis observed that the majority of injuries over the financial year were minor muscular and skeletal strains and sprains associated with manual works in our waterway maintenance. Measures are in place to correct the trend, including:

- making it a priority to investigate and learn from events to identify systemic causes
- establishing a heightened focus on lead indicators through increased assurance
- ensuring preparedness and fitness for work
- a campaign educating our frontline people leaders on safety leadership and their obligations.

The most serious injury for 2023-24 occurred on one of our major capital projects and involved a truck rollover where the driver was hospitalised as a result of the injuries sustained. An investigation was performed and corrective actions implemented.

In addition to recordable injuries, Melbourne Water also monitors High Potential Incident Frequency Rate which has remained steady since last year.

A further breakdown of our injury and incident data can be found in our expanded safety results in Figure 12 and Tables 9 and 10.

Figure 12: Total recordable injury frequency rate

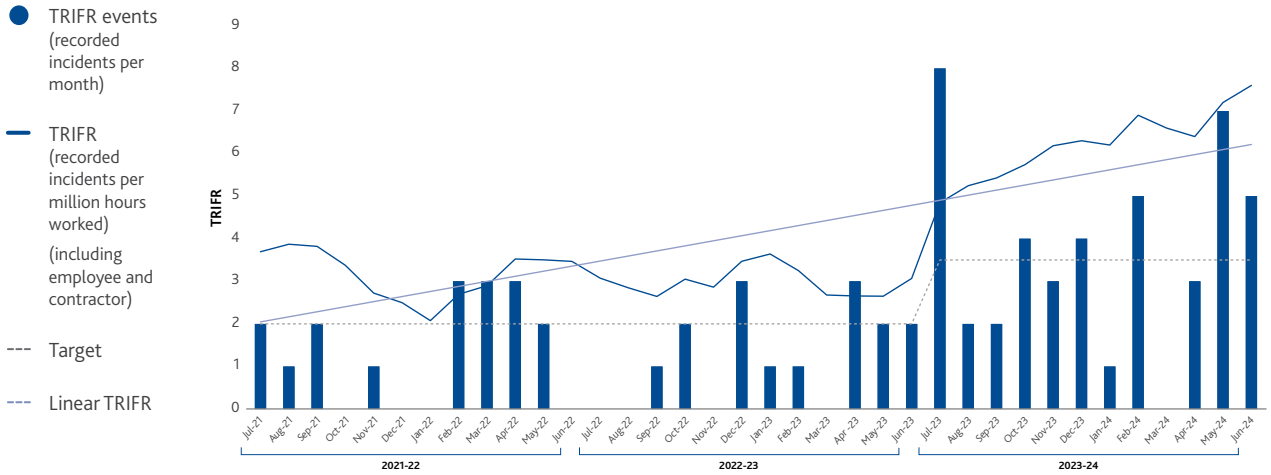


Table 9: Number of reported safety incidents and lost time standard claims per 100 FTE staff

		Hazards		Incidents		Total (hazards + incidents)		Lost time standard claims		
Year	FTE	No.	No./100 FTE	No.	No./100 FTE	No.	No./100 FTE	No.	No./100 FTE	Average cost per claim [1]
2023-24	**1,324**	**203**	**15.33**	**525**	**39.65**	**728**	**54.98**	**1**	**0.08**	**$138,364**
2022-23	1,204	207	18.10	398	34.80	605	52.84	4	0.30	$118,666
2021-22	1,138	456	40.10	363	31.90	819	72.00	3	0.26	$82,190

Note 1: Includes payments to date and estimates of outstanding claim costs advised by WorkCover.

Table 10: Types of injury

Item	2023-24	2022-23	2021-22
Lost time injury (LTI)	**21**	5	7
Restricted work injury (RWI) / Medical treatment injury (MTI)	**22**	8	10
First aid	**135**	77	70
Total	**178**	90	87

Corporate governance

The Board of Melbourne Water Corporation is committed to conducting Melbourne Water's business in accordance with high professional standards of corporate governance to ensure that Melbourne Water can fulfil its purpose and meet its obligations and stakeholder expectations.

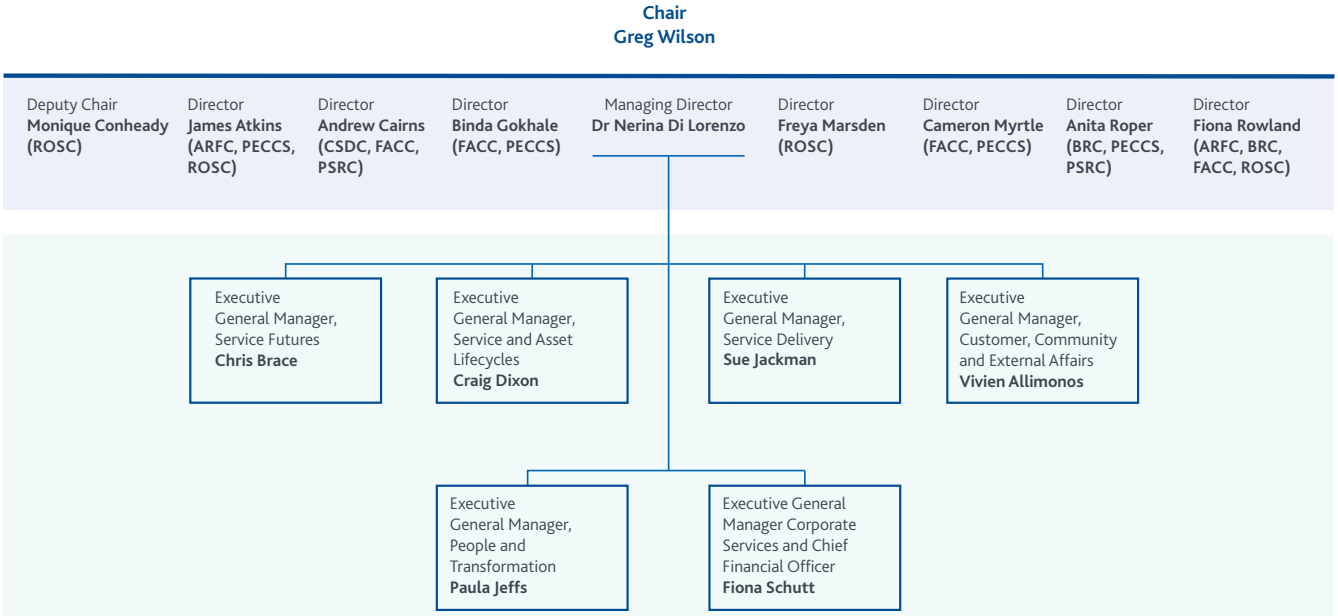
Statement of Corporate Governance

The Board and Executive recognise that strong corporate governance is essential for Melbourne Water to be a high-performing organisation to meet the needs of its stakeholders, the people of Victoria. The Board has an established Statement of Corporate Governance, aligned to the Governance Institute of Australia's eight principles of corporate governance and the *ASX Corporate Governance Council Principles and Recommendations* (4th Edition 2019).

The Statement of Corporate Governance articulates the structures in place to strive toward best-practice corporate governance. The Statement of Corporate Governance will be reviewed periodically to ensure it remains consistent with the Board's objectives, applicable law and best-practice corporate governance principles.

Organisational structure

Figure 13: Organisational structure



Legend:

Board Subcommittees

ARFC: Audit, Risk and Finance Committee
BRC: Business Resilience Committee
CSDC: Customer and Service Delivery Committee
PSRC: People, Safety and Remuneration Committee
FACC: Finance, Audit and Compliance Committee
PECCS: People, Engagement, Customers, Community and Safety Committee
ROSC: Risk, Optimisation and Sustainability Committee

Board governance

Melbourne Water's Charter sets out the authority, responsibilities, membership and operation of the Board. The Charter outlines principles of corporate governance that guide how the Corporation exercises its powers, aligned to applicable laws that reflect the requirements of the *Water Act 1989*. The Board makes plans to achieve specific objectives, including:

- long-term, sustainable outcomes
- approval of corporate plans together with key performance indicators linked to objectives
- approval of annual financial statements and monitoring of performance against objectives and risks
- monitoring safety, health and environmental standards and management systems.

In line with section 95 of the *Water Act 1989*, the Board consists of not less than two and a maximum of nine Non-Executive Directors (including the Chair) and the Managing Director. The Minister for Water, in consultation with the Treasurer, appoints the directors of Melbourne Water for terms of up to four years and the Victorian Government sets their remuneration.

The Minister for Water, as the Portfolio Minister, undertakes recruitment for Board membership in accordance with the Victorian Government Appointment and Remuneration Guidelines and Diversity on Victorian Government Boards Guideline. All members, except the Managing Director, are appointed for terms of up to four years, which may be renewed if a director is eligible for reappointment. A non-executive director's remuneration is effected through an Instrument of Remuneration issued by the Minister for Water, in accordance with the Appointment and Remuneration Guidelines issued by the Department of Premier and Cabinet.

In October 2023, there was a significant transition and change in the Board composition of Melbourne Water. The Chair and three directors retired on 30 September, each having served two terms (one being a shorter second term). On 1 October, the appointment of a new Chair and four new non-executive directors came into effect, increasing the Board to ten board members (from nine).

New directors receive an induction tailored to the needs of Board members. In line with the Board Charter, all new and continuing directors have been granted indemnity through a 'Deed of Access, Indemnity and Insurance' prior to accessing information and completed a Primary Interest Form upon commencement.

All non-executive directors on the Board are independent. They are subject to duties and responsibilities regarding conflicts of interest, including annual and ongoing disclosure requirements. The Company Secretary maintains a Register of Interests for the Corporation, and director entries are reviewed at each Board meeting. Directors are invited to declare any conflicts of interest (perceived or actual) at the start of each Board and Committee meeting.

The Melbourne Water Board Charter is reviewed regularly by the Board, reflects the obligations of the *Water Act 1989* and the *Public Administration Act 2004*, and sets out the duties, ethical standards, expectations of individual directors, handling of declaring conflicts of interest and Board governance.

In line with the Board Charter, the Board evaluates its performance and that of its Committees on an annual basis, in line with the *Public Administration Act 2004* requirements. In 2023, the Board undertook an externally facilitated assessment and evaluation of its performance that was considered by the Board in August 2023.

Melbourne Water works with officers of DEECA and DTF. We provide statutory and other reports that cover Melbourne Water's performance against the objectives and performance indicators stated in the Corporate Plan.

The Board is supported by a corporate secretariat team, comprising the Company Secretary and the Assistant Company Secretary.

Ethics and values

Melbourne Water's directors and employees are committed to operating ethically and in the best interests of customers, the Victorian Government, employees, suppliers and other stakeholders. The organisation has adopted the Melbourne Water Code of Conduct[21].

All directors, managers and employees are expected to perform their duties with integrity and honesty. This expectation extends to dealing with our people, customers, suppliers and the community. Melbourne Water employees and managers must comply with the Melbourne Water Code of Conduct.

Policies and procedures exist for directors and employees in relation to the identification of actual and potential conflicts of interest. These documents are regularly updated.

The Company Secretary maintains a Register of Interests for Directors and nominated staff and a register of gifts, benefits and hospitality offered to all directors and employees. As part of maintaining a safe, healthy and ethical working environment, the Board has approved the Risk Management Framework, Risk Management Policy, Health, Safety and Wellbeing Policy, Code of Conduct, Fraud and Corruption Control Policy and Gifts, Benefits and Hospitality Policy.

[21] https://www.melbournewater.com.au/media/23746/download

Risk management

Risk management is central to ensuring Melbourne Water understands and manages risks and uncertainties to enhance life and liveability.

As a provider of essential services, strict regulatory compliance and strong risk management are critical to what we do. To meet these requirements, we have systems and processes in place to support us to monitor and report on our performance and to alert us early when we are off track. Melbourne Water maintains an Enterprise Risk Management Framework consistent with the International Risk Management Standard (ISO 31000:2018) and the requirements of the Victorian Government's Risk Management Framework.

Melbourne Water's Enterprise Risk Management Framework comprises several key elements, which, when combined, create an environment for effectively managing risk and pursuing opportunities. This framework includes:

- an established Risk Management Policy and Risk Appetite Statement
- a governance structure with a 'three lines of defence' operating model
- processes that ensure ongoing management of strategic and operational risks
- provision of ongoing assurance over our control environment
- a compliance program to ensure we continue to meet all our regulatory and legislative obligations
- continued education about and development of risk capability across the organisation and maintenance of a positive risk culture.

Melbourne Water maintains and tests our Emergency Management Framework, which outlines controls with respect to the preparation for, response to and recovery from internal and external emergencies. The framework aligns to the Australasian Inter-service Incident Management System 2017 (AIIMS) and includes contingency, business continuity, emergency response and disaster recovery planning.

Last year, Melbourne Water participated in a range of interagency emergency management exercises aimed at testing and improving the plans and arrangements in place for response to emergency events. These included:

- a desktop cyber response exercise in conjunction with the metropolitan water retailers to further test and enhance existing response arrangements for cyber intrusion and ransomware attempts
- operational exercises testing contingency and emergency response plans for risks at key sites, such as evacuation of water treatment plants, response to chlorine leaks and bushfire response.

Climate risks pose a significant impact on how we deliver and manage our services. To view our climate-related risk management approach, please see the 'Climate change and adaptation' section on page 37 of this report.

Board of Directors

Greg Wilson MAICD
Chair

Chair: 1 October 2023 to present

Greg Wilson is Chair of Melbourne Water.

Greg is an experienced executive and non-executive director with a background in the water, sustainability, emergency management and public sectors.

Mr Wilson is currently Chair of the Transport Accident Commission (TAC). Previously, he has held non-executive roles as Chair of the SES, Country Fire Authority, Victorian Essential Services Commission (formerly Office of the Regulator-General) and executive roles with the Department of Premier and Cabinet, Department of Justice and Regulation, Department of Sustainability and Environment, Essential Services Commission, Department of Treasury and Finance, Melbourne Water and City West Water.

Mr Wilson is a Graduate of the Australian Institute of Company Directors, holds qualifications in commerce, political science and economics and brings a strong background in governance, public policy and financial management.

Dr Nerina Di Lorenzo GAICD
Managing Director

Managing Director: 1 December 2021 to present

Nerina Di Lorenzo is an experienced CEO and executive leader with a public sector background in asset management, infrastructure operations, service delivery and business transformation.

As Managing Director, she leads Melbourne Water's vision of enhancing life and liveability for the greater Melbourne region, encompassing the provision of water supply, sewerage, drainage, and waterway health and catchment management services. She chaired the OzWater Conference Program Committee in 2023. Previously, she was the Executive General Manager of Service Delivery at Melbourne Water, CEO of Merri-bek (Moreland) City Council, Director Infrastructure at Wyndham City Council and Director City Infrastructure at Darebin City Council.

Dr Di Lorenzo is a graduate of the Australian Institute of Company Directors, holds qualifications in engineering, business administration and organisational change management and brings 25 years' experience in senior leadership in the local government, water and natural resource sectors with a focus on customer and community outcomes.

Monique Conheady GAICD
Non-Executive Director and Deputy Chair

Director: 1 October 2023 to present
Deputy Chair: 24 November 2023 to present

Member of the Risk, Optimisation and Sustainability Committee

Monique Conheady is an experienced executive and non-executive director with a private sector background in innovation, start-up/scale-up and executive leadership.

She is currently Chairperson Commissioner of Energy Safe Victoria, Independent Chair of JET Charge Pty Ltd, Director of Phantm Pty Ltd and Venture Partner with Wavemaker Impact. Previously, she was a governing Board member of the Environment Protection Authority Victoria, Commissioner and Chairperson of Commercial Passenger Vehicles Victoria and deputy chair of the Victorian Responsible Gambling Foundation. She was the co-founder and Chief Executive Officer of Flexicar and held executive roles at Hertz Australia.

Ms Conheady is a graduate of the Australian Institute of Company Directors, holds qualifications in environmental engineering and sustainability leadership and brings to the role 25 years' experience in the sustainability sector.

James Atkins FAICD
Non-Executive Director

Director: 1 October 2021 to present

Member of the People, Engagement, Customers, Community and Safety and Risk, Optimisation and Sustainability Committees

James Atkins is an experienced business advisor, marketing strategist and company director with over 35 years' experience working at a senior level in the retail, financial services and energy sectors. He is currently the Chair of BIG4 Holiday Parks and a Board member of the Connective Group. James is also director of Vantage Strategy, a consulting firm that provides business advisory services to commercial, government, and not-for-profit organisations.

Mr Atkins is a Fellow of the Australian Institute of Company Directors.

Mr Atkins was a member of the Audit, Risk and Finance Committee up to November 2023.

Andrew Cairns FAICD
Non-Executive Director

Director: 1 October 2021 to present

Chair of the Finance, Audit and Compliance Committee

Andrew Cairns is an experienced non-executive director and executive with a background in a variety of industries, including manufacturing, telecommunications and finance in Australia and internationally.

Andrew is Chair of Melba Support Services and an Enterprise Strategy Consultant with 3x Consulting. He has previously held executive roles with Haven Home Safe, Community Sector Banking Pty Ltd, Bendigo and Adelaide Bank Limited, Community Telco Australia Pty Ltd, TAD Pty Ltd and Austar Entertainment. He has previously held roles as Chair of Western Water and Coliban Water.

Mr Cairns is a Graduate and Fellow of the Australian Institute of Company Directors, holds qualifications in engineering and brings 30 years' experience in the banking, utilities, housing and disability support sectors.

Mr Cairns was appointed the Chair of the Finance, Audit and Compliance Committee in November 2023 and was a member of the People, Safety and Remuneration and Customer and Service Delivery Committees until November 2023.

Binda Gokhale FCPA GAICD
Non-Executive Director

Director: 1 October 2023 to present

Member of the Finance, Audit and Compliance and People, Engagement, Customers, Community and Safety Committees

Binda Gokhale is an experienced executive and non-executive director with a utility and public sector background in corporate finance, strategic planning and governance.

She is currently an Independent Board Director of Melbourne Polytechnic and Benalla Health, an Independent Member of the Audit and Risk Committees for the Victorian Disability Worker Commission, City of Whitehorse and the City of Monash, and a member of the CPA - Public Sector and Not-for-Profit Committee and Executive Committee of the Victorian Local Government Finance Professionals (FinPro). Previously, she held senior executive roles at Wyndham City Council and Telstra and was a board member at Trust for Nature.

Ms Gokhale is a Fellow CPA and a graduate of the Australian Institute of Company Directors and Melbourne Business School, holds qualifications in economics and brings to the role 25 years' experience in the utility public and not-for-profit sectors.

Freya Marsden GAICD
Non-Executive Director

Director: 1 October 2023 to present

Chair of the Risk, Optimisation and Sustainability Committee

Freya Marsden is an experienced Chair and non-executive director with an energy, water, infrastructure and environmental sector background specialising in governance, corporate strategy, finance, assurance and sustainability.

She is currently Chair of VicReturn, Chair of the Victorian Sustainability Fund, Independent Board Director and Chair of Audit and Risk of the Australian Packaging Covenant Organisation, Deputy Chair of the Australian Research Council: Research Hub for Integrated Energy Storage Solutions, Independent Audit and Risk Committee member for Boroondara Council and the Department of Treasury and Finance, Technical Expert AI Standards Australia, and Charter Member of the Brotherhood of St Laurence. She is Managing Director of the Acuity Group Pty Ltd. She has previously held non-executive roles with VicRoads, South East Water, City West Water, Water Infrastructure NSW, and the Victorian Planning Authority and executive roles with AECOM and Victorian Government, Federal Treasury and Treasurer's Office and Business Council of Australia.

Ms Marsden is a Graduate of the Australian Institute of Company Directors, holds qualifications in commerce, agriculture, resource economics and sustainability and brings 20 years' experience in energy, water, infrastructure, transport and the environment across commercial, public, and not-for-profit sectors.

Ms Marsden was appointed Chair of the Risk, Optimisation and Sustainability Committee in November 2023.

Camm Myrtle GAICD
Non-Executive Director

Director: 1 October 2023 to present

Member of the Finance, Audit and Compliance and People, Engagement, Customers, Community and Safety Committees

Camm Myrtle is a proud Taungurung man with experience as a Traditional Owner in cultural heritage and land management and a background in finance, corporate strategy, and property and change management.

He is currently the Operations Manager for the Treaty Authority and a member of the Finance, Audit and Compliance Committee and the People, Engagement, Customers, Community and Safety Committee.

Mr Myrtle has a strong corporate leadership background in banking and finance at NAB, with experience in finance, commercial property, project management, change management and stakeholder relationship management. He has previously held executive roles including with Taungurong Land and Waters, participated in the Audit and Risk Committee and CEO Remuneration Committee for Taungurong Land and Waters and worked for the National Australia Bank in a range of roles.

Mr Myrtle is a Graduate of the Australian Institute of Company Directors, holds qualifications in business, accounting, and finance and project management and brings 20 years' experience in finance, commercial property and land management in both private and not-for-profit sectors.

Anita Roper FAIM GAICD
Non-Executive Director

Director: 1 October 2021 to present

Chair of the People, Engagement, Customers, Community and Safety Committee

Anita Roper is an experienced Chair, non-executive director and executive with a background in various sectors working across business, government, communities and multilateral agencies in Australia, Canada, the UK and the USA.

Anita is the former Chair of the Aluminium Stewardship Initiative and the Stroke Association of Victoria. She has previously held non-executive roles with Yarra Valley Water, Victorian Public Sector Commission Advisory Board, Pacific Hydro, and AngloGold Ashanti's Global Panel on Sustainability, Women's network for a Sustainable Future, and the Fitzroy Football Club. She has previously served as a member of the Board of Inquiry into the Hazelwood Coal Mine Fire and as a delegate to the World business Council for Sustainable Development She has held executive roles with Sustainability Victoria (CEO) and Alcoa.

Ms Roper is a Graduate of the Australian Institute of Company Directors, Fellow of the Institute of Managers and Leaders ANZ and holds qualifications in business and management.

Her leadership and previous roles demonstrate her practical knowledge in sustainability, stakeholder engagement and strategic decision-making and her ability to bring a holistic approach to organisational leadership.

Ms Roper was Chair of the People, Safety and Remuneration Committee from 2022 to November 2023 and was appointed Chair of the People, Engagement, Customer, Community and Safety Committee in November 2023. She was a member of the Business Resilience Committee up to November 2023.

Fiona Rowland FAICD
Non-Executive Director

Director: 1 October 2017 to present

Member of the Finance, Audit and Compliance and Risk, Optimisation and Sustainability Committee

Fiona Rowland is an experienced Chair, non-executive director, and former CEO with a financial services, water and infrastructure background in governance, corporate strategy, risk, transformation and regulatory change.

She is currently Non-Executive Chair of Macquarie Investment Services Limited (part of Macquarie Group Ltd ASX: MQG), Non-Executive Director and Chair of the Audit, Compliance, Risk Management Committee at Infrastructure Specialist Asset Management Limited (part of the UK Foresight Group Holdings Limited FSG: LSE) and Non-Executive Director and Chair of the Investment Committee at St Vincent's Institute of Medical Research. She is an Independent Consultant to the UniSuper Audit, Risk and Compliance Committee and an Advisory Board member of Kearney Australia, which is part of the global management consulting group. She has previously held non-executive roles with Commonwealth Private Limited and Commonwealth Financial Planning Limited (part of Commonwealth Bank ASX:CBA) and the Lauriston Girls School Foundation, independent panel/committee member roles with Franklin Templeton Australia Limited (part of the Franklin Resources Inc), the Australian Securities and Investments Commission (ASIC), Impact Investing Australia and Chief Executive Officer and senior executive roles with the Bennelong Group, National Australia Bank, Australia and New Zealand Banking Group and UBS AG. She is an alumnus of the Australian Institute of Company Directors Chair Mentors Program and a member of Chief Executive Women.

Ms Rowland is a legal practitioner in Victoria and is a Graduate and Fellow of the Australian Institute of Company Directors, holds qualifications in law and arts and brings 25 years' experience in the financial, infrastructure and health sectors.

Ms Rowland was Chair of the Audit, Risk and Finance Committee from 2022 to November 2023 and was a member of the Business Resilience Committee up to November 2023.

Director retirements during the reporting period

Prof. John Thwaites
Former Chair

Chair: 1 October 2015 to 30 September 2023

Member of the Audit, Risk and Finance Committee

John Thwaites is a Professorial Fellow at Monash University and Chair of the Monash Sustainable Development Institute and Climateworks Centre. He is the Chair of the McKinnon Institute for Political Leadership and a Co-Chair of the Leadership Council of the UN Sustainable Development Solutions Network, a director of FairTrade ANZ and Honorary Chair of the Biodiversity Council. Previously, he held the position of Deputy Premier of Victoria from 1999 until his retirement in 2007. During this period, he was Minister for Health, Minister for Planning, Minister for Environment, Minister for Water, Minister for Victorian Communities and Victoria's first Minister for Climate Change.

Prof. Thwaites is a former barrister, holds qualifications in law and science and brings 25 years' experience in the sustainability and environment sectors and in government.

Kathleen Bailey-Lord FAICD
Former Non-Executive Director

Director: 1 October 2015 to 30 September 2023
Deputy Chair: 2022 to 2023

Chair of the Business Resilience Committee
Member of the People, Safety and Remuneration Committee

Kathleen Bailey-Lord is an experienced company director. She is a Non-Executive Director of Alinta Energy, Janison, Datacom, St Vincents Health Australia (SVHA) and Monash College. Previous board roles include Bank of Queensland (BOQ), the Australian Government Solicitor (AGS), Trinity College, University of Melbourne, Chief Executive Women and the Diversity Council of Australia.

Ms Bailey-Lord brings 25 years' experience across listed, private and for purpose sectors spanning the technology, financial services and professional services sectors.

Russell Anderson FAICD
Former Non-Executive Director

Director: 1 October 2017 to 30 September 2023

Chair of the Customer and Service Delivery Committee
Member of the Audit, Risk and Finance Committee

Russell is currently Strategy, Governance and Risk Advisor at Australian Health Service Alliance Ltd and is also self-employed as a governance consultant. Previously, he held non-executive positions as Director VicWater, Director Western Region Water Corporation and Director Loddon Malle Waste and Resource Recovery Group and senior leadership positions with Australian Air Express Pty Ltd and Air New Zealand Group.

Mr Anderson is a Fellow of the Australian Institute of Company Directors, holds qualifications in commerce and corporate governance and brings 10 years' experience in the water sector and in senior leadership roles.

Robyn McLeod FAICD
Former Non-Executive Director

Director: 1 October 2015 to 30 September 2023

Member of the People, Safety and Remuneration Committee and Customer and Service Delivery Committees

Robyn McLeod is currently a Director of Clean Teq Water Limited (CNQ) and serves on the Board of Austin Health. Previously, she has held non-executive roles with VicWater, Monash Health, and The Australian Centre for Social Innovation, executive positions at KPMG, the Department of Sustainability and Environment and as Independent Commissioner for Water Security in South Australia, and positions with the Victorian Energy Resources and Ports Minister and Victorian Environment and Education Minister.

Ms McLeod is a Fellow of the Australian Institute of Company Directors and brings 25 years' experience across government and water sectors in non-executive and executive roles.

Board committees

The Board undertook a governance review of the committee structure in 2023. From this review, the committees were restructured to support the Board, with the four existing committees disestablished and three new committees established. Each committee is comprised of non-executive directors, who meet periodically to focus on the portfolio of committee responsibilities. The Board approves the charter for each committee. Each committee has a work plan to support fulfilling its charter responsibilities.

The following committees were convened during the period.

Finance, Audit and Compliance**	
Purpose	To assist the Board in fulfilling its corporate governance responsibilities relating to audit and assurance, capital management and delivery, environmental and public health and treasury and financial management.
Members	Andrew Cairns (Chair), Binda Gokhale, Camm Myrtle and Fiona Rowland
People, Engagement, Customer, Community and Safety**	
Purpose	To assist the Board in fulfilling its corporate governance responsibilities relating to health, safety and wellbeing, people and remuneration, culture, customer and community engagement and reputation management and Traditional Owner and Aboriginal engagement.
Members	Anita Roper (Chair), James Atkins, Binda Gokhale and Camm Myrtle
Risk, Optimisation and Sustainability**	
Purpose	To assist the Board in fulfilling its corporate governance objectives and responsibilities relating to enterprise risk system, risk profile, corporate governance, transformation and sustainability.
Members	Freya Marsden (Chair), James Atkins, Monique Conheady and Fiona Rowland
Audit, Risk and Finance Committee*	
Purpose	To assist the Board in fulfilling its responsibilities relating to the financial management framework and reporting process, monitoring the Enterprise Risk Profile, including in relation to Information Technology security and climate change, corporate governance, audit and assurance and information technology.
Members	Fiona Rowland (Chair), Russell Anderson, James Atkins and John Thwaites.
Business Resilience Committee	
Purpose	To assist the Board in the oversight of material risks and reputational issues.
Members	Kathleen Bailey-Lord (Chair), Anita Roper and Fiona Rowland
Customer and Service Delivery Committee*	
Purpose	To assist the Board in fulfilling its business objectives and responsibilities relating to delivery of services and experiences our customers and community value, affordable asset delivery to enable these services and protection of the environment and public health.
Members	Russell Anderson (Chair), Robyn McLeod and Andrew Cairns
People, Safety and Remuneration Committee*	
Purpose	To assist the Board in fulfilling its responsibilities relating to workplace health and safety, workplace culture, strategic human resources (including but not limited to diversity and inclusion, change management and employee engagement), organisational capability and remuneration.
Members	Anita Roper (Chair), Kathleen Bailey-Lord, Robyn McLeod and Andrew Cairns

**This Committee was disestablished on 24 November 2023.*
*** This Committee was established on 24 November 2023.*

Financial strength

Melbourne Water's Financial Strength objective is to focus our activities to deliver for our customers and strengthen our business. This is informed by a range of drivers in our strategic environment, including:

- emphasising business efficiency to deliver on the commitment made in the 2021 Price Submission, aimed at keeping customer bills low. Additionally, this focus on efficiency will serve as the foundation for our approach and preparation for the upcoming 2026 Price Submission
- ensuring ongoing financial sustainability in the face of potential business risks (climate, environmental and population), together with navigating the changing economic landscape with increased inflation and interest rates
- enhancing transparency regarding the cost to serve, particularly considering the increase in infrastructure investment required in the future
- continuing and increasing efforts to enhance financial capability and commercial acumen across the business. This is crucial to ensure commercially prudent investments are made, while maximising value from our contractual arrangements
- meeting Melbourne Water's carbon emission reduction obligations from 2025 and achieving net zero carbon commitments from 2030
- building capacity to identify and develop opportunities for unregulated revenue
- ensuring robust financial performance to maximise shareholder value and make a positive contribution to the Victorian Government.

Focus areas for our Financial Strength Plan over 2023-24 included:

- implementing the key outcomes identified in the Capital Investment Framework Review
- responding to the Victorian Government on shareholder dividend and financial requirements
- developing and implementing a framework for alternative revenue generation
- implementing the outcomes of our procurement operating model review.

Our financial performance in 2023-24 continues to be robust. We have recorded a positive net profit after tax result of $149.7 million ($119.1 million in 2022-23).

Total revenues for the financial year were $2,040.3 million ($1,919.4 million in 2023-24). Our net revenue for bulk water and sewage treatment is higher than the previous year due to increased demand and an increase in average charges in line with the price determination. Our revenue from waterways and drainage charges is higher due to the growth in customer numbers and an increase in average charges in line with the price determination that reflects our customers' expectation of healthier waterways.

Total expenses (excluding tax) for the financial year were $1,785.5 million ($1,715.8 million in 2023-24). Our total expenses are higher than the previous year mainly due to increased depreciation on a growing asset base, increased operational expenses, employee benefit expenses, repairs and maintenance, finance and government rates and taxes expenses.

We remain focused on delivering financial efficiencies in our expenditure. This will ensure we deliver valued services at the lowest possible cost and a commercial return for our shareholders to support the Victorian State Budget outcomes.

During 2023-24, Melbourne Water made cash payments to the Victorian Government of $242.9 million ($159.4 million paid in 2023-24). The increase from the previous year was due to an additional capital repatriation payment deferred from 2022-23 and additional dividends requested by the Treasurer of Victoria, including a new efficiency dividend of $25.4 million.

Capital expenditure of $870.3 million ($746.0 million in 2023-24) was incurred during the year, which was required to meet the growth in demand and renew existing infrastructure. The capital expenditure has contributed to an increase in total assets to $18,238.7 million (from $17,876.6 million as at 30 June 2023).

Five-year financial summary

Summary of financial result

Table 11: Statement of profit or loss for the year ended 30 June 2024 - Extract

Item	2024 $M	2023 $M	2022 $M	2021 $M	2020 $M
Total revenue	2,040.3	1,919.4	1,935.9	1,988.7	1,997.6
Operating and other expenses	(733.5)	(695.6)	(718.6)	(672.0)	(636.2)
Depreciation and amortisation expenses	(487.9)	(469.5)	(456.3)	(450.1)	(434.7)
Finance expenses	(564.1)	(550.7)	(547.2)	(573.9)	(601.8)
Net profit from operations before tax	**254.8**	**203.6**	**213.8**	**292.7**	**324.9**
Tax expense	(105.1)	(84.5)	(83.7)	(100.7)	(121.6)
Net profit for the period after tax	**149.7**	**119.1**	**130.1**	**192.0**	**203.3**

Table 12: Statement of Financial Position as at 30 June 2024 – Extract

Item	2024 $M	2023 $M	2022 $M	2021 $M	2020 $M
Current assets	170.8	168.5	154.9	145.2	143.6
Non-current assets	18,067.9	17,708.1	16,674.8	16,184.9	15,246.8
Total assets	**18,238.7**	**17,876.6**	**16,829.6**	**16,330.1**	**15,390.4**
Current liabilities	1,151.6	843.6	1,261.8	886.8	1,073.5
Non-current liabilities	9,111.8	9,079.0	8,532.2	8,788.6	8,443.4
Total liabilities	**10,263.4**	**9,922.7**	**9,794.0**	**9,675.4**	**9,516.9**
Net assets/Total equity	**7,975.3**	**7,953.9**	**7,035.6**	**6,654.7**	**5,873.5**

Table 13: Statement of cash flows as at 30 June 2024 – Extract

Item	2024 $M	2023 $M	2022 $M	2021 $M	2020 $M
Net cash inflow from operating activities	681.3	580.5	545.3	594.9	555.3
Net cash (outflow) from investing activities	(790.5)	(648.5)	(545.3)	(589.1)	(455.6)
Net cash inflow/(outflow) from financing activities	108.3	63.1	2.6	(16.4)	(103.0)

Summary of Financial Performance

Table 14: Key financial performance indicators

Performance Indicators	2024	2023	2022	2021	2020
Cash Interest Cover ($M)	**2.4**	2.3	2.2	2.2	2.2
Gearing Ratio	**45.1%**	44.7%	47.0%	48.1%	50.8%
Internal Financing Ratio	**76.7%**	83.5%	92.8%	87.2%	98.0%
Current Ratio	**0.17 times**	0.20 times	0.14 times	0.19 times	0.15 times
Return on Assets	**4.5%**	4.3%	4.6%	5.5%	6.0%
Return on Equity	**1.9%**	1.6%	1.9%	3.1%	3.5%
EBITDA margin	**64.0%**	63.8%	62.9%	66.2%	68.1%

Explanatory notes

Refer to the Performance Report for definitions of financial performance indicators and reporting of all 2023-24 performance indicators (financial and non-financial) against targets with supporting explanations for any significant variations.

Directors report

Directors

The Directors of Melbourne Water Corporation ('the Corporation') in office during the 2023-24 financial year were:

- Greg Wilson, Chair (commenced 1 October 2023)
- Dr Nerina Di Lorenzo, Managing Director
- Russell Anderson (former Director) (ceased 30 September 2023)
- James Atkins
- Kathleen Bailey-Lord (former Deputy Chair) (ceased 30 September 2023)
- Andrew Cairns
- Monique Conheady (commenced 1 October 2023)
- Binda Gokhale (commenced 1 October 2023)
- Freya Marsden (commenced 1 October 2023)
- Robyn McLeod (former Director) (ceased 30 September 2023)
- Camm Myrtle (commenced 1 October 2023)
- Anita Roper
- Fiona Rowland
- Prof. John Thwaites (former Chair) (ceased 30 September 2023)

Particulars of the Directors' qualifications, experience and special responsibilities are set out on pages 74-77 of this report.

Board meetings and attendance

The Board meets bi-monthly, with meetings planned for February, April, June, August, October and December commencing in 2024. Prior to this change the Board met monthly, except in January, May and September. In months without a meeting, the Board are provided with formal performance information from management for oversight. Meetings are held in accordance with the Board or committee charters, following an annual schedule of set meeting dates and with additional meetings called when required. Eight meetings were held in 2023-24.

Directors' meetings 2023-24

During the financial period, the Corporation held eight scheduled meetings of directors. In addition to the regular Board and committee meetings, the Corporation held special meetings during the year.

Attendance at meetings of the Board and its committees are outlined in Table 15.

Table 15: Board and committee attendance 2023-24

Directors	Meeting	Board		Audit, Risk & Finance Committee *(Disestablished)*		Business Resilience Committee *(Disestablished)*		Customer & Service Delivery Committee *(Disestablished)*		People, Safety and Remuneration Committee *(Disestablished)*		Finance, Audit and Compliance Committee *(Established Nov 23)*		People, Engagement, Customers, Community & Safety Committee *(Established Nov 23)*		Risk, Optimisation & Sustainability Committee *(Established Nov 23)*	
	Period	1 Jul 23 – 30 Sep 23	1 Oct 23 – 30 Jun 24	1 Jul 23 - Nov 23		1 Jul 23 – 24 Nov 23		1 Jul 23 – 24 Nov 23		1 Jul 23 – 24 Nov 23		24 Nov 23 – 30 Jun 24		24 Nov 23 – 30 Jun 24		24 Nov 23 – 30 Jun 24	
	Number Held	2	6	Scheduled 2	Special 1	Scheduled 3	Special 0	Scheduled 2	Special 1	Scheduled 2	Special 0	Scheduled 2	Special 1	Scheduled 2	Special 0	Scheduled 2	Special 0
G Wilson**		-	6 (C)	0^	-	1	-	-	-	0^	-	0^	0^	0^	-	0^	-
J Thwaites*		2	-	0	1	0^	-	0^	0^	2^	-	-	-	-	-	-	-
N Di Lorenzo		2	6	2^	1^	3^	-	1^	1^	1	-	2^	1^	2^	-	2^	-
R Anderson*		2	-	1	1	2	-	1 (C)	1 (C)	0^	-	-	-	-	-	-	-
J Atkins		2	6	2	1	2^	-	0	1	1	-	0^	0^	2	-	2	-
K Bailey-Lord*		2	-	0^	1	1 (C)	-	0	0	2	-	-	-	-	-	-	-
A Cairns		2	5	1^	1^	2^	-	1	1	1^	-	2 (C)	1 (C)	0^	-	0^	-
M Conheady**		-	5	1^	-	1^	-	-	-	1^	-	0^	0^	0^	-	2	-
B Gokhale**		-	5	1^	-	1	-	-	-	0	-	1	1	1	-	1	-
R McLeod*		2	-	1^	1	1	-	1	0	1	-	-		-	-	-	-
F Marsden**		-	6	1^	-	1	-	-	-	1	-	0^	0	0^	-	2 (C)	-
C Myrtle**		-	6	1^	-	0	-	-	-	2 (C)	-	1	1	2	-	0^	-
A Roper		2	5	1^	1	3	-	0	0	2	-	1^	1	2 (C)	-	1^	-
F Rowland		2	6	2 (C)	1 (C)	3	-	1	1		-	1	1	1^	-	1	-

Note: The above table reflects meetings attended by directors as members or in an ex-officio capacity. The Board held a strategy workshop on 12-13 February 2024. These sessions are not counted as Director meetings. (C) denotes chairperson.

^ Denotes attendance as observed by non-committee members.
- No meetings were held during the director period of appointment
* Prof. Thwaites, Ms Bailey-Lord, Mr Anderson and Ms McLeod retired from the Board on 30 September 2023.
** Greg Wilson, Monique Conheady, Binda Gokhale, Freya Marsden and Camm Myrtle were appointed to the Board effective from 1 October 2023.

The Managing Director is invited to attend all committee meetings. Although the Managing Director is not a member of these committees, their attendance has been included. Further, where a director has attended a committee meeting of which they are not a member, this attendance has also been included.

Director benefits

No director has received, or become entitled to receive, a benefit (other than a benefit included in Notes 7.2 and 7.4 in the Financial Statements) because of a contract that the director, a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made (during the period ended 30 June 2024 or at any other time) with:

(a.) the Corporation

(b.) an entity that the Corporation controlled, or a body corporate that was related to the Corporation, when the contract was made or when the director received, or became entitled to receive, the benefit.

Directors' and officers' liability insurance

During the financial year, the Corporation paid premiums to insure all directors and officers against certain liabilities. Disclosure of policy terms and the total amount of the premiums paid under this insurance policy is not permitted under the confidentiality provisions of the insurance contract.

Interest in contracts

No contracts involving directors' interests were entered into since the end of the previous financial year or existed at the end of the 2023-24 financial year, other than the transactions detailed in Notes 7.2 and 7.4 to the Financial Statements.

Operating results

The Corporation's profit, after providing for income tax was $149.7 million (2022-23: $119.1 million).

Review of operations

The directors' review of the Corporation's operations during the financial year ended 30 June 2024 is set out in the Report from the Chair and Managing Director on pages 2-3 of this report.

State of affairs

There have been no other significant changes in the Corporation's state of affairs during the financial period ended 30 June 2024, other than the restructure of Board committees as described in the Corporate Governance section of this report on page 78.

Subsequent events

The Final Report from the Legislative Council's Committee of Inquiry into the Victorian flood event in October 2022 was tabled in Parliament on 30 July 2024.

Many of the recommendations relate to Melbourne Water and Melbourne Water will contribute to the whole of Government response to the report, which will be led by Emergency Management Victoria.

The Final Report reflects the work undertaken by Melbourne Water in appearing before the Inquiry, as well as Melbourne Water's broader contribution, with many of the recommendations reflecting work already underway by Melbourne Water in relation to flood modelling, planning, community awareness, and warnings and planning.

Melbourne Water Financial Management Compliance Attestation

I, Greg Wilson, on behalf of the Board, certify that Melbourne Water has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

Greg Wilson
Chair

30 August 2024

Thomson Reservoir

Financial Report

How this Report is Structured

Melbourne Water Corporation ('the Corporation') presents its audited general purpose financial statements for the financial year ended 30 June 2024. The following structure provides users with information about the Corporation's stewardship of resources entrusted to it.

Notes to the financial statements (continued)

Melbourne Water Corporation
Declaration by Directors and Chief Financial Officer

We certify the attached financial statements for Melbourne Water Corporation ('the Corporation') have been prepared in accordance with applicable Financial Reporting Directions and Direction 5.2 of the Standing Directions of the Assistant Treasurer, both enforced by the *Financial Management Act 1994*, Australian Accounting Standards and Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2024 and the financial position of the Corporation as at 30 June 2024.

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.

The Financial Statements were authorised for issue by the Directors on 30 August 2024.

On behalf of the Board:

Greg Wilson
Chair

30 August 2024

Dr Nerina Di Lorenzo
Managing Director

30 August 2024

Fiona Schutt
Chief Financial Officer

30 August 2024

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

($ thousands)

	Notes	2024	2023
Revenue			
Revenue from contracts with customers	2.1	2,026,364	1,908,460
Other income		13,948	10,045
Net gain on revaluation of non-financial assets		-	877
Total revenue		**2,040,312**	**1,919,382**
Expenses			
Depreciation and amortisation expenses	4.1.3	(487,894)	(469,520)
Operational expenses	3.1	(278,036)	(265,993)
Employee benefits expenses	3.2	(167,043)	(156,057)
Repairs and maintenance expenses	3.3	(121,093)	(110,069)
Administrative expenses	3.4	(61,012)	(55,581)
Finance expenses	5.1.1	(564,097)	(550,706)
Government rates and taxes	3.5	(58,769)	(46,577)
Asset transfers to Councils	3.6	(39,053)	(43,493)
Other expenses	3.7	(8,509)	(17,817)
Total expenses		**(1,785,506)**	**(1,715,813)**
Net profit from operations before tax		**254,806**	**203,569**
Tax expense	3.8.1	(105,097)	(84,500)
Net profit for the period after tax		**149,709**	**119,069**
Other comprehensive income after tax			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit superannuation plan asset [a]	7.1	958	1,351
Net gain on revaluation of non-financial assets [b]	4.1.2.1 & 3.8.1	-	692,073
Decrease in asset revaluation reserve due to disposal of land, buildings and infrastructure [c]		(8,336)	(6,558)
Asset revaluation reserve transferred to retained profits on disposal of land, buildings and infrastructure		8,346	6,565
Net gain in fair value of cash flow hedges		(25)	25
Other comprehensive income/(loss) for the period after tax		**943**	**693,456**
Total comprehensive income for the period after tax		**150,652**	**812,525**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes on pages 93 through to 149.

Note:
(a) Pre tax actuarial gain on defined benefit superannuation plan asset $1.4 million (2022-23: gain of $1.9 million).
(b) Pre tax net gain on revaluation of non-financial assets was zero (2022-23: gain of $692.7 million)
(c) Pre tax decrease in asset revaluation reserve due to disposal of land, buildings and infrastructure $8.3 million (2022-23: decrease of $6.6 million).

Statement of Financial Position

As at 30 June 2024

($ thousands)

	Notes	2024	2023
Assets			
Current assets			
Cash and cash equivalents		508	1,433
Receivables	2.2	139,670	126,578
Other current assets		21,629	16,749
Non-current assets held for sale	4.3	8,983	23,754
Total current assets		**170,790**	**168,514**
Non-current assets			
Land, buildings, infrastructure, plant and equipment and service concession arrangements [b]	4.1	17,982,137	17,608,125
Intangible assets [b]	4.2	31,519	39,542
Right of use assets and leases	4.4	23,440	31,328
Defined benefit superannuation plan asset	7.1	30,816	29,107
Total non-current assets		**18,067,912**	**17,708,102**
Total assets		**18,238,702**	**17,876,616**
Liabilities			
Current liabilities			
Payables	3.9	554,217	471,819
Contract liabilities	3.10	97,061	99,258
Interest bearing liabilities'	5.1	393,527	190,399
Other provisions	3.11	8,283	14,157
Current tax liability	3.8.1	45,142	14,413
Employee benefits provision	3.2	53,371	53,594
Total current liabilities		**1,151,601**	**843,640**
Non-current liabilities			
Contract liabilities	3.10	11,992	10,656
Interest bearing liabilities [a]	5.1	7,826,441	7,793,648
Other provisions	3.11	410	332
Net deferred tax liabilities	3.8.2	1,257,591	1,259,596
Employee benefits provision	3.2	15,346	14,812
Total non-current liabilities		**9,111,780**	**9,079,044**
Total liabilities		**10,263,381**	**9,922,684**
Net assets		**7,975,321**	**7,953,932**
Equity			
Contributed equity		505,112	586,732
Reserves		4,528,828	4,537,189
Retained profits		2,941,381	2,830,011
Total equity		**7,975,321**	**7,953,932**

The above Statement of Financial Position should be read in conjunction with the accompanying notes on pages 93 through to 149.

Note:

(a) Prior year carrying amounts have been re-classified ($448.7 million) from current interest bearing liabilities to non-current interest bearing liabilities as per the accounting policy change adopted in the current period. Refer to Note 7.9.

(b) Prior year carrying amounts have been re-classified ($0.2 million) between Land, buildings, infrastructure, plant and equipment and service concession arrangements and intangible assets.

Statement of Changes in Equity

For the year ended 30 June 2024

($ thousands)

	Notes	Contributed equity	Asset revaluation reserve	Other reserves	Retained profits	Total
Balance at 1 July 2023		**586,732**	**4,537,164**	**25**	**2,830,011**	**7,953,932**
Comprehensive income for the period after tax						
Net result for the period after tax		-	-	-	149,709	**149,709**
Other comprehensive income/(loss) for the period after tax		-	(8,336)	(25)	9,304	**943**
Total comprehensive income for the period after tax		-	**(8,336)**	**(25)**	**159,013**	**150,652**
Transactions with equity holders						
Dividends paid [(a)]		-	-	-	(47,643)	**(47,643)**
Capital repatriation paid [(b)]		(80,820)	-	-	-	**(80,820)**
Contributed assets		(800)				**(800)**
Total transactions with owners		**(81,620)**	**-**	**-**	**(47,643)**	**(129,263)**
Balance at 30 June 2024		**505,112**	**4,528,828**	**-**	**2,941,381**	**7,975,321**
Balance at 1 July 2022		**470,592**	**3,851,649**	**-**	**2,713,389**	**7,035,630**
Comprehensive income for the period after tax						
Net result for the period after tax		-	-	-	119,069	**119,069**
Other comprehensive income/(loss) for the period after tax		-	685,515	25	7,916	**693,456**
Total comprehensive income for the period after tax		**-**	**685,515**	**25**	**126,985**	**812,525**
Transactions with equity holders						
Dividends paid [(a)]		-	-	-	(10,363)	**(10,363)**
Capital repatriation paid [(b)]		-	-	-	-	**-**
Contributed assets		116,140				**116,140**
Total transactions with owners		**116,140**	**-**	**-**	**(10,363)**	**105,777**
Balance at 30 June 2023		**586,732**	**4,537,164**	**25**	**2,830,011**	**7,953,932**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 93 through to 149.

Note:
(a) During 2023-24 the Corporation paid total dividends of $47.6 million (2022-23 $10.3 million) consisting of a final dividend for prior year of $11.1 million (2022-23: $10.3 million), an interim dividend for current year of $11.1 million (2022-23: zero) and a new efficiency dividend for current year of $25.4 million (2022-23: zero). Dividends are determined by the Treasurer of Victoria after consultation with the Corporation's Board of Directors and the Minister for Water. In the current year in addition to the interim and final dividends, the Treasurer determined that Melbourne Water Corporation pay a dividend for efficiency savings as part of the government's COVID Debt Repayment Plan.
(b) During 2023-24 the Corporation paid total capital repatriations of $80.8 million (2022-23: nil). Capital repatriations are determined by the Treasurer of Victoria after consultation with the Corporation's Board of Directors and the Minister for Water.

Statement of Cash Flows

For the year ended 30 June 2024

($ thousands)

	Notes	2024	2023
Cash flows from operating activities			
Receipts from contracts with customers (inclusive of Goods and Service Tax)		2,161,410	2,008,520
Payments to suppliers and employees (inclusive of Goods and Service Tax)		(859,622)	(784,583)
Income tax paid		(76,763)	(112,189)
Interest received		519	94
Interest and other costs of finance paid		(559,979)	(548,890)
Other receipts		16,155	20,151
Payments for low value, short term and variable lease payments		(373)	(2,601)
Net cash inflow from operating activities	5.2	**681,347**	**580,502**
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(826,538)	(682,782)
Proceeds from sales of property, plant and equipment and intangibles		36,009	34,289
Net cash (outflow) from investing activities		**(790,529)**	**(648,493)**
Cash flows from financing activities			
Net proceeds from borrowings [(a)]		292,318	113,600
Repayments for the Victorian Desalination Plant (VDP) service concession liability		(47,486)	(32,509)
Repayments of lease liabilities		(8,112)	(7,651)
Dividends paid	7.4	(47,643)	(10,363)
Capital repatriation paid	7.4	(80,820)	-
Net cash inflow / (outflow) from financing activities		**108,257**	**63,077**
Net (decrease)/increase in cash and cash equivalents		(925)	(4,914)
Cash and cash equivalents at the beginning of the financial year		1,433	6,347
Cash and cash equivalents at the end of the financial year		**508**	**1,433**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 93 through to 149.

Note:
(a) Proceeds from borrowings exclude debt roll-overs and refinancing of existing debt and are shown on a net basis.

About this Report

Basis of preparation

This Annual Financial Report presents the audited general purpose financial statements of Melbourne Water Corporation ('the Corporation' or 'Melbourne Water') for the year ended 30 June 2024. This report informs users about the Corporation's stewardship of the resources entrusted to it.

A description of the nature of the Corporation's operations and principal activities is included in the report of operations which does not form part of these financial statements.

The Corporation is classified as a for-profit entity for the purposes of reporting.

Accounting policies selected and applied 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.

The accrual basis of accounting has been applied, where assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Functional and presentation currency

These financial statements are in Australian dollars, the functional and presentation currency of the Corporation, and the historical cost convention is used except for the revaluation of certain classes of infrastructure, property, plant and equipment and financial instruments.

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration has been given to the time when each asset or liability is expected to be realised or paid. The asset or liability has been classified as current if it is expected to be exhausted over the next 12 months.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets, all classes of infrastructure, property, plant and equipment.

Comparative information

In these financial statements the Corporation has changed the classification or presentation of certain disclosures (and relevant comparative information) to improve readability by the user. This change in the presentation has not arisen as a result of the identification of errors or changes in accounting policies by the Corporation.

Accounting estimates

Judgements and estimates require assumptions to be made about highly uncertain external factors such as discount rates, probability factors, the effects of inflation, changing technology, political and social trends and climate change. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation but may change significantly when new information becomes available.

Judgements, estimates and assumptions are required to be made about financial information presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. 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.

Judgements and assumptions made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

Significant judgement and estimation area	Note number
Revenue recognition	
Timing and satisfaction of performance obligations	2.1
Determining transaction price and amounts allocated to performance obligations	2.1
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Financial reporting impacts of climate related matters

The joint Australian Accounting Standards Board (AASB)/Australian and Assurance Standards Board (AuASB) guidance bulletin (Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/International Accounting Standards Board (IASB) Practice Statement 2) specifies that information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about the Corporation.

Having regard to this AASB/AuASB guidance, the potential impacts of climate related risks on the financial statements have been considered within the following notes:

- Note 3.1 Operational expenses;
- Note 3.11 Provisions;
- Note 4.1.2 Fair value determination of non-financial physical assets;
- Note 4.1.2.2 Description of significant unobservable inputs to level 3 valuations;
- Note 4.1.3 Depreciation, amortisation and impairment;
- Note 5.1 Financing our operations;
- Note 6.1.5 Climate related risk; and
- Note 6.3 Contingent liabilities.

In October 2023, the AASB released *Exposure Draft (ED) SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*. It is not yet confirmed when/if this ED will become mandatory for the Corporation as a public entity. In the interim, broader climate and sustainability reporting considerations have been informed by the draft ISSB climate reporting standards, and the structure of the operating sections of the annual report by the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).

Going Concern

These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

Compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). They have also been prepared in compliance with applicable Financial Reporting Directions and Standing Directions issued by the Assistant Treasurer.

Accounting Policies

The Corporation has adopted the following accounting policy changes in the current period.

The Corporation has classified borrowings which mature within 12 months as non current liabilities (previously classified as current). The Corporation has changed its interpretation of "right to defer settlement". The Corporation has discretion to, and will refinance or roll over these loans with TCV pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Short term borrowings are classified as current borrowings at floating interest rate.

These amendments have been applied retrospectively with comparatives restated. Refer to Note 7.9 for details and illustrative tables disclosing financial impacts of above changes.

The Corporation has adopted the following accounting standard amendments in the current period.

- Disclosure of Accounting Policies (*Amendments to Australian Accounting Standards AASB101 – Disclosure of Accounting Policies and Definition of Accounting Estimates*) from 1 July 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112) from 1 July 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences.

These amendments have been applied retrospectively with comparatives restated. Refer to Note 7.9 for details.

Funding Delivery of Our Services

Introduction

This section provides additional information about how the Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

2.1 Revenue from contracts with customers

($ thousands)

	2024	2023
Bulk water services	958,285	906,295
Bulk sewerage services	494,055	447,056
Waterways and drainage service charges	298,645	279,657
Developer contributions	231,433	230,003
Developer contributed assets	15,512	10,241
Net gain on disposal of property, plant, equipment and intangibles	14,715	20,042
Other revenue	13,719	15,166
Total Revenue from contracts with customers	**2,026,364**	**1,908,460**

Revenue is recognised in accordance with *AASB 15 Revenue from contracts with customers*. Accordingly, the term 'performance obligation' used in the financial statements has the meaning set out in *AASB 15 Revenue from contracts with customers*.

The Corporation collects **bulk water and sewerage services** revenue for providing storage operator services and bulk water and sewerage services to retail metropolitan and regional water businesses.

Bulk water and sewerage services revenues consist of a variable metered component (based on volume of usage) and a fixed fee (for service availability). The usage charge is invoiced weekly with payment required within 7 days. The availability charge is invoiced in advance monthly with payment required within 14 days.

Bulk water and sewerage services revenue is recognised in line with the Corporation meeting its performance obligations over time as the customer simultaneously receives and consumes the services provided. An estimate is made at the end of the accounting period for unbilled revenue (refer to receivables Note 2.2).

The Corporation provides **waterways and drainage services** to residential, non-residential, rural and special area customers. The charges are recognised in the year for which the charge is levied and are billed either quarterly or annually in advance and are collected by various retail water businesses on behalf of the Corporation. A lien is held over each property to ensure that any outstanding amounts are recovered upon sale of the property.

Waterways and drainage service charges revenue is recognised in line with the Corporation meeting its performance obligations over time as the customer simultaneously receives and consumes the services provided. An estimate is made at the end of the accounting period for unbilled revenue (refer to receivables Note 2.2).

Developer contributions are collected from developers in order to fund drainage scheme infrastructure (constructed catchment assets) and stormwater quality treatment works in accordance with the Corporation's responsibility for regional drainage, flood plain and waterway management across greater Melbourne under the *Water Act 1989* and the *Planning and Environment Act 1987*.

The Corporation has a performance obligation in relation to developer contributions, which is to assess whether the relevant conditions specified by the Corporation in a planning permit or offer of drainage conditions have been met by the developer and to provide consent to the local council to support issuance of a Statement of Compliance (SOC).

The Corporation recognises developer contribution revenue at a point in time as the performance obligation is satisfied (i.e. upon provision of consent to the local council). The transaction price is the total amount of cash contributions from the developer for the applicable contract, unless the transaction price is adjusted by differences between the assessed fair value of the constructed catchment assets and reimbursements to the developer for construction of those assets (see developer contributed assets policy below).

Developer contributions received in advance of the performance obligation being satisfied are recorded as contract liabilities from contracts with customers (included in Note 3.10) and then recognised as revenue as the performance obligation is satisfied for each contract.

A significant financing component is deemed to exist within a contract when developer contributions revenue is received greater than 12 months before the performance obligation is satisfied. The Corporation assesses the balance of unearned revenue from developer contributions at balance date. If a significant financing component exists then the Corporation adjusts the revenue transaction price (within unearned revenue) and recognises an interest expense (see Note 5.1) to reflect the time value of money using prevailing interest rates. When the performance obligation is satisfied the revenue is recognised based on the adjusted transaction price.

Developer contributed assets (DCA) consist of developer constructed catchment assets transferred to the Corporation to maintain in perpetuity. Under a drainage scheme, developers may be required by the Corporation to undertake capital works in relation to the construction of drainage infrastructure required for their stage of development and other developers in the drainage catchment. This will be included in contracts between the Corporation and the developer as a condition of the Corporation's consent. Upon completion of the works, these constructed catchment assets become the property of the Corporation. The developer will either be reimbursed by the Corporation for the construction costs at an agreed reimbursable amount (funded through developer contributions for that catchment) or the developer will fully fund the construction costs (in arrangements where there are no developer contributions).

The Corporation has a performance obligation in relation to DCAs, which is to assess whether relevant conditions specified by the Corporation in a planning permit or offer of drainage conditions (including construction of catchment assets) have been met for the Corporation to provide consent to the local council to support issuance of a Statement of Compliance (SOC).

The transaction price for DCA revenue is determined based on any difference between the assessed fair value of the constructed catchment assets and the reimbursements made to the developer (where reimbursements are applicable depending on the arrangement). The transaction price is uncertain until the date of practical completion of the assets, which usually occurs after the performance obligation is met. Therefore at the time the performance obligation is met any revenue associated with the constructed catchment assets to be received is considered to be variable consideration.

DCA revenue (and associated infrastructure assets) are therefore recognised at the date of practical completion of the works (and their acceptance by the Corporation) when the uncertainty regarding the fair value of the assets is resolved.

Land parcels are also voluntarily transferred from developers to the Corporation (for nil consideration). These transfers relate to land set aside by developers as reserves at the point of subdivision. The transfers are made voluntarily on the basis of the Corporation being the relevant authority to hold and maintain such land for public benefit, rather than being transferred in the context of a contract with a customer. There is no exchange of goods or services from the Corporation to the developers for this land and contracts between the Corporation and the developers do not include these transfers of land. Accordingly, the transfer of land is not considered to form part of the transaction price for revenue recognition. As the transferred land satisfies the definition of property, plant and equipment under AASB 116, the initial measurement and subsequent measurement of such land is within the scope of AASB 116 i.e. the land is recognised initially at cost (being nil) and subsequently revalued in accordance with the land class of assets.

The net gain on disposal of property, plant, equipment and intangibles from sales is recognised as revenue when control over the asset has been transferred to the customer at a point in time. This is the point when the Corporation has performed its performance obligation.

Revenue is measured at the transaction price agreed under the contract. For property sales the consideration is due when it settles.

Property sales are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a net basis of sale proceeds less costs.

Other revenue includes fees and charges and other miscellaneous revenue which are all recognised at a point in time when the Corporation meets the required performance obligations under the contract.

2.2 Receivables

($ thousands)

Contractual receivables	2024	2023
Trade debtors	53,641	48,439
Contract assets	10,764	10,764
Other receivables	59,819	50,587
Less: allowance for expected credit losses	-	-
Total contractual receivables	**124,224**	**109,790**
Statutory receivables		
Net GST receivable from the ATO	15,446	16,788
Total current receivables	**139,670**	**126,578**

Trade debtors, contract assets and **other receivables** are recognised at the amounts receivable less any allowance for expected credit losses. Trade debtors relate to amounts receivable for bulk water services, bulk sewerage services and waterways drainage charges and other charges. Contract assets relate to developer works that have met the perfomance obligation requirements but no contribution has yet been received. Other receivables relate to land deposits, accrued revenue and accrued GST receivable. Receivables are reviewed on an ongoing basis to identify any receivables which cannot be collected. Debts which cannot be collected are written-off when identified.

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. On this basis, an assessment undertaken by management has identified that historical debt write-offs and future expected losses are immaterial. As such, there is no allowance for expected credit losses as at 30 June 2024 (2022-23: nil).

Net Goods and Services Tax (GST) receivable from the Australian Taxation Office (ATO) is the gross amount of GST recoverable from the taxation authority and is included as part of the receivables balance. *AASB Interpretation 1031* provides that revenue, expenses and assets must be recognised, net of the amount of GST, except where GST relating to the expenditure items is not recoverable from the taxation authority, in which case the item is recognised as GST inclusive.

Ageing analysis of contractual receivables

($ thousands)

	Current	Past due but not impaired			Total
30 June 2024	**0-30 days**	**31-60 days**	**61-90 days**	**91 days +**	
Receivables					
Trade debtors [a]	24,642	8,177	1,961	18,861	**53,641**
Contract assets	10,764	-	-	-	**10,764**
Other receivables	59,819	-	-	-	**59,819**
Total contractual receivables	**95,225**	**8,177**	**1,961**	**18,861**	**124,224**

	Current	Past due but not impaired[b]			Total
30 June 2023	**0-30 days**	**31-60 days**	**61-90 days**	**91 days +**	
Receivables					
Trade debtors [a]	27,992	5,076	1,038	14,333	**48,439**
Contract assets	10,764	-	-	-	**10,764**
Other receivables	50,587	-	-	-	**50,587**
Total contractual receivables	**89,343**	**5,076**	**1,038**	**14,333**	**109,790**

(a) The majority of the aged receivables relate to waterways and drainage service charges guaranteed by a lien on a property to ensure that any outstanding amounts are recovered upon sale of the property. These matters would be subject to the Corporation's hardship provisions.

The Cost of Delivering Our Services

Introduction

This section provides additional information about the major components of expenditure incurred by the Corporation in relation to delivering our services during the year, as well as any related assets and liabilities as at 30 June 2024.

3.1 Operational expenses

($ thousands)

	2024	2023
VDP operating expenses	150,557	151,827
Energy expenses	31,354	35,088
Carbon offsets	1,092	783
External professional services expenses	45,533	36,312
Research and development expenses	6,013	4,997
Materials and chemicals expenses	16,810	12,736
Grants and contributions expenses	13,010	12,134
Transport expenses	3,631	3,904
Insurance expenses	9,276	7,430
Other expenses	760	782
Total operational expenses	**278,036**	**265,993**

Operational expenses represent the day-to-day running costs incurred in normal operations. Victorian Desalination Project (VDP) operating expenses include the costs of water security, labour, maintenance, chemicals and energy. Carbon offsets represent surrendered and/or estimated surrender liability provided for. They are expensed in the period in which they are incurred.

3.2 Employee benefits expenses and employee benefits provision

($ thousands)

	2024	2023
Salary and wages expenses	126,994	117,523
Annual, long service and shift leave expenses	14,878	15,914
Defined contribution plans (superannuation accumulation fund) expense	14,404	12,565
Defined benefit superannuation plan expense [a]	-	115
Other employee expenses	10,767	9,940
Total employee benefits expenses	**167,043**	**156,057**

(a) For 2023-24 there was a net defined benefit superannuation plan revenue of $0.3 million included within other income (2022-23: expense of $0.1 million included in employee benefits expenses).

Employee benefits expenses include all expenses related to employment including; salary and wages expenses, defined contribution plans, annual, long service and shift leave expenses, defined benefit superannuation plan expense, and other employee expenses (i.e payroll tax, Work Cover (post-1985), workers' compensation (pre-1985), rostered days off, redundancy payments). They are expensed in the period in which they are incurred. Directly attributable costs for bringing an asset to the location and condition necessary for operation, such as costs of employee benefits arising directly from the construction or acquistion of the asset are capitalised via a reduction to the employee benefit expense.

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave and long service leave (LSL) up to the reporting date and recorded as an expense during the period the services are delivered.

Total employee benefits provision and on-costs at 30 June

($ thousands)

	2024	2023
Current		
Accrued salaries and wages		
Accrued salaries and wages	8,823	8,073
Annual leave		
Unconditional and expected to settle within 12 months	9,472	9,035
LSL		
Unconditional and expected to settle within 12 months	3,398	3,540
Unconditional and expected to settle after 12 months	19,120	20,095
On-costs		
Unconditional and expected to settle within 12 months	2,058	1,948
Unconditional and expected to settle after 12 months	3,133	3,187
Workcover and workers' compensation [a]	**4,437**	**4,448**
Other employee benefits [a]	**2,930**	**3,268**
Total current employee benefits and on-costs	**53,371**	**53,594**
Non-current		
LSL	4,029	3,922
On-costs on LSL	660	622
Workcover and workers' compensation [a]	**10,657**	**10,268**
Total non-current employee benefits and on-costs	**15,346**	**14,812**
Total employee benefits and on-costs	**68,717**	**68,406**

(a) Provision categories in 2022-23 have been reclassified between current other employee benefits and current Workcover and workers compensation ($4.4 million) and non current other employee benefits and non current Workcover and workers compensation ($10.3 million) for consistency with 2023-24.

Reconciliation of movement in on-costs provision ($ thousands)

	2024	2023
Opening balance	5,757	5,580
Additional provisions recognised	2,500	2,316
Additions due to LSL transfers	53	47
Reductions arising from payments/other sacrifices of future economic benefits	(2,459)	(2,186)
Closing balance	**5,851**	**5,757**
Current	5,191	5,135
Non-current	660	622

Liabilities for **salaries, wages and annual leave** are all recognised in the provision for employee benefits as 'current liabilities' as per *AASB 119 Employee Benefits*, because the Corporation does not have an unconditional right to defer settlements of these liabilities. Liabilities for salaries, wages and annual leave are measured at:

- undiscounted value; if they will be wholly settled within 12 months; or
- present value; if not expected to be wholly settled within 12 months.

Sick leave payments are made in accordance with relevant awards, determinations and Corporation policy. No provision is made in the Financial Statements for unused sick leave entitlements as these are non-vesting benefits (i.e. can't be transferred or paid out when an employee leaves).

LSL is recognised in the provision for employee benefits.

LSL is recognised as a current liability when there is no unconditional right to defer settlement should an employee take LSL they are entitled to within the next 12 months, even when the Corporation does not expect to settle the liability within 12 months. The components of this current LSL liability are measured at:

- undiscounted value; if they expect to be wholly settled within 12 months; or
- present value; if not expected to be wholly settled within 12 months.

LSL is recognised as a non-current liability when there is an unconditional right to defer the settlement of the entitlement until the employee has completed 7 years of service. This non-current LSL liability is measured at present value. Expected future cash payments are discounted using market yields attached to the Reserve Bank of Australia's 10 year rate for semi-annual coupon bonds. Discount rate as at 30 June 2024 was 4.35% (2022-23: 4.06%). Use of this discount rate is mandated by the Department of Treasury and Finance (DTF). The valuation of LSL also incorporates wage inflation, based on DTF budget estimates with the rate at 30 June 2024 of 4.45% (2022-23: 4.35%).

The current and non-current **Work Cover and workers' compensation** provisions are based on independent actuarial assessments. A provision of $15.1 million (2022-23: $14.7 million) has been made for outstanding claims incurred and not settled, and for claims incurred but not reported at 30 June 2024. The value of the bank guarantee to the Victorian Work Cover Authority (as part of the Corporation's Work Cover self insurance commitments) at 30 June 2024 is $13.4 million (2022-23: $13.4 million). The bank guarantee amount is not included in the provision.

3.3 Repairs and maintenance expenses

($ thousands)

	2024	2023
Repairs and maintenance	107,674	98,670
Information technology maintenance	13,419	11,399
Total repairs and maintenance expenses	**121,093**	**110,069**

Repairs and maintenance and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold of $500, the cost is capitalised and depreciated over the remaining life of the asset.

3.4 Administrative expenses

($ thousands)

	2024	2023
Waterways charges billings and collection	17,565	15,247
Information technology and telecommunication expenses	21,228	20,456
Short term lease expenses	-	255
Low value lease expenses	2	-
Variable lease payment expenses	371	2,346
Education and training expenses	2,311	2,329
Legal expenses	5,863	4,420
Security services [(a)]	2,342	2,299
Agency staff [(a)]	7,429	5,281
Other expenses [(a)]	3,901	2,948
Total administrative expenses	**61,012**	**55,581**

(a) In 2022-23 ($7.6 million) of other expenses have been re-classified to security services ($2.3 million) and agency staff ($5.3 million) for consistency with the current year.

Administrative expenses are the day-to-day costs incurred in administration of the Corporation. They are expensed in the period in which they are incurred.

Expenses relating to short-term, low-value or variable lease payments are not included in the lease liability and are expensed in the year they are incurred. For further details, refer to Note 4.4.

3.5 Government rates and taxes

Government rates and taxes are made up of Land Tax, Fringe Benefits Tax, Local Government Rates Equivalent Tax (LGRE) and other minor government charges and fees. They are expensed in the period in which they are incurred.

3.6 Asset transfers to council

Asset transfers to council relate to Drainage Developer Scheme works within a catchment size of less than 60 hectares that are transferred to councils for ongoing maintenance (and expensed by the Corporation at book value) upon reaching formal council acceptance to transfer.

3.7 Other expenses

($ thousands)

	2024	2023
Assets written off/written down	1,386	1,779
CSO adjustments for purchased land	4,813	13,939
Allowance for expected credit loss	-	-
Other expenses	2,310	2,099
Total other expenses	**8,509**	**17,817**

Other expenses include all other miscellaneous expenses not included in operational and administrative expenses and are deemed relevant for the understanding of this financial report. They include written down assets and Community Service Obligation (CSO) adjustments for purchased land based on Valuer General Victoria (VGV) valuation. They are expensed in the period in which they are incurred.

3.8 Income and deferred tax

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office (ATO). The difference between the NTER and the Commonwealth tax legislation is that the tax liability is paid to the Victorian State Government rather than the Commonwealth Government.

The income tax expense for the period is the tax payable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted for current tax of prior periods and changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised as temporary differences at the tax rate expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences when they arise in a transaction that at the time of the transaction did not affect either accounting or taxable profit or loss. Deferred tax assets are recognised as deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, tax is also recognised in Other Comprehensive Income or directly in equity respectively.

3.8.1 Income tax

Components of tax expense

($ thousands)

	2024	2023
Current tax	139,593	121,169
Deferred tax relating to temporary differences	(34,496)	(36,669)
Adjustments for current tax of prior periods	-	-
Total tax expense	**105,097**	**84,500**

Reconciliation of income tax to prima facie tax payable

($ thousands)

	2024	2023
Profit before income tax	254,806	203,569
Tax at the Australian tax rate of 30% (2022-23: 30%)	76,442	61,071
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non assessable and non deductible for income tax purposes	22,915	17,827
Assessable income not booked	5,740	5,602
Income tax as reported in the Statement of Profit or Loss and Other Comprehensive Income	**105,097**	**84,500**

Income tax liability

($ thousands)

	2024	2023
Current tax liability	45,142	14,413
Total income tax liability	**45,142**	**14,413**

Income tax recognised in other comprehensive income

($ thousands)

	2024	2023
Deferred tax arising on items recognised in other comprehensive income		
Increase in deferred tax on land & buildings revalued	-	599
Reversal of deferred tax on disposal of land previously revalued	(11)	(7)
Actuarial gains on the defined benefit plan	411	579
Net gain in fair value of cash flow hedges	(11)	11
Total income tax recognised in other comprehensive income	**389**	**1,182**

3.8.2 Net deferred tax liabilities – non-current

($ thousands)

	2024	2023
Amounts recognised in Profit or Loss		
Property, plant and equipment	139,141	136,005
Employee entitlements	(12,561)	(12,704)
Developer contributions	-	13
Provisions	(3,735)	(5,533)
Revenue in advance	(28,221)	(28,681)
VDP service concession liability	74,458	82,122
Leases under AASB 16 [(a)]	(1,362)	(1,430)
Other [(a)]	(6,563)	(6,241)
Total recognised in Profit or Loss	**161,157**	**163,551**
Amounts recognised in Other Comprehensive Income		
Net gains on revaluation of land and buildings	146,893	146,904
Net gains on revaluation of infrastructure assets	934,758	934,758
Actuarial gain on the defined benefit plan	14,783	14,372
Changes in fair value of cash flow hedges	-	11
Total recognised in Other Comprehensive Income	**1,096,434**	**1,096,045**
Net deferred tax liability	**1,257,591**	**1,259,596**

(a) In 2022-23 $1.4 million of other expenses have been re-classified to leases under AASB16 for consistency with the current year as a result of adopting *AASB 112 Deferred Tax related to Assets and Liabilities* arising from a Single Transaction accounting standard amendment. The Corporation has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets.

Movements

($ thousands)

	2024	2023
Opening balance	1,259,596	1,280,138
Credited to Profit or Loss	(34,496)	(36,669)
Debited to Other Comprehensive Income	389	1,182
Adjustment in respect of deferred tax of prior period	32,102	14,945
Closing balance	**1,257,591**	**1,259,596**
Net deferred tax liabilities to be recovered after more than 12 months	1,294,355	1,296,971
Net deferred tax liabilities to be recovered within 12 months	(36,764)	(37,375)
Total non-current liabilities - deferred tax liabilities	**1,257,591**	**1,259,596**

3.9 Payables

($ thousands)

	2024	2023
Current		
Trade creditors	183,603	135,475
Interest payable	35,695	32,076
Accruals	329,867	299,709
Other payables	5,052	4,559
Total payables	**554,217**	**471,819**

Trade creditors represent liabilities for goods or services provided to the Corporation prior to the end of the financial year, where invoices have been received and processed but not yet paid. The amounts are unsecured and are usually paid within 30 days of recognition or in accordance with contract terms. Payments for invoices with a contract value of less than $3.0 million are paid within 10 business days in line with the Victorian Government's Fair Payment Policy.

Interest payable is recognised as an expense in the reporting period in which it is payable and accrued in accordance with the terms and conditions of the underlying financial instruments or other contracts.

Accruals represent liabilities for goods or services provided to the Corporation prior to the end of the financial year, where invoices have not yet been received or processed and are not yet paid. The amounts are based on estimates, are unsecured and are usually paid within 30 days of recognition (payments for invoices with a contract value of less than $3.0 million are paid within ten business days in line with the Victorian Government's Fair Payment Policy).

Other payables primarily represent liabilities for miscellaneous security deposits held.

3.10 Contract liabilities

($ thousands)

	2024	2023
Current		
Developer contributions	77,716	82,150
Other unearned revenue	19,345	17,108
Total current contract liabilities	**97,061**	**99,258**
Non-Current		
Other unearned revenue	11,992	10,656
Total non-current contract liabilities	**11,992**	**10,656**
Total contract liabilities	**109,053**	**109,914**

Contract liabilities - developer contributions represents consideration received in advance of the Corporation performing its contract obligations and will be recognised as revenue when the services are performed. Refer to Note 2.1.

Developer contributions

($ thousands)

	2024	2023
Unearned revenue at the beginning of the financial year	82,150	92,854
Consideration received in the year before performance obligations are satisfied	227,000	219,605
Performance obligations satisfied during the period and recognised as revenue	(231,434)	(230,309)
Closing balance	**77,716**	**82,150**

Other unearned revenue represents revenue received in advance in relation to other income or assets (i.e. grants) and will be recognised as revenue (or offset against the asset for grants relating to assets) when the services are performed and conditions are met.

3.11 Provisions

($ thousands)

	2024	2023
Current		
Insurance claims	639	464
Other provisions	7,644	13,693
Total current provisions	**8,283**	**14,157**
Non-current		
Insurance claims	410	332
Total non-current provisions	**410**	**332**
Total provisions	**8,693**	**14,489**

Reconciliation of movement in provisions

($ thousands)

	Insurance claims	Other provisions	Total
Carrying amount at 1 July 2023	796	13,693	14,489
Provisions recognised/(de-recognised)	340	(443)	(103)
Amounts utilised during the year	(87)	(5,606)	(5,693)
Carrying amount at 30 June 2024	**1,049**	**7,644**	**8,693**
Carrying amount at 1 July 2022	425	9,028	9,453
Provisions recognised/(de-recognised)	535	5,015	5,550
Amounts utilised during the year	(164)	(350)	(514)
Carrying amount at 30 June 2023	**796**	**13,693**	**14,489**

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The recognition of provisions requires significant estimates and assumptions such as requirements of the relevant legal and regulatory frameworks, timing, cost estimation, legal disputes and consideration of climate related risks or obligations (i.e. carbon offsets surrender obligation or impacts of acute weather events). These uncertainties may result in future actual expenditure differing from the amounts currently provided. Provisions are periodically reviewed and updated based on the facts and circumstances available at the time.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

The insurance claims provision represents the amounts that are likely to be payable under claims but excluding amounts over the relevant insurance policy deductable. Insurance claims are independently assessed by loss adjusters, claims managers and legal practitioners. The insurance claims provision includes claims reported but not yet paid, claims incurred but not yet reported, and the anticipated costs of settling those claims. Due to the inherent uncertainty in the estimate of the outstanding insurance claims, a risk margin is included. The risk margin is set to ensure that the liability estimate will be sufficient to cover outstanding claims. The measurement of the liability for outstanding insurance claims is on the basis of estimated costs of future claims payments. Claims classified as current are expected to be settled within 12 months. The amount classified as non-current is expected to be settled later than 12 months. The provision amounts are based on an independent assessment of claim costs.

Other provisions satisfy the recognition requirements of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* and include contractual, remediation and other provisions.

Assets Available to Support Output Delivery

Introduction

This section outlines those assets that the Corporation controls, reflecting investing activities in the current and prior years. The Corporation controls infrastructure and other assets that are utilised in conducting its activities.

4.1 Land, buildings, infrastructure, plant and equipment, and service concession arrangements

4.1.1 Reconciliation of movements in carrying values of land, buildings, infrastructure, plant and equipment, and service concession arrangements

($ thousands)

	Total	Public land [f]	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Fleet vehicles	Infrastructure	VDP service concession asset	Capital works in progress
Year ended 30 June 2023										
Opening balance	16,559,527	193,814	2,263,534	35,349	818	17,673	12,765	9,220,212	3,962,058	853,304
Purchased additions	290	-	-	-	-	-	290	-	-	-
Developer contributed assets	10,241	-	-	-	-	-	-	10,241	-	-
Disposals and write-offs	(50,910)	(93)	(9,584)	-	-	(75)	(492)	(39,262)	-	(1,404)
Depreciation and amortisation	(444,379)	-	-	(1,393)	(164)	(5,775)	(1,871)	(356,864)	(78,312)	-
Transfers between classes [a]	(101)	-	-	91	-	(16)	-	(176)	-	-
Assets classified as held for sale	(2,616)	-	(2,616)	-	-	-	-	-	-	-
Revaluation increments [b]	693,547	-	-	3,635	-	-	-	-	689,912	-
Revaluation decrements [b]	(13,939)	-	(13,939)	-	-	-	-	-	-	-
Impairment losses		-	-	-	-	-	-	-	-	-
Impairment losses reversed		-	-	-	-	-	-	-	-	-
Capital expenditure [c]	740,553	-	-	-	-	-	-	-	-	740,553
Capital contributions	116,140	-	-	-	-	-	-	116,140	-	-
Capitalisation of works in progress [d]	(229)	-	45,370	24	-	3,143	-	461,132	-	(509,898)
Closing carrying amount [d]	**17,608,124**	**193,721**	**2,282,765**	**37,706**	**654**	**14,950**	**10,692**	**9,411,423**	**4,573,658**	**1,082,555**
At 30 June 2023										
Gross carrying amount	18,328,945	193,721	2,282,765	37,706	2,437	69,033	21,684	10,065,386	4,573,658	1,082,555
Accumulated depreciation	(720,821)	-	-	-	(1,783)	(54,083)	(10,992)	(653,963)	-	-
Carrying amount [d]	**17,608,124**	**193,721**	**2,282,765**	**37,706**	**654**	**14,950**	**10,692**	**9,411,423**	**4,573,658**	**1,082,555**
Year ended 30 June 2024										
Opening balance	17,608,124	193,721	2,282,765	37,706	654	14,950	10,692	9,411,423	4,573,658	1,082,555
Purchased additions	4,173	-	-	-	-	-	4,173	-	-	-
Developer contributed assets	15,512	-	-	-	-	-	-	15,512	-	-
Disposals and write-offs	(51,128)	(13)	(16,751)	-	-	(14)	(827)	(32,099)	-	(1,424)
Depreciation and amortisation	(466,858)	-	-	(1,488)	(163)	(7,360)	(1,778)	(366,051)	(90,018)	-
Transfers between classes [a]	-	-	-	-	-	-	-	-	-	-
Assets classified as held for sale	14,772	-	14,772	-	-	-	-	-	-	-
Revaluation increments [b]	-	-	-	-	-	-	-	-	-	-
Revaluation decrements [b]	(4,814)	-	(4,814)	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Impairment losses reversed	-	-	-	-	-	-	-	-	-	-
Capital expenditure [c]	862,347	-	-	-	-	-	-	-	-	862,347
Capital contributions	-	-	-	-	-	-	-	-	-	-
Capitalisation of works in progress [d]	9	-	7,015	-	-	5,982	-	283,530	-	(296,518)
Closing carrying amount	**17,982,137**	**193,708**	**2,282,987**	**36,218**	**491**	**13,558**	**12,260**	**9,312,315**	**4,483,640**	**1,646,960**
At 30 June 2024										
Gross carrying amount	19,155,127	193,708	2,282,987	37,706	2,437	72,067	25,030	10,320,574	4,573,658	1,646,960
Accumulated depreciation	(1,172,990)	-	-	(1,488)	(1,946)	(58,509)	(12,770)	(1,008,259)	(90,018)	-
Carrying amount	**17,982,137**	**193,708**	**2,282,987**	**36,218**	**491**	**13,558**	**12,260**	**9,312,315**	**4,483,640**	**1,646,960**

Note:
(a) Includes transfers to intangible assets, refer to Note 4.2.

(b) Pre-tax revaluation increments and decrements (net decrement balance of $4.8 million (2022-23: $679.6 million net increment) are recognised in the income statement as revenue via net gain on revaluation of non-financial assets $0.0 million (2022-23:$0.9 million), other expenses $4.8 million (Community Services Obligation discount applied for purchased land based on VGV valuation) (2022-23: $13.9 million) and increase in other comprehensive income $0.0 million (2022-23: $692.7 million). Note: Valuation decrements are expensed in the profit and loss when the reserve balance is exhausted. Valuation increments that result in reversals of previous profit and loss decrements are credited to the profit and loss. The net effect is treated as a net gain or loss on revaluation on non-financial assets.

(c) Represents total capital expenditure, exclusive of intangibles $5.2 million (2022-23 $6.9 million) (refer to Note 4.2) and fleet vehicles $4.2 million (2022-23 $0.3 million) (refer to purchased additions category).

(d) Prior year (2022-23) carrying amounts have been restated to reclassify ($106.5 million closing carrying value) from capital works in progress to infrastructure ($105.9 million closing carrying value), plant and equipment ($0.4 million closing carrying value) intangible assets ($0.2 million closing carrying value Note 4.2) for projects that should have been completed (and transferred out of capital works in progress) in 2022-23. These delayed transfers also have associated backlog increased depreciation expenditure recognised in 2023-24 ($11.4 million) that has not been adjusted against the prior year as deemed not material.

(f) Public land is land as designated by the *Crown Land (Reserves) Act 1978*.

If land, buildings, infrastructure and service concession assets were measured at historical cost, the carrying amounts would be as follows:

	($ thousands)	
	2024	2023
Land	931,437	917,650
Buildings	35,140	36,661
Infrastructure assets - owned	7,289,661	7,087,555
VDP service concession asset	3,761,687	3,839,239
Total	**12,017,925**	**11,881,105**

Initial recognition

All non-financial physical assets (except for service concession assets) are measured and recognised initially at cost. Service concession assets are recognised initially at current replacement cost in accordance with the cost approach to fair value in AASB 13 (Fair Value). Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. The cost of constructed non-financial physical assets includes the cost of all materials used in construction and direct labour on the project. The cost of leasehold improvements is capitalised when incurred.

Items with a cost or value in excess of $500 (2022-23: $500) and a useful life of more than 1 year are recognised as assets, with the exception of lifecycle costs (total of all recurring and one-time costs over the full life span of a good, service, structure or system) for the VDP which are expensed. All items with a cost or value less than $500 (2022-23: $500) are expensed.

Subsequent measurement

All non-financial physical assets, with the exception of capital works in progress, are subsequently measured at fair value less accumulated depreciation and impairment. Non-financial physical assets are measured at fair value with regard to the asset's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use.

Revaluation of infrastructure, property, plant and equipment, and VDP service concession asset

Revaluations are conducted either independently every 5 years (as required under Financial Reporting Direction (FRD) 103 Non-Financial Physical Assets) or in the intervening years using management expertise and classified as a managerial revaluation. The Corporation uses land indices (provided by the Valuer General Victoria VGV) to perform managerial valuations on land and buildings. Fair value assessment is performed annually for all other property plant and equipment as a managerial valuation, utilising external experts to conduct the infrastructure and service concession asset valuation annually. Managerial valuation movements are booked if material in accordance with FRD 103. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset (or asset class when specifically related to infrastructure and service concession arrangements) previously recognised in net profit in the Statement of Profit or Loss and Other Comprehensive Income, in which case the increase is credited to profit to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation is recognised in net profit in the Statement of Profit or Loss and Other Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset, otherwise decreases are recognised in other comprehensive income. The net effect of any revaluation adjustments to Profit and Loss is classified as a net gain or loss on revaluation of non-financial assets.

Refer to Note 4.1.2 Fair Value Determination for further information on the revaluation methods used for the asset classes and the valuation outcomes for 30 June 2024.

4.1.2 Fair value determination of non-financial physical assets

The fair values of non-financial physical assets are determined (in accordance with the fair value hierarchy) as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4.1.2.1 Non-financial physical assets

($ thousands)

		Fair value measurements [a]	
	2024	Level 2	Level 3
Non-current assets held for sale	8,983	8,983	-
Non-specialised land	30,427	30,427	-
Specialised land	2,446,268	-	2,446,268
Total land	**2,485,678**	**39,410**	**2,446,268**
Non-current assets held for sale	-	-	-
Non-specialised buildings	1,472	1,472	-
Specialised buildings	34,746	-	34,746
Total buildings	**36,218**	**1,472**	**34,746**
Leasehold improvements	491	-	491
Plant and equipment	13,558	-	13,558
Fleet vehicles	12,260	-	12,260
Infrastructure assets	9,312,315	-	9,312,315
VDP service concession asset	4,483,640	-	4,483,640
Total other	**13,822,264**	**-**	**13,822,264**
Total land, buildings, infrastructure, plant and equipment	**16,344,160**	**40,882**	**16,303,278**

($ thousands)

		Fair value measurements [a]	
	2023	Level 2	Level 3
Non-current assets held for sale	23,754	23,754	-
Non-specialised land	27,803	27,803	-
Specialised land	2,448,683	-	2,448,683
Total land	**2,500,240**	**51,557**	**2,448,683**
Non-current assets held for sale	-	-	-
Non-specialised buildings	1,803	1,803	-
Specialised buildings	35,903	-	35,903
Total buildings	**37,706**	**1,803**	**35,903**
Leasehold improvements	654	-	654
Plant and equipment [b]	14,950	-	14,950
Fleet vehicles	10,692	-	10,692
Infrastructure assets [b]	9,411,423	-	9,411,423
VDP service concession asset	4,573,658	-	4,573,658
Total other	**14,011,377**	**-**	**14,011,377**
Total land, buildings, infrastructure, plant and equipment	**16,549,323**	**53,360**	**16,495,963**

Note:
(a) Classified in accordance with the fair value determination of non-physical assets. For the current year there were no level 1 fair value measurements (2022-23: zero).

(b) Prior year (2022-23) carrying amounts have been restated to reclassify ($106.5 million closing carrying value) from capital works in progress to infrastructure ($105.9 million closing carrying value), plant and equipment ($0.4 million closing carrying value) intangible assets ($0.2 million closing carrying value Note 4.2) for projects that should have been completed (and transferred out of capital works in progress) in 2022-23. These delayed transfers also have associated backlog increased depreciation expenditure recognised in 2023-24 ($11.4 million) that has not been adjusted against the prior year as deemed not material.

Non-current assets held for sale

Non-current assets held for sale are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

These non-current assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Non-specialised land (other than held for sale) and buildings

Non-specialised land (other than held for sale) and buildings are valued using the market/direct comparison approach with key inputs used being sales evidence and unit of value by comparative basis. To the extent that non-specialised land and buildings do not contain significant, unobservable adjustments, the assets are classified as Level 2 under the market approach. Refer to disclosures below under specialised land and buildings for current year valuation results for total land and buildings.

Specialised land

The market approach is used for specialised land adjusted for the Community Service Obligation (CSO) to reflect the specialised nature of the land being valued. A CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that it is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land is classified as Level 3 assets.

2020-21 was the last formal valuation year under FRD 103. The valuation methodology to assess each property's land fair value in 2020-21 involved an assessment of the unrestricted land value based on the existing or assumed underlying zoning, taking account of the individual property attributes. Then an assessment of the restrictions on the land due to being held by the public sector was made to consider if a CSO was warranted. The level of the CSO will depend on the perceived level of restriction and the risk associated with the removal of the restrictions, if at all possible. The property attributes considered in assessing the unrestricted value include, but are not limited to zoning and overlay(s), underlying zoning, location, land area, access, shape of the site, services available or connected and the highest and best use of the land.

2023-24 was not a formal valuation year under FRD 103 as such an interim managerial valuation was conducted using Valuer-General Victoria (VGV) postcode indices (consistent with 2022-23). The valuation resulted in no material change in value for specialised and non-specialised land (2022-23: nil).

Note: Total net land valuation decrements of $4.8 million (2022-23: $13.9 million) at Note 4.1.1 are due to a reduction for CSO discounts applied to land purchased during the year based on VGV valuation, which is recorded in other expenses in the Income Statement.

The market that the assets (land and buildings) are valued in is being impacted by the uncertainty that rising interest rates and increased construction costs has caused. The current market environment creates significant valuation uncertainty. The value assessed at the valuation date may therefore change over a relatively short time period.

Specialised buildings

For the majority of the Corporation's specialised buildings, the current replacement cost method is used adjusting for the associated depreciation. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

2020-21 was the last formal valuation year under FRD 103. The valuation methodology in 2020-21 to assess the fair value of buildings was current replacement cost (CRC) for specialised buildings and a market approach for non-specialised buildings. The CRC approach for specialised buildings involved assessing the cost of replacement of the assets to a 'modern equivalent' standard then adjusting for an appropriate depreciation rate, on a useful life basis after making adjustments for condition and general maintenance. The market approach for non-specialised buildings (i.e. some of the residential buildings) was a Market Based Direct Comparison method whereby the subject properties are compared to recent comparable improved sales making adjustment for points of difference to establish the Fair Value.

2023-24 was not a formal valuation year under FRD103 and as such an interim managerial valuation was conducted using Valuer-General Victoria (VGV) indices (consistent with 2022-23). For 2023-24 the managerial valuation resulted in no material change in asset values for specialised and non-specialised buildings (2022-23: $3.6 million).

Leasehold improvements

For Leasehold improvements, fair value is determined using the current replacement cost method. As depreciation adjustments are considered as significant, unobservable inputs in nature, leasehold improvements are classified as Level 3 fair value measurements.

2020-21 was the last formal valuation year under FRD 103. For leasehold improvements fair value is assessed through a managerial valuation. For 2023-24 the managerial valuation resulted in no material change in asset values for leasehold improvements (2022-23: nil).

Plant and equipment

Plant and equipment is specialised in use, such that it is rarely sold; fair value is determined using the current replacement cost method. As depreciation adjustments are considered as significant, unobservable inputs in nature, plant and equipment are classified as Level 3 fair value measurements.

2020-21 was the last formal valuation year under FRD 103. For plant and equipment fair value is assessed through a managerial valuation. For 2023-24 the managerial valuation resulted in no material change in asset values for plant and equipment (2022-23: nil).

Fleet vehicles

Fleet vehicles are valued using appropriate market or other fair value indicators as determined by management. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers who set relevant depreciation rates during use to reflect the utilisation of the vehicles. As depreciation adjustments are considered as significant, unobservable inputs in nature, fleet vehicles are classified as Level 3 fair value measurements.

2020-21 was the last formal valuation year under FRD 103. For fleet vehicles fair value is assessed through a managerial valuation. For 2023-24 the managerial valuation resulted in no material change in asset values for fleet vehicles (2022-23: nil).

Infrastructure

The fair value of Infrastructure was assessed by an independent valuer in 2023-24 (consistent with 2022-23). The income approach was used for the fair value assessment by discounting reliable estimates of the Corporation's future cash flows (projected forecast and terminal value to their present value and arriving at an enterprise value range). Non-infrastructure assets and liabilities (including Service Concession Asset and Liability) are deducted from the enterprise value range to obtain the residual infrastructure value.

For 2023-24 the independent valuer used the exit Regulated Asset Base (RAB) multiple as the primary methodology for calculating terminal value (2022-23: exit RAB multiple). This approach aligns with current observed market participant practice. The exit RAB multiple approach calculates terminal value based on forecast RAB in the terminal year and an exit RAB multiple. Any tax amortisation benefit (TAB) available to subsequent market participants has been implicitly included through the selection of the terminal value exit multiple. A valuation cross check was performed to calculate the terminal value using the previous Gordon growth methodology, which confirmed that the terminal value is consistent with that calculated under the exit RAB multiple approach (sits within the range of selected terminal enterprise value).

In order to assess reasonableness of the enterprise valuation, cross checks are performed by comparing the earnings before interest, tax and depreciation/amortisation (EBITDA) and regulated asset value multiples implied by the value determined under the income approach against multiples implied by share prices at which comparable organisations are trading and recent transactions in comparable assets which have occurred. Such approaches are often referred to as market approaches or relative value approaches.

Melbourne Water's policy is to use a midpoint valuation in assessing the fair value.

For 2023-24 the valuation resulted in no material change in value (2022-23: nil).

The significant assumptions used in determining fair value under the income approach at 30 June 2024 are summarised below:

- Nominal after tax discount rate in the range of 5.1 % to 5.5 % (2022-23: 5.1% to 5.5%). The valuation was based on a mid point of 5.3% (2022-23: 5.3%). This represents the rate that market participants would expect to use in determining the fair market value of the Corporation after taking into account the market cost of debt and equity. The market that the assets are valued in is being impacted by the uncertainty that rising interest rates and increased construction costs have caused. The valuer has advised that the current market environment creates significant valuation uncertainty. The value assessed at the valuation date may therefore change over a relatively short time period. This uncertainty has been reflected in the discount rate.
- Operating expenditure and revenue growth applied post initial five year pricing period 3.0% (2022-23: 3.0%)
- Forecast RAB in terminal value year $29,561 million (2022-23: $27,269million)
- Terminal value exit RAB multiple range of 1.05x to 1.15x. The valuation was based on a mid point of 1.10x (2022-23: 1.05x to 1.15x and mid point of 1.10x)
- A 10 year explicit cash flow projection period, with cash flows beyond the projection period reflected in the terminal value (2022-23: 10 years)
- Assumptions used for cross checks:
  - Long term growth rate of 3.25% (2022-23: 3.25%) - representing inflation and volume growth
  - A Normalised terminal capex used for steady state $750.0 million (2022-23: $800.0 million).
- The infrastructure valuation considers anticipated climate change related physical and transition risks through forecast cash flows, growth and capital expenditure assumptions. Costs associated with climate related physical and transition risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation.
- Table 4.1.2.3 highlights sensitivity of the infrastructure fair value measurement to changes in significant unobservable inputs/ assumptions noted above.

VDP service concession asset

VDP service concession asset is valued using the current replacement cost method under AASB 13 (Fair Value), as required by AASB1059 and adjusted for the associated depreciation.

2020-21 was the last formal revaluation year under FRD 103. The approach used by the independent valuer in 2020-21 to derive fair value was the cost approach under AASB 1059. This involved estimating the current cost to purchase or replace the assets (replacement cost or RCN) using a combination of direct and indirect methods with comparison to benchmarking analysis across different Australian desalination plants. The direct method (used

for 45 per cent of the assets being the pipeline, building and civil infrastructure and pumps) involved researching the current cost to replace an asset with a new one of equivalent functionality. The indirect method (used for the remaining 55 per cent of the assets) involved applying Australian Bureau of Statistics (ABS) equipment specific inflation factors to historical costs. RCN was then depreciated using engineering lives to account for physical use and deterioration to arrive at a current replacement cost (CRC).

For 2023-24 (and 2022-23) the fair value of the VDP service concession asset was assessed by an independent valuer using the indirect CRC approach as a desktop valuation. This involved using the 2020-21 formal valuation as the base then applying ABS industry specific inflation factors to derive RCN. RCN was then depreciated using engineering lives to derive CRC. The valuation resulted in no material change in asset values (2022-23: $689.9 million increase).

The VDP service concession asset is classified as level 3 fair value measurement as it contains significant unobservable inputs and adjustments. Significant assumptions used in determining fair value include; costs per unit, engineering useful lives and industry specific inflation indices. Table 4.1.2.3 highlights sensitivity of fair value measurement to changes in these significant unobservable inputs/ assumptions.

The valuation is based on prevailing market, economic and other conditions as at the date of this report. Significant uncertainty continues to exist. To the extent possible these conditions have been reflected in the Valuation. However, any subsequent changes in these conditions on the global economy and financial markets generally, and the Corporation, could impact upon value in the future, either positively or negatively.

Financial reporting impacts of climate related matters (fair value measurement)

Climate change is a risk to the Corporation. Climate change risk includes the physical risk which can cause direct damage to assets or property as a result of changes in climate conditions as well as transition risks which arise from the transition to a low-carbon economy (i.e. policy changes, carbon tax, legal and reputational risks and shifts in market and technology).

The Corporation's non-current assets are exposed to the risk of damage from extreme weather events such as storms, high winds, floods and drought. Changes in global climate conditions could intensify one or more of these events. In addition, extreme weather events may also increase the cost of operations. Physical risks arising from fires, floods and drought are partially covered through insurance and also the regulatory funding mechanism. Physical risks from coastal inundation and erosion are also expected to be covered through the regulatory funding mechanism. However, should the frequency and severity of these events increase as a result of climate change, the cost of such coverage and risk of unfunded costs may increase.

Transition risks could impact the valuation of infrastructure assets where the costs significantly exceed funding through the regulatory pricing mechanism.

Refer to Note 4.1.2.2 for further details on the sensitivity of climate related physical and transition risks as significant unobservable inputs to the Infrastructure and VDP valuations.

4.1.2.2 Description of significant unobservable inputs to Level 3 valuations

Asset category	Valuation	Significant unobservable inputs	Range/weighted average		Sensitivity of fair value measurement to changes in significant unobservable inputs
2024 and 2023	2024 and 2023	2024 and 2023	2024	2023	2024 and 2023
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	20-70% (45% weighted average)"	20-70% (45% weighted average)"	A significant increase or decrease in the CSO adjustment would result in a significantly lower or higher fair value
Specialised buildings	Current replacement cost	Direct cost per square metre	$12-$10,000	$12-$10,000	A significant increase or decrease in direct cost per square metre would result in a significantly higher or lower fair value
		Useful life of specialised buildings	5-150 years (64 years weighted average)	5-150 years (64 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Leasehold improvements	Current replacement cost	Cost per unit	$500-$0.2M per unit	$500-$0.28M per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
		Useful life of plant and equipment	3-15 years (15 years weighted average)	3-15 years (15 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Plant and equipment	Current replacement cost	Cost per unit	$500-$1.5M per unit	$500-$2.0M per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
		Useful life of plant and equipment	3-50 years (10 years weighted average)	3-50 years (10 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Fleet vehicles	Current replacement cost	Cost per unit	$5,200-$0.2M per unit	$5,200-$56,900 per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
		Useful life of vehicles	1-25 years (6 years weighted average)	1-15 years (7 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Infrastructure assets	Income approach	Exit RAB multiple	1.05x to 1.15x (1.10x midpoint)	1.05x to 1.15x (1.10x midpoint)	If the exit RAB multiple had changed by +/-0.050x from the year end valuation, the impact to the valuation would have been a decrease of $905.1 million and increase by $905.1 million (2022-23: decrease of $835.0 million and increase by $835.0 million).
		Weighted average cost of capital (WACC)	5.1%-5.5%	5.1%-5.5%	If the WACC had changed by +/-.25% from the year end valuation, the impact to the valuation would have been a decrease of $295.5 million (2022-23: $415.9 million) and increase by $455.0 million (2022-23: $284.7 million)
		Useful life	2-245 years (82 years weighted average)	2-245 years (83 years weighted average)"	A significant increase or decrease in estimated useful life of the asset would result in a higher or lower fair value

4.1.2.2 Description of significant unobservable inputs to Level 3 valuations (continued)

Asset category	Valuation	Significant unobservable inputs	Range/weighted average		Sensitivity of fair value measurement to changes in significant unobservable inputs
2024 and 2023	2024 and 2023	2024 and 2023	2024	2023	2024 and 2023
Infrastructure assets	Income approach	Physical risk resulting in unrecoverable financial loss due to one-off climate change adverse weather events (i.e. bushfire, flood, drought etc.)	Costs associated with physical climate risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation. We have considered the example of a pre-tax unrecoverable financial loss (after insurance recovery) of $13.5 million - $27.0 million ($20.3 million mid-point) per one-off climate change event (based on actual average costs of historical bushfire and flood events over an average five year period). We have assumed a possible frequency of one-off climate change events between every 3 to 7 years (5 years mid-point) beyond the terminal year.	Costs associated with physical climate risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation. We have considered the example of a pre-tax unrecoverable financial loss (after insurance recovery) of $12.5 million - $25.0 million ($18.8 million mid-point) per one-off climate change event (based on actual average costs of historical bushfire and flood events over an average five year period). We have assumed a possible frequency of one-off climate change events between every 3 to 7 years (5 years mid-point) beyond the terminal year.	Occurrence of unrecoverable financial loss due to one off climate change events every 5 years (beyond the terminal year) at a cost of $20.3 million per event could reduce the valuation by $77.2 million or 0.75% (2022-23: $18.8 million per event could reduce the valuation by $71.5 million or 0.5%). Note: this is indicative only and limited due to uncertainty with estimation of the financial impact of physical climate risks.
		Transition risks arising from transition to low-carbon economy (i.e. policy changes, carbon tax, legal and reputational risks and shifts in market and technology).	Costs associated with climate change transition risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation. We have considered the example of price and volume risk associated with purchase and surrender of carbon offsets (associated with meeting our emmissions reduction targets), that could occur within a regulatory cycle and could be partially unfunded. We have considered a range of increase in volume and/or price of 25-50% partially unfunded within each regulatory cycle.	Costs associated with climate change transition risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation. We have considered the example of price and volume risk associated with purchase and surrender of carbon offsets (associated with meeting our emmissions reduction targets), that could occur within a regulatory cycle and could be partially unfunded. We have considered a range of increase in volume and/or price of 25-50% partially unfunded within each regulatory cycle.	An increase in partially unfunded costs associated with fluctuations in carbon price and/or volumes by 25-50% could reduce the valuation by 0.02% or $2.6 million (2022-23: 0.02% or $2.5 million) to 0.9% or $129.9 million (2022-23: 0.9% or $118.2 million).

4.1.2.2 Description of significant unobservable inputs to Level 3 valuations (continued)

Asset category	Valuation	Significant unobservable inputs	Range/weighted average		Sensitivity of fair value measurement to changes in significant unobservable inputs
2024 and 2023	2024 and 2023	2024 and 2023	2024	2023	2024 and 2023
VDP service concession asset	Current replacement cost	Cost per unit	Buildings $ per sqm: 12,948 - 20,199 (19,034 weighted average) Pipeline $ per m: 12,991 - 18,187 (15,353 weighted average) Pumps $ per kW: 565 - 1,615 (1,131 weighted average) Transformers $ per MVA: |64,209 - 136,979 (107,015 weighted average) Tanks $ per KL: 630 - 1,465 (989 weighted average)	Buildings $ per sqm: 11,155 - 17,402 (16,398 weighted average) Pipeline $ per m: 12,532 - 17,545 (14,811 weighted average) Pumps $ per kW: 498 - 1,423 (996 weighted average) Transformers $ per MVA: 56,8690 - 121,320 (94,781 weighted average) Pipeline $ per KL: 591 - 1,375 (928 weighted average)	A significant increase or decrease in unit costs would result in a significantly higher or lower fair value
		Engineering useful life for valuation	9 - 100 years (66 years weighted average)	9 - 100 years (66 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
		Industry specific ABS inflation indices	18%-90% (weighted 8.3% change)	12%-67% (weighted 8.2% change)	A significant increase or decrease in estimated inflation factors would result in a higher or lower fair value
		Physical risk resulting in reduced asset lives on VDP assets expected to be exposed to physical climate risks (i.e. sea level rise and coastal erosion, changes to seawater composition and extreme weather events) beyond the initial service concession period (as associated maintenance/ repair costs are expected to be funded by the service provider under the existing contractual arrangements to this date).	Costs associated with physical climate risks are uncertain. We have considered the key physical risks and assumed a reduction in the expected remaining useful life of 5%, 10% and 15% (beyond the September 2039 concession period), of the key component assets likely to be exposed to physical risk. These components include; intake and outtake structures, pre-treatment/filtration equipment/reverse osmosis membranes and electrical assets.	Costs associated with physical climate risks are uncertain. We have considered the key physical risks and assumed a reduction in the expected remaining useful life of 5%, 10% and 15% (beyond the September 2039 concession period), of the key component assets likely to be exposed to physical risk. These components include; intake and outtake structures, pre-treatment/filtration equipment/reverse osmosis membranes and electrical assets.	A reduction in expected normal useful live of component assets expected to be exposed to physical risks of 5-15% would reduce the fair value of the VDP assets by less than 1% (2022-23: less than 1%).

4.1.2.3 Reconciliation of Level 3 fair value

($ thousands)

	Specialised land	Specialised buildings	Leasehold improvements	Plant and equipment	Fleet vehicles	Infrastructure	VDP service concession asset
Opening balance 1 July 2022	2,418,480	33,491	818	17,673	12,765	9,220,212	3,962,058
Purchased additions	-	-	-	-	290	-	-
Developer contributed assets	-	-	-	-	-	10,241	-
Disposals and write-offs	(1,227)	-	-	(75)	(492)	(39,262)	-
Depreciation and amortisation	-	(1,095)	(164)	(5,775)	(1,871)	(356,864)	(78,312)
Transfers between classes	-	91	-	(16)	-	(176)	-
Transfers in/(out) of Level 3	(1)	-	-	-	-	-	-
Revaluation increments	-	3,392	-	-	-	-	689,912
Revaluation decrements	(13,939)	-	-	-	-	-	-
Capital Contributions	-	-	-	-	-	116,140	-
Capitalisation of works in progress [a]	45,368	24	-	3,143	-	461,132	-
At 30 June 2023	**2,448,681**	**35,903**	**654**	**14,950**	**10,692**	**9,411,423**	**4,573,658**
Opening balance 1 July 2023	2,448,681	35,903	654	14,950	10,692	9,411,423	4,573,658
Purchased additions	-	-	-	-	4,173	-	-
Developer contributed assets	-	-	-	-	-	15,512	-
Disposals and write-offs	(5,371)	-	-	(14)	(827)	(32,099)	-
Depreciation and amortisation	-	(1,157)	(163)	(7,360)	(1,778)	(366,051)	(90,018)
Transfers between classes	-	-	-	-	-	-	-
Transfers in/(out) of Level 3	755	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-
Revaluation decrements	(4,813)	-	-	-	-	-	-
Capital Contributions	-	-	-	-	-	-	-
Capitalisation of works in progress	7,016	-	-	5,982	-	283,530	-
At 30 June 2024	**2,446,268**	**34,746**	**491**	**13,558**	**12,260**	**9,312,315**	**4,483,640**

(a) Prior year (2022-23) carrying amounts have been restated to reclassify ($106.5 million closing carrying value) from capital works in progress to infrastructure ($105.9 million closing carrying value), plant and equipment ($0.4 million closing carrying value) intangible assets ($0.2 million closing carrying value Note 4.2) for projects that should have been completed (and transferred out of capital works in progress) in 2022-23.

4.1.3 Depreciation, amortisation and impairment

($ thousands)

	Notes	2024	2023
Depreciation			
Buildings	4.1.1	1,488	1,393
Leasehold improvements	4.1.1	164	164
Plant and equipment	4.1.1	7,360	5,775
Fleet vehicles	4.1.1	1,777	1,871
Infrastructure assets	4.1.1	366,051	356,864
VDP service concession asset	4.1.1	90,018	78,312
Right of use assets	4.4	7,887	7,914
Total depreciation		**474,745**	**452,293**
Amortisation			
Intangible assets	4.2	13,149	17,227
Total amortisation		**13,149**	**17,227**
Total depreciation and amortisation		**487,894**	**469,520**

Depreciation and amortisation

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

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed annually, and adjusted if appropriate, at the end of each reporting period.

Depreciation does not cease when an asset becomes idle or is retired from active use, unless the asset is fully depreciated. However, when an asset is retired permanently, depreciation ceases and the asset is derecognised.

The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset.

Physical, economic and environmental factors are taken into consideration in assessing the useful lives of the assets, including but not limited to asset condition and obsolescence, technology changes, capital planning and renewals, and climate-related risks.

VDP service concession assets are depreciated based on guaranteed lives per the Project Deed arrangements, which incorporate the impact of the ongoing Project Deed lifecycle cost payments accounted for as expenditure. Guaranteed lives are used because lifecycle costs cover repairs and maintenance and also asset replacements with shorter lives than the Project Deed. Parts of VDP that have a cost that is significant in relation to the total cost of VDP are depreciated separately.

Land is not depreciated. Impacts resulting from changes in depreciation rates have been incorporated in the current year's results and have not been separately disclosed as the overall amount was not material.

Major depreciation and amortisation periods used are listed below:

Buildings	5 to 150 years (2022-23: 5 to 150 years)
Leasehold improvements	3 to 15 years (2022-23: 3 to 15 years)
Plant and equipment	3 to 50 years (2022-23: 3 to 50 years)
Infrastructure assets	2 to 245 years (2022-23: 2 to 245 years)
Fleet vehicles	1 to 25 years (2022-23: 1 to 15 years)
Intangible assets	2 to 25 years (2022-23: 2 to 25 years)
VDP service concession asset	9 to 100 years (2022-23: 9 to 100 years)
Right of use assets	3 to 8 years (2022-23: 3 to 8 years)

During the period, there were no material changes made to the useful lives of property, plant and equipment (2022-23: nil).

Indefinite life assets

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

Impairment

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- Inventories
- Non-current assets held for sale (refer to Note 4.1.2.1 and Note 4.3)

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 to the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that asset.

The recoverable value estimates used in the impairment of assets analysis consider forecast cash flows, growth and terminal capital expenditure assumptions. The recoverable value estimates demonstrate that assets are not impaired. While scenario planning is used to explore and help prepare for a wide range of potential future conditions (including the impacts of climate change and changes in macroeconomic conditions), there is a risk that the assumptions made based on what is currently known may not reflect the actual impact of emerging risks in the future.

It is deemed that, in the event of the loss or destruction 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. The recoverable amounts for most assets are measured at the higher of the present value of future cash flows expected to be obtained from the asset or fair value less costs to sell.

4.2 Intangible assets

($ thousands)

	2024	2023
Intangible assets [f]	185,468	188,211
Less: accumulated amortisation and impairment	(153,949)	(148,669)
Total intangible assets	**31,519**	**39,542**

Reconciliation of movements in intangible assets

($ thousands)

	Total	RECs[c]	IT[d]
Carrying amount at 1 July 2023 [a]	39,542	3,728	35,814
Additions	7,785	7,785	-
Disposals	(7,885)	(7,885)	-
Amortisation	(13,149)	-	(13,149)
Transfers between classes [b]	-	-	-
Impairment [e]	-	-	-
Capital expenditure	5,225	-	5,225
Carrying amount at 30 June 2024	**31,518**	**3,628**	**27,890**
Carrying amount at 1 July 2022	49,087	2,932	46,155
Additions	13,390	13,390	-
Disposals	(12,667)	(12,594)	(73)
Amortisation	(17,227)	-	(17,227)
Transfers between classes [b]	101	-	101
Impairment [e]	-	-	-
Capital expenditure [f]	6,858	-	6,858
Carrying amount at 30 June 2023 [a]	**39,542**	**3,728**	**35,814**

Note:
(a) 2022-23 Native Vegetation Offsets (NVO's) have been re-clasified from contingent assets ($11.2 million based on market value) to intangible assets (zero value based on historical cost).
(b) Includes transfers to physical assets, refer to Note 4.1.1.
(c) Renewable Energy Certificates (RECs).
(d) Information Technology
(e) There was no impairment recognised this year in the income statement (2022-23: zero)
(f) Prior year (2022-23) carrying amounts have been restated (by $0.2 million closing carrying value) to include transfers from capital works in progress (Note 4.1.1) for projects that should have been completed in 2022-23 and transferred to intangible assets (IT).

Intangible assets consist primarily of information technology software, RECs and NVO's. They represent identifiable non-monetary assets without physical substance. Intangible assets are measured at cost less accumulated amortisation (RECs and NVO's are not amortised) and impairment. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

The Corporation amortises intangible assets with a limited useful life using the straight line method over the estimated useful lives (excluding RECs and NVO's). Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The useful life and amortisation method is reviewed at the end of each annual reporting period. RECs and NVO's have an indefinite life and are not amortised.

An assessment is made at the end of each reporting period to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Software costs

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Software as-a-Service (SaaS) arrangements are service contracts providing the Corporation with the right to access the cloud provider's application software over the contract period. As such the Corporation does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as administrative expenses (Note 3.4) over the term of the service contract	• Fee for use of application software • Customisation costs
Recognise as administrative expenses (Note 3.4) as the service is received	• Configuration costs • Data conversion and migration costs • Testing costs • Training costs

The Corporation made the following key judgements that may have the most significant effect on the amounts recognised in the financial statements.

Determination whether configuration and customisation services are distinct from the SaaS access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term (via prepayments).

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not. During the financial year, the Corporation did not recognise any prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term (2022-23: zero).

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Corporation may develop software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Corporation did not recognise any intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements (2022-23: zero).

4.3 Non-current assets held for sale

($ thousands)

	2024	2023
Land	8,983	23,754
Buildings	-	-
Total non-current assets held for sale	**8,983**	**23,754**

The Corporation currently holds land for sale mainly as part of the Riverwalk Estate (Werribee) development. As at 30 June 2024, the Corporation has a joint arrangement with Development Victoria to actively market Riverwalk Estate lots for private sale.

Riverwalk, located in Werribee, an outer western suburb of Melbourne, is a 197 hectare site and was previously part of the Western Treatment Plant. The Corporation has entered into a Partnering Deed with Development Victoria to develop the land with an estimated 2,260 homes at the completion of the project.

The Corporation has accounted for all assets, liabilities, revenues and expenses relating to its interest in the joint operation in accordance with the *AASB 11 Joint arrangements*.

Refer to Note 4.1.2 for further details on fair value measurement of non-current assets held for sale.

4.4 Right-of-use assets and leases

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

(i) Amounts recognised in the Statement of Financial Position

($ thousands)

The Statement of Financial Position shows the following amounts relating to leases:	2024	2023
Right-of-use assets		
Buildings	23,106	30,793
Equipment	73	146
Other	261	389
Total right-of-use assets	**23,440**	**31,328**
Lease liabilities		
Current	8,613	8,112
Non-current	19,369	27,981
Total lease liabilities (included within interest bearing liabilities see Note 5.1)	**27,982**	**36,093**

During the 2023-24 financial year there were no additions (2022-23: $1.4 million) to the right-of-use assets or lease liabitlities.

(ii) Amounts recognised in the Statement of Profit or Loss

The Statement of Profit or Loss shows the following amounts relating to leases:	($ thousands) 2024	2023
Depreciation charge of right-of-use assets		
Buildings	7,687	7,722
Equipment	73	89
Other	127	103
Total	**7,887**	**7,914**
Administrative expenses		
Expense relating to short-term leases	-	255
Expense relating to leases of low-value assets that are not short-term leases	2	-
Expense relating to variable lease payments not included in lease liabilities	371	2,346
Total	**373**	**2,601**
Finance expenses		
Buildings	613	842
Equipment	4	4
Other	12	14
Total	**629**	**860**

The total cash outflow for leases in 2023-24 was $8.7 million (2022-23: $8.4 million).

(iii) The Corporation's leasing activities and how these are accounted for:

The Corporation leases buildings, minor equipment and various network connection assets.

Rental contracts are typically made for fixed periods of 3 to 15 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.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Corporation.

Initial recognition

Assets and liabilities arising from a lease are initially measured on a present value basis. 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 the profit and loss 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 Corporation's incremental borrowing rate. Treasury Corporation of Victoria (TCV)/Department of Treasury's (DTF) calculator is used to determine the incremental borrowing rate.

Right-of-use assets include the following components:

- 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.

The Corporation is exposed to future cash outflows that are not reflected in the measurement of lease liabilities. This includes:

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

4.4 Right-of-use assets and leases (continued)

(iii) The Corporation's leasing activities and how these are accounted for (continued):

Subsequent re-measurements

Right of use assets are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with reference to market rental yields, impairment losses and any re-measurements of the lease liability. A managerial fair value assessment was performed with reference to market rental yields and concluded that no revaluation adjustments were required for 30 June 2024 (2022-23: no revaluation adjustments).

Depreciation

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Extension and termination options

Extension and termination options may be included in the leases. 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 Corporation and not by the respective lessor.

Residual value guarantees

The Corporation is not exposed to any lease residual value guarantees.

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 and prior year, there were no changes in circumstances to impact the assessment of exercising extension and termination options.

Operating lease receivable

Operating leases receivable primarily relate to land owned by the Corporation. All operating lease contracts contain market review clauses. The lessee does not have an option to purchase the land at the expiry of the lease period.

Commitments for minimum lease receipts in relation to non-cancellable operating leases are as follows:

	($ thousands)	
	2024	2023
Within 1 year	2,993	3,532
Later than 1 year but not later than 5 years	4,664	4,846
Later than 5 years	2,812	1,805
Total operating lease receivable	**10,469**	**10,183**

Financing Our Operations

Introduction

The Corporation's operations are financed through a variety of means. Recurrent operations are generally financed from cash flows from operating activities (see Statement of Cash Flows). Asset investment operations are generally financed from a combination of surplus cash flows from operating activities, asset sales and borrowings.

This section provides information on the balances related to the financing of the Corporation's operations, including financial commitments (inclusive of lessor receivables) at year-end.

5.1 Interest bearing liabilities

($ thousands)

	2024	2023
Current interest bearing liabilities		
VDP service concession liability	59,914	48,287
Lease liabilities	8,613	8,112
Borrowings [(a)]	325,000	134,000
Total current interest bearing liabilities	**393,527**	**190,399**
Non-current interest bearing liabilities		
VDP service concession liability	3,404,823	3,464,736
Lease liabilities	19,369	27,981
Borrowings [(a)]	4,402,249	4,300,931
Total non-current interest bearing liabilities	**7,826,441**	**7,793,648**
Total interest bearing liabilities	**8,219,968**	**7,984,047**

Note:
(a) In 2022-23 $448.7 million of current borrowings have been re-classified to non-current borrowings as per accounting policy change. Refer to Note 7.9.

Interest bearing liabilities come from borrowings raised through the Treasury Corporation of Victoria (TCV), along with VDP service concession liability and leases. They are classified as financial instruments. All interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities are subsequently measured at amortised cost using the constant interest rate method, with interest expense recognised on an effective yield basis.

Financial liabilities for the VDP service concession liability were initially measured at the fair value of the service concession asset. Any modifications to the debt repayments are considered with reference to the guidance within AASB 9.

Where the Corporation has the right to defer settlement of the liability for at least twelve months after the reporting period, interest bearing liabilities are classified as non-current liabilities. Otherwise interest bearing liabilities are classified as current liabilities.

The Corporation 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 TCV pursuant to section 8 of the Borrowings and Investment Powers Act 1987. Short term borrowings are classified as current borrowings at floating interest rate.

Financial reporting impacts of climate related matters

Under the Greener Government Buildings Program, the Corporation entered into two Credit Foncier loans with TCV on the 28 September 2022 totalling $78.4M (balance as at 30 June 2024: $62.3M included within borrowings). The purpose of these loans are to fund the below climate related projects:

- To implement the Eastern Treatment Plant and Winneke Water Treatment Plant Large Scale Solar projects, which are designed to reduce Scope 2 greenhouse gas emissions associated with the plants' energy consumption and operating costs associated with purchasing electricity for water treatment at the facilities operated by Corporation; and
- Installation of Mini Hydroelectric Power Stations at St Albans and Upper Yarra Reservoirs have been commissioned and O'Shannassy will be commissioned in late 2025

The purpose of these loans are to fund the construction of the above climate related projects with cost savings from purchasing electricity to repay the loans over 8 years.

5.1 Interest bearing liabilities (continued)

5.1.1 Breakdown of finance costs

($ thousands)

	2024	2023
Interest expense	134,824	118,979
VDP service concession liability	394,660	398,937
Lease liabilities	629	755
Financial Accommodation Levy	33,984	32,035
Total	**564,097**	**550,706**

Finance costs include interest on short-term and long-term borrowings, finance charges associated with the VDP service concession liability, interest on leases, the Victorian Government's Financial Accommodation Levy. An assessment has been performed and significant financing component on contracts with customers has been determined to be immaterial to recognise (2022-23: zero).

Financial accommodation levy is a levy applied to the Corporation to remove the market advantage that government entities may experience in borrowings as a result of being guaranteed by the State of Victoria. The financial accommodation levy is a commercial rate charged for new borrowings based on the Corporation's underlying credit rating and is paid into the State's Consolidated Fund in accordance with section 40N of the *Financial Management Act 1994* in respect of financial accommodation provided to the Corporation by the State Government of Victoria.

5.2 Cash flow information and balances

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of 3 months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Deposits held and advances received are categorised as financial liabilities at amortised cost.

Reconciliation of net profit to net cash flows from operating activities

($ thousands)

	2024	2023
Profit for the period after tax	149,709	119,069
Plus/(less) non cash items:		
Depreciation and amortisation	487,894	469,520
Net gain on revaluation of non-financial assets	-	(877)
Net gain on sale of non-current assets (including RECs)	(14,715)	(20,042)
Assets written off/written down and asset transfers to Council	40,439	45,272
Developer contributed assets received	(15,512)	(10,241)
Defined benefit superannuation plan expense/(revenue)	(340)	115
RECs received	(7,785)	(13,390)
Changes in operating assets and liabilities (net of investing items):		
(Increase)/Decrease in trade and other receivables and contract assets	(13,092)	(18,081)
(Increase)/Decrease in other assets	(6,589)	325
Increase/(Decrease) in trade and other payables and contract liabilities	38,099	26,810
Increase/(Decrease) in other provisions and employee benefits provisions	(5,485)	8,529
(Decrease)/Increase in current tax liability	30,729	(5,965)
(Decrease)/Increase in deferred tax liabilities	(2,005)	(20,542)
Net cash provided by operating activities	**681,347**	**580,502**

5.3 Commitments

Commitments for future expenditure include capital, operating and financing commitments arising from contracts.

These commitments are not recognised in the financial statements, but are disclosed at their nominal value and inclusive of the GST payable, except for finance lease liabilities which are disclosed at present value.

	($ thousands)	
	2024	**2023**
Capital expenditure commitments		
Total capital expenditure contracted for the construction of water, sewerage and waterways and drainage infrastructure:		
Less than 1 year	481,606	591,715
1 year but less than 5 years	495,083	313,495
5 years or more	15,457	471
Total capital expenditure commitments	**992,146**	**905,681**

Other operating commitments

Other operating commitments relate to operating contracts including energy, IT, research and development (excluding leases). Refer to Note 5.4 for other operating commitments relating to the VDP service concession arrangement.
Total other operating expenditure contracted for at balance date are as follows:

Less than 1 year	38,885	34,224
1 year but less than 5 years	73,362	70,565
Later than 5 years	23,067	40,154
Total other operating commitments	**135,314**	**144,943**

5.4 VDP service concession arrangement

Victorian Desalination Project Arrangement

The State of Victoria entered into a 30-year Public Private Partnership (PPP) arrangement with the AquaSure consortium (AquaSure) on 30 July 2009. The Victorian Desalination Project was initiated to design, build, finance and operate a desalination plant, transfer pipeline and 220 kV underground power cable capable of supplying 150GL of water per annum into the Melbourne network. Construction of the Victorian Desalination Project began in 2009 and the lease term commenced in 2012 upon successful commissioning. AquaSure is required to transfer the project assets to the State at the end of the project term for no additional payment by the State. The desalination plant assets will transfer from the State to the Corporation at the end of the project contract term (presently planned for 2039).

Under the arrangement, the state has an obligation to make Water Security Payments (WSPs) to the consortium provided the plant is maintained to the appropriate standard. The WSPs have two components: capital payments for the project assets and other expenses for operating, maintenance and lifecycle costs. The state will also make Water Usage Payments (WUPs) for any water that is ordered and delivered to the required standard. Water can be ordered annually for flexible amounts from 0GL to 150GL (in set increments). The arrangement also requires a minimum number of Renewable Energy Certificates (RECs) to be purchased to offset the electricity used by the plant. The number of RECs that are consumed will vary based on the volume of water produced by the plant. The number of banked RECs that remain at the end of the supply period are controlled by the State and not recognised by the Corporation.

An arrangement was entered into by the State and the Corporation, where a Statement of Obligations (SoO) was issued to the Corporation under section 4I of the Water Industry Act 1994 that required the Corporation to pay all monies as required by the State under the project deed with AquaSure. This includes payment of the WSPs and WUP in accordance with the Project Deed. The Corporation makes these payments to DEECA who are managing the contract with AquaSure on behalf of the State.

The Corporation also entered into a Victorian Desalination Project 'Water Interface Agreement' (WIA) and a Supplementary Water Interface Agreement with the State to record the terms of the interface and financial arrangements between the Project and the Corporation.

Service Concession Assessment and Policy

The State (in conjunction with the Corporation) has assessed the agreements between AquaSure, DEECA (on behalf of the State) and the Corporation, and concluded that the agreements are connected and should form one single commercial arrangement. Under the combined arrangement, the Corporation is considered the ultimate grantor under AASB 1059 (Service Concession Arrangements), and AquaSure the private sector operator that provides public services on behalf of the Corporation. Accordingly the Corporation applies AASB 1059 to the VDP arrangement. Service concession assets are recognised under Property plant and equipment in section 4.1 and related liabilities are disclosed under Interest bearing liabilities under section 5.1 respectively.

Changes in arrangement occurring in the current year

As at 30 June 2024 AquaSure had produced zero GL for the 2023-24 supply period (4.1GL for the 2022-23 supply period).

On 1 April 2024 the Minister for Water announced the 2024-25 Supply Notice (order) with a Required Annual Water Volume for 0 GL in 2024-25 and non-binding forecasts of 50 GL for 2025-26 and 75 GL for 2026-27 (2023-24 non-binding forecast: 50GL for 2024-25 and 75GL for 2025-26).

VDP service concession arrangement liability

As per information provided by DEECA (in accordance with the WIA), the Corporation has recognised the following service concession liability:

($ thousands)

	Minimum future payments (exc GST)		Present value of minimum future payments (exc GST)	
	2024	2023	2024	2023
VDP service concession arrangement liability				
Less than 1 year	448,784	442,947	59,914	48,287
1 year but less than 5 years	1,880,218	1,839,220	414,174	332,483
Later than 5 years	5,051,528	5,541,310	2,990,648	3,132,253
Minimum future liability payments	**7,380,530**	**7,823,477**	**3,464,736**	**3,513,023**
Less: Future finance charges	(3,915,794)	(4,310,454)	-	-
Total liability	**3,464,736**	**3,513,023**	**3,464,736**	**3,513,023**
Representing liability:				
Current (refer to Note 5.1) [a]			59,914	48,287
Non-current (refer to Note 5.1) [a]			3,404,823	3,464,736
Total liability			**3,464,737**	**3,513,023**

Note:
(a) The present value of the minimum future payments have been discounted to 30 June of the respective financial years using the weighted average interest rate of 11.28% (2022-23: 11.28%). These payments exclude finance charges.

VDP service concession arrangement – other commitments payable

Under the PPP arrangement that the state entered into with AquaSure, the State is required to make base water security payments, provided the plant is maintained to the appropriate standard. These payments are for costs related to the VDP's operation, maintenance and lifecycle costs. The nominal amounts for the other commitments below represent the charges payable under the agreement at the end of the reporting period for these costs.

The other commitments payable are disclosed based on information provided by DEECA (in accordance with the WIA):

($ thousands)

	2024	2023
Less than 1 year	170,726	170,496
1 year but less than 5 years	770,554	712,291
Later than 5 years	2,574,145	2,760,115
Total other commitments (inclusive of GST) [a]	**3,515,425**	**3,642,902**
Less GST recoverable from the Australian Taxation Office	(319,584)	(331,173)
Total other commitments (exclusive of GST)	**3,195,841**	**3,311,729**
Present value of other commitments [b]	**1,517,749**	**1,504,041**

Note:
(a) The 'Other commitments' are updated to reflect indexation factors, such as Consumer Price Index, Producer Price Index, Chemical Index and Average Weekly Earnings Index. Commitments are updated for the change in actual amounts paid, and forecast percentage increases are based on the original forecasted indices and applied to the adjusted actual payments. This methodology has been applied to reduce volatility in the forecast 'Other commitments'.

(b) The present value of the 'Other commitments' has been discounted to 30 June of the respective financial years. The basis for discounting has been to take each 12 month period of cash flows and discount these cash flows at the end of the period using the annual discount rate. The discount rate used to calculate the present value of the commitment is 9.99% (2022-23: 9.99%) which is the nominal pre-tax discount rate representative of the overall risk of the project at inception.

(c) Net costs associated with the zero water order for the 2023-24 financial year have been reflected in commitments for 2022-23. The announcement of the zero water order for 2024-25 is a binding commitment and has been included in 2023-24. The announcement of the 50GL and 75GL water order for 2025-26 and 2026-27 are non-binding commitments and have not been included.

Risks, contingencies and valuation judgements

Introduction

The Corporation is exposed to financial risks from both its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section presents information on financial instruments, contingent assets and liabilities, and fair value determinations regarding the Corporation's financial assets and liabilities.

6.1 Financial instruments

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 the Corporation's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes). Such assets and liabilities do not meet the definition of financial instruments.

The Corporation's principal financial instruments are contractual in nature and comprise:

- Cash and cash equivalents
- Trade debtors and other receivables (including cashflow hedge)
- Payables (including trade creditors, interest payable, accruals and other payables)
- VDP service concession liability
- Lease liabilities
- Borrowings (including short term, floating rate notes and fixed interest)

The Corporation's policy on financial instruments is noted below.

Classification and measurement of financial instruments

Receivables and cash are financial instruments with fixed and determinable payments that are not quoted on an active market. Financial assets are initially measured at fair value minus any direct transaction costs. Subsequent to initial measurement, receivables are measured at amortised cost as the objective is to collect the contractual cash flows.

The following assets are held with the objective to collect the contractual cash flows:

- Cash and cash equivalents
- Trade debtors and other receivables

Financial liabilities are initially recognised at fair value. These financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss, over the period of the interest bearing liability using the effective interest rate method.

The Corporation recognises the following liabilities:

- Trade creditors, accruals and interest payable
- VDP service concession liability
- Lease liabilities
- Other payables
- Borrowings (including short term, floating rate notes and fixed interest)

Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the comprehensive operating statement.

Impairment of financial assets

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. On this basis, an assessment undertaken by management has identified that historical debt write-offs and future expected losses are immaterial. As such, there is no allowance for expected credit losses as at 30 June 2024 (2022-23: Nil).

Categories of financial instruments

($ thousands)

	2024	2023
Financial assets at amortised cost		
Cash and cash equivalents	508	1,433
Trade debtors	53,641	48,439
Other receivables	59,819	50,587
Total financial assets at amortised cost	**113,968**	**100,459**
Financial liabilities at amortised cost		
Payables	554,217	471,819
VDP service concession liability	3,464,737	3,513,023
Lease liabilities	27,982	36,093
Short term borrowings	325,000	134,000
Floating rate notes	135,000	135,000
Fixed interest	4,267,249	4,165,931
Total financial liabilities at amortised cost	**8,774,185**	**8,455,866**

Financial risk management

The objectives of the Corporation's Treasury Management Policy are to:

- Manage the Corporation's cost of borrowings through effective control and management of interest rate risk
- Manage the Corporation's cost of borrowings in line with the revenue provided in the applicable Pricing Determination to cover the cost of debt
- Manage working capital requirements by ensuring sufficient cash resources and funds are available to meet daily and long-term liquidity needs within approved parameters, while utilising excess cash to reduce debt balances
- Ensure that adequate financial accommodation facilities are in place to meet the short and long-term liquidity needs
- Ensure that all financial and operational risk exposures are identified and managed
- Ensure adequate internal controls, roles and responsibilities
- Maintain an indicative investment grade corporate credit rating and credit metrics.

These objectives are consistent with the Corporate Risk Management Policy and Framework of the Corporation, the Corporation's Financial Strength Goals, Standing Directions issued by the Assistant Treasurer and the Victorian Public Sector Debt Management Objectives.

The Corporation's Treasury Management Policy manages financial risk by:

- Managing the financial risks arising from the regulatory price determination process, specifically the mismatch between the regulator's revenue allowance for debt costs and actual debt costs throughout the regulatory period
- Actively managing liquidity and funding risk

The following are the key measures used to manage financial risk:

Portfolio composition (i.e. fixed and floating) – During the 2023-24 financial year, the Corporation reviewed its Treasury Management Policy and have made no changes from the prior year bands by which it manages its debt portfolio:

Floating interest rate borrowings	0-30%
Fixed interest rate borrowings	70-100%

Physical maturity profile – Debt maturity of fixed and floating rate notes is not to exceed 15% of the total debt portfolio in any financial year.

Interest rate risk profile – Forward Rate Agreements are used to mitigate the risk from adverse interest rate increases where the actual interest rates paid to finance debt are at risk of being higher than the debt allowance received in revenue to finance debt. The Corporation's goal is to align the actual interest rate risk profile to the profile used by the Essential Services Commission (ESC) in setting our revenue.

Aligning the interest rate re-pricing profile of the debt portfolio with the annual regulatory weighted average cost of capital (WACC) re-set based on the 10-year trailing average approach used by the ESC to determine revenue aims to reduce the regulatory interest rate mismatch risk. The Corporation also aims to align the modified duration of its debt portfolio in line with the regulatory benchmark portfolio.

Financing arrangements – The capacity to borrow funds and manage the associated risks is subject to the provisions of the *Borrowing and Investment Powers Act 1987*. In accordance with this Act, the Treasurer of Victoria issues an annual approval, permitting new borrowings and the refinancing of all loan maturities for that year and non-maturing loans upon request. All funding is sourced from the Treasury Corporation of Victoria (TCV).

The Corporation's total approved maximum borrowing limit for 2023-24 of $5,275.8 million (2022-23: $4,827.3 million) was not exceeded at any stage throughout the financial year.

Capital management – The Corporation manages its finances in order to maintain a stable and appropriate capital structure given the financial risk profile and the regulated nature of its business. The Corporation's aim is to maintain credit metrics consistent with an investment grade long-term corporate credit rating.

The Corporation has the following externally imposed limits in relation to capital management:

- Financial Accommodation cannot exceed the approval limits set by the Treasurer of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*
- The Corporation, with the exception of working capital accounts is required to borrow and invest exclusively with TCV.

The Corporation's gearing ratio (Total Debt/Total Assets) at 30 June 2024 was 45.1% (2022-23: 44.6%) and interest cover cash ratio was 2.4 times (2022-23: 2.2 times).

Gearing and Interest Cover ratios are some of a number of benchmarks that are considered by the Board when considering an appropriate capital structure. These ratios are approved via the *Corporate Plan*.

Development Services Schemes (Schemes) - the Corporation has functions relating to regional drainage, floodplain management and waterway management in relation to its waterway management district across greater Melbourne under the *Water Act 1989*, and related responsibilities as a determining referral authority for certain planning permit applications under the *Planning and Environment Act 1987* and Victoria Planning Provisions. The Corporation prepares schemes to plan the infrastructure for new urban development to guide the standards developers must meet regarding flood protection, water quality, waterway health and amenity and establish the financial contributions that will apply to developers to fund the provision of the required infrastructure. Schemes consist of an infrastructure plan and pricing model for the provision of developer funded drainage works. Schemes operate on a user pays principle where developers pay the full cost of the assets required to meet the designated standards of service. Once constructed, assets servicing catchments over 60 hectares are owned and managed by the Corporation. Works within a catchment size of less than 60 hectares are transferred to councils for ongoing management upon agreement from council (see Note 3.6 Asset transfers to council).

The Essential Services Commission (ESC) regulates the principles for calculating developer charges. A key principle is that charges for schemes are based on a discounted cash flow analysis to ensure an economic net present value neutral outcome to the Corporation. Timing differences can arise between capital expenditure and collection of the developer charges for each scheme. These timing differences are funded by the Corporation through operating cash flows and/or borrowings with any surplus or deficit also adjusted/funded through adjustments to the regulatory asset base via the regulatory pricing model set by the ESC in every pricing re-set. Schemes are subject to regular financial and engineering reviews by the Corporation to seek to ensure they remain financially sustainable and the infrastructure meets evolving requirements.

Future capital commitments for schemes are accounted for consistently with other future capital commitments for the Corporation (included in total capital expenditure commitments at Note 5.3 where there is a committed future contract for the works).

6.1.1 Interest rate risk

Interest rate exposure as at 30 June 2024

($ thousands)

	Weighted average	Floating interest	Fixed interest	Non-interest bearing	Total carrying amount
Financial assets					
Cash and cash equivalents	4.50%	508	-	-	508
Trade debtors	-	-	-	53,641	53,641
Other receivables	-	-	-	59,819	59,819
Total financial assets		**508**	**-**	**113,460**	**113,968**
Financial liabilities					
Payables	-	-	-	554,217	554,217
VDP service concession liability [a]	11.28%	-	3,464,737	-	3,464,737
Lease liabilities	2.29%		27,982		27,982
Short term borrowings	4.52%	325,000	-	-	325,000
Floating rate notes	4.63%	135,000	-	-	135,000
Fixed interest	2.95%	-	4,267,249	-	4,267,249
Total financial liabilities		**460,000**	**7,759,968**	**554,217**	**8,774,185**

Interest rate exposure as at 30 June 2023

($ thousands)

	Weighted average	Floating interest	Fixed interest	Non-interest bearing	Total carrying amount
Financial assets					
Cash and cash equivalents	4.25%	1,433	-	-	1,433
Trade debtors	-	-	-	48,439	48,439
Other receivables	-	-	-	50,587	50,587
Total financial assets		**1,433**	**-**	**99,026**	**100,459**
Financial liabilities					
Payables	-	-	-	471,819	471,819
VDP service concession liability [a]	11.28%	-	3,513,023	-	3,513,023
Lease liabilities	2.29%		36,093		36,093
Short term borrowings	4.27%	134,000	-	-	134,000
Floating rate notes	4.20%	135,000	-	-	135,000
Fixed interest	2.75%	-	4,165,931	-	4,165,931
Total financial liabilities		**269,000**	**7,715,047**	**471,819**	**8,455,866**

Note:
(a) The weighted average interest rate for the VDP service concession arrangement is the interest rate implicit in the arrangement. AASB 9 requires gains or losses from VDP refinancing activities to be recognised immediately through profit and loss. The gains or losses reflect the difference between the original contractual cash flows and the modified cash flows discounted at the original 'effective interest rate'.

Interest rate risk sensitivity analysis

($ thousands)

2024	Profit or Loss		Equity	
	-50 basis points	+50 basis points	-50 basis points	+50 basis points
Cash and cash equivalents	(16)	16	(11)	11
Interest bearing liabilities	2,300	(2,300)	1,610	(1,610)
Total	**2,284**	**(2,284)**	**1,599**	**(1,599)**

($ thousands)

2023	Profit or Loss		Equity	
	-50 basis points	+50 basis points	-50 basis points	+50 basis points
Cash and cash equivalents	(14)	14	(14)	14
Interest bearing liabilities	1,345	(1,345)	1,345	(1,345)
Total	**1,331**	**(1,331)**	**1,331**	**(1,331)**

Exposures arise predominately from liabilities bearing variable interest rates as the Corporation intends to hold fixed rate liabilities to maturity. At 30 June 2023 and 30 June 2024, if interest rates had changed by +/- 50 basis points from the year end rates with all other variables held constant, the net profit before tax and the impact on equity would have changed by the amounts shown above.

6.1.2 Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

It is the Corporation's policy to hedge the effect of foreign currency exchange rate movements on the fair values of any transactions in excess of AUD $1.0 million. The Corporation's policy requires all hedging to be undertaken through TCV in the form of Forward Foreign Exchange Contracts.

As at 30 June 2024, the Corporation had no Forward Foreign Exchange Contracts (30 June 2023: $0.1 million).

6.1.3 Price risk

Price risk is the risk that the Corporation will suffer financial loss due to adverse movements in the price of commodity inputs and/or outputs related to its business operations.

The Corporation faces a range of risks associated with the procurement, delivery and funding of assets, goods and services. The Corporation continues to experience significant cost increases in many goods and services that are necessary for ongoing operation and delivery of projects consistent with significant market trend. The Corporation is also exposed to disruptions to supply chains from economic and natural events, however has risk management plans in place to mitigate and minimise these disruptions to business operations where possible. These challenges are ongoing which could impact service delivery and the ability to meet financial performance targets and commitments.

The Corporation regularly assesses exposures to supply chain disruptions and identifies controls and options to reduce any exposures going forward.

Commodity price risk from business operations is quantified and hedged appropriately to minimise risk. Hedging of the risk is mostly performed through supply and service contracts to provide certainty over timing and quantity (i.e. contracts for electricity, chemicals and procurement process to deliver capital works), however increased supplier initiated price escalation has been observed, again consistent with significant market trend.

The Corporation has governance arrangements, processes, procedures and systems in place to prioritise delivery of its capital program and projects.

6.1.4 Credit risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations in full and on the due date. The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer or counterparty.

All receivables are recognised at the amounts receivable less any expected credit loss. Receivables are reviewed on an ongoing basis to identify amounts which cannot be collected. Debts which cannot be collected are written off. The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. Refer to Note 2.2 (Receivables).

The major exposure to credit risk arises from Trade Debtors and Other Receivables.

Trade Debtors are comprised of:

- Metropolitan retail water businesses with minimal credit risk exposure to the Corporation. These debtors are invoiced in two parts. The first part is a usage charge that is invoiced weekly and paid within 7 days. The second part is an availability charge that is invoiced monthly and paid within 14 days.
- Waterways and Drainage customers. The collection of payments and overdue receivables is managed by the metropolitan retail water businesses as part of billings and collection agreements with the Corporation. In addition any unpaid debt is allocated against the property title and will be extinguished if there is a change in property ownership.

Other receivables primarily consist of accrued revenue in relation to our services.

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. On this basis, an assessment undertaken by management has identified that historical debt write-offs and future expected losses are immaterial. As such, there is no allowance for expected credit losses as at 30 June 2024 (2022-23: nil).

All financial risk management instruments are transacted with TCV, whose liabilities are guaranteed by the Victorian Government. The Corporation potentially has a concentration of credit risk with TCV as the central borrowing authority of Victoria. This risk is considered minimal.

6.1.5 Climate-related risk

Climate change is a risk for the Corporation. Climate change risk includes the physical risk which can cause direct impact to natural resources including water supply, or damage to assets or property as a result of changes in climate conditions (including rising global temperatures) as well as transition risks which arise from the transition to low-carbon economy. The impacts of climate change create resilience challenges for our services. Understanding and preparing for climate risks is a critical component of the Corporation's long term strategy development. At a strategic level, climate risk is incorporated into our corporate risk register, recognising the complex and comprehensive nature of the adaption and transition challenges. Climate risk and opportunities are also integrated into the overarching strategic goals that guide planning, investment and culture at Melbourne Water. Refer to the operating sections of the annual report for additional climate related risk disclosures.

As at 30 June 2024, the Corporation considered climate related risk in the preparation of the financial statements as summarised at Note 1 (Financial reporting impacts of climate related matters).

6.1.6 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its short-term financial obligations. The Corporation manages liquidity risk by maintaining and conducting efficient banking practices and account structures, sound cash management practices and regular monitoring of the maturity profile of assets and liabilities, together with anticipated cash flows.

The objective of the Corporation's financial risk management policies is the optimal utilisation of cash with all surplus funds used to repay borrowings.

Undiscounted maturity analysis of financial liabilities ($ thousands)

2024	Total carrying amount	Total contractual cash flows	1 year or less	1 to 5 years	Over 5 years
Non-interest bearing	554,217	554,217	554,217	-	-
Variable rate	460,000	351,198	344,235	6,609	353
Fixed rate	7,759,967	13,091,664	973,003	4,309,303	7,809,358
Total	**8,774,184**	**13,997,079**	**1,871,455**	**4,315,912**	**7,809,711**

2023	Total carrying amount	Total contractual cash flows	1 year or less	1 to 5 years	Over 5 years
Non-interest bearing	471,819	471,819	471,819	-	-
Variable rate	269,000	292,534	145,978	109,559	36,997
Fixed rate	7,715,047	13,339,667	1,049,216	4,096,106	8,194,345
Total	**8,455,866**	**14,104,020**	**1,667,013**	**4,205,665**	**8,231,342**

6.1.7 Other matters

Net holding gain/(loss) on financial instruments by category ($ thousands)

2024	Net holding gain	Interest revenue/ (expense)	Total
Financial assets	-	519	519
Financial liabilities at amortised cost	-	(564,097)	(564,097)
Total	**-**	**(563,578)**	**(563,578)**

2023	Net holding gain	Interest revenue/ (expense)	Total
Financial assets	35	94	129
Financial liabilities at amortised cost	-	(550,706)	(550,706)
Total	**35**	**(550,612)**	**(550,577)**

6.2 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1: the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.
- Level 2: the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly.
- Level 3: the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. The fair values are classified as level 2 within the fair value hierarchy with the exception of cash and cash equivalents (classified as level 1).

Carrying amounts, fair values and fair value hierarchy ($ thousands)

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	508	508	1,433	1,433
Trade debtors	53,641	53,641	48,439	48,439
Other receivables	59,819	59,819	50,587	50,587
Total financial assets	**113,968**	**113,968**	**100,459**	**100,459**
Financial liabilities				
Payables	554,217	554,217	471,819	471,819
VDP service concession liability	3,464,737	4,446,829	3,513,023	4,435,834
Lease liabilities	27,982	27,982	36,093	36,093
Short term borrowings	325,000	325,000	134,000	134,000
Floating rate notes	135,000	135,096	135,000	135,829
Fixed interest	4,267,249	3,989,442	4,165,931	3,849,311
Total financial liabilities	**8,774,185**	**9,478,566**	**8,455,866**	**9,062,886**

6.3 Contingent assets and liabilities

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity (for example: potential litigation or climate related risks).
- 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
  - the amount of the obligations cannot be measured with sufficient reliability

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but if quantifiable are disclosed below.

	($ thousands)	
	2024	2023
Contingent assets [a]	-	-
Contingent liabilities [b]	41,228	61,916

Note:
(a) 2022-23 Native Vegetation Offsets (NVO's) have been re-classified from contingent assets ($11.2 million based on market value) to intangible assets (zero value based on historical cost). Refer to Note 4.2.

(b) Contingent liabilities primarily relate to compulsory land acquisitions where the Corporation will receive an equivalent land asset. Compulsory land acquisitions have not been included as contingent assets. Given the significant estimation uncertainty, compulsory land acquisitions are not treated as provisions. The Corporation only recognises assets and liabilities once the Notice of Acquisition has been issued to the landowner. Total compulsory land acquisitions for 2023-24 are $39.8 million (2022-23: $60.5million).

Contingent liabilities also include possible outflows associated with legal actions both quantifiable and unquantifiable (where there is a possible outflow that can not yet be measured with sufficient reliability). The extreme weather flooding event from October 2022 has been considered as an unquantifiable contingent liability at 30 June 2024 (and in 30 June 2023). Should future costs arise, the Corporations liability exposure is expected to be limited to its normal insurance excess.

Other Disclosures

Introduction

This section includes those additional disclosures required by Australian Accounting Standards or otherwise, that are material, for the understanding of this financial report.

7.1 Superannuation – defined benefit plan

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in some cases. 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. At each reporting date, a liability or asset in respect of defined benefit superannuation obligations is recognised. This is measured as the difference between the present value of the defined benefit obligations at the reporting date and the net market value of the Plan's assets.

Actuarial gains and losses arising from the Corporations defined benefit superannuation scheme are recognised immediately in Other Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they occur.

The Plan's Trustee (Equipsuper) 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 the beneficiaries from Plan assets when required in accordance with the Plan rules
- Management and investment of the Plan assets
- 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.

Reconciliation of the present value of the defined benefit superannuation obligation ($ thousands)

	2024	2023
Present value of defined benefit obligation at beginning of the year	42,130	42,892
Current service cost	1,002	1,139
Interest cost	2,193	1,837
Contributions by Plan participants	410	532
Benefits paid	(4,328)	(3,877)
Taxes and premiums paid	(354)	(348)
Actuarial losses/(gains) arising from changes in demographic assumptions	-	155
Actuarial (gains)/losses arising from changes in financial assumptions	268	(1,786)
Actuarial (gains)/losses arising from liability experience	(623)	1,586
Present value of the defined benefit obligation at year end	**40,698**	**42,130**

Reconciliation of the fair value of Plan assets ($ thousands)

	2024	2023
Fair value of Plan assets at beginning of the year	71,237	70,184
Contributions by Plan participants	410	532
Benefits paid	(4,328)	(3,877)
Taxes and premiums paid	(354)	(348)
Interest income	3,535	2,861
Actual return on Plan assets less interest income	1,014	1,885
Fair value of Plan assets at year end [a]	**71,514**	**71,237**

7.1 Superannuation – defined benefit plan (continued)

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

($ thousands)

	2024	2023
Net defined benefit asset/(liability) at start of year	29,107	27,292
Current service cost	(1,002)	(1,139)
Net interest	1,342	1,024
Actual return on Plan assets less interest income [b]	1,014	1,885
Actuarial (losses)/gains arising from changes in demographic assumptions [b]	-	(155)
Actuarial gains/(losses) arising from changes in financial assumptions [b]	(268)	1,786
Actuarial gains/(losses) arising from liability experience [b]	623	(1,586)
Net defined benefit asset at year end	**30,816**	**29,107**

(a) Fair value based on level 2 inputs using observable market data (either directly using prices or indirectly derived from prices).

(b) Net actuarial gain before tax was $1.4 million (2022-23: gain of $1.9 million) and after tax gain of $1.0 million (2022-23: gain of $1.3 million).

The Corporation has recognised an asset in the Statement of Financial Position in respect of its defined benefit superannuation Plan arrangements at 30 June 2024 (2022-23: asset). If the Plan is in surplus, the Corporation may reduce the required contribution rate, depending on the advice of the Plan's actuary.

If a deficit exists in the Plan, the Corporation may be required to increase the contribution rate, depending on the advice of the Plan's actuary consistent with the Plan's deed.

During 2023-24, the contributions rate continued to be zero due to sufficient surplus in the Plan (2022-23: zero).

Significant actuarial assumptions at the balance sheet date

	2024	2023
Assumptions to determine defined benefit cost		
Discount rate	5.4%	4.4%
Expected salary increase rate [a]	3.0%	2.0%
Expected pension increase rate [b]	2.5%	2.5%
Assumptions to determine defined benefit obligation		
Discount rate [c]	5.3%	5.4%
Expected salary increase rate	3.0%	3.0%
Expected pension increase rate [d]	2.5%	2.5%
Pension take up rate	25.0%	25.0%

(a) 3.0% per annum (2022-23: 2.0% per annum for the next 4 years and 2.5% thereafter)

(b) 5.0% for the first year, 3.5% for the second year and 2.5% per annum thereafter (2022-23: 2.5% per annum)

(c) In the current year the Corporation used high quality corporate bond rates with 6 years duration to discount the defined benefit liability (2022-23: high quality corporate bond rates with 6 years duration).

(d) 3.5% for the first year and 2.5% per annum thereafter (2022-23: 2.5% per annum)

7.2 Responsible persons

The relevant Portfolio Minister and directors of the Corporation are deemed to be the responsible persons by Ministerial Direction pursuant to the provisions of the *Financial Management Act 1994*. In accordance with *FRD 21 (Disclosures of responsible persons and executive officers in the financial report)*, the following disclosures are made regarding responsible persons for the reporting period.

The names of persons who were responsible persons at any time during the financial year were:

Minister for Water	Hon Harriet Shing MP	1 July 2023 to 30 June 2024
Chair	Greg Wilson	1 October 2023 to 30 June 2024
Chair (former Chair)	John Thwaites	1 July 2023 to 30 September 2023
Managing Director	Dr Nerina Di Lorenzo	1 July 2023 to 30 June 2024
Director	Russell Anderson	1 July 2023 to 30 September 2023
Director	James Atkins	1 July 2023 to 30 June 2024
Director (former Deputy Chair)	Kathleen Bailey-Lord	1 July 2023 to 30 September 2023
Director	Andrew Cairns	1 July 2023 to 30 June 2024
Director (Deputy Chair)	Monique Conheady	1 October 2023 to 30 June 2024
Director	Binda Gokhale	1 October 2023 to 30 June 2024
Director	Freya Marsden	1 October 2023 to 30 June 2024
Director	Robyn McLeod	1 July 2023 to 30 September 2023
Director	Cameron Myrtle	1 October 2023 to 30 June 2024
Director	Anita Roper	1 July 2023 to 30 June 2024
Director	Fiona Rowland	1 July 2023 to 30 June 2024

Remuneration

Remuneration received or receivable by the responsible persons (excluding Ministers) in connection with the management of the Corporation during the reporting period is as follows:

	Total Remuneration	
	2024	**2023**
Income Band ($)	Number	Number
10,000 - 19,999	3	-
20,000 - 29,999	1	-
30,000 - 39,999	4	-
50,000 - 59,999	4	7
70,000 - 79,999	1	-
100,000 - 109,999	-	1
570,000 - 579,999	-	1
610,000 - 619,999	1	-
Total numbers [(a)]	**14**	**9**
Total remuneration ($000) [(b)]	**1,144**	**1,065**

Note:

(a) Total number of responsible persons was higher in 2023-24 due to change in Board as of 1st October, 4 directors finished and 5 new directors joined to compared to 2022-23.

(b) Total remuneration for responsible persons was higher in 2023-24 due to increase in entitlements and comencement of new Board member as per the terms of the Public Entity Executive Remuneration Policy for executive contracts.

7.3 Remuneration of executives

The number of executive officers, other than responsible persons, and their total remuneration during the reporting period are shown in the table below. Executive officers are defined under *FRD 21 (Disclosures of responsible persons and executive officers in the financial report)* as those employed under an executive contract (excluding the Managing Director and other responsible persons). Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period. Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services and previously accrued long service leave taken during the period.

Post-employment benefits include pensions and other retirement benefits paid or payable when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Remuneration of executive officers (including executives defined as Key Management Personnel in Note 7.4)	($ thousands) 2024	2023
Short-term employment benefits	1,880	2,409
Post-employment benefits	135	203
Other long-term benefits	47	60
Termination benefits	520	597
Total remuneration [a]	**2,582**	**3,269**
Total number of executive officers [a]	**9**	**10**
Total annualised employee equivalent [b]	**5**	**7**

Note:
(a) Total remuneration was higher in 2022-23 as a result of the restructure in December 2022 where we had 10 Executive officers and in 2023-24 we had 9 Executives. The restructure also led to increased termination benefits paid.

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

7.4 Related parties

The Corporation is a wholly owned and controlled entity of the State of Victoria. Related parties of the Corporation include:

- All Key Management Personnel (KMP) and their close family members and personal business interests (i.e. controlled entities, joint ventures and entities they have significant influence over).
- All Cabinet Ministers and their close family members and all departments and public sector entities that are controlled and consolidated into the whole of State consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

AASB 124 Related Parties defines KMPs as those persons who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year. KMPs of the Corporation include the Portfolio Minister and all Directors listed under responsible persons in Note 7.2.

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the State of Victoria's Annual Financial Report.

7.4 Related parties (continued)

	($ thousands)	
Compensation of KMP	**2024**	**2023**
Short-term employment benefits	1,046	994
Post-employment benefits	72	72
Other long-term benefits	26	25
Termination benefits	-	-
Total	**1,144**	**1,091**

Transactions with KMPs and other related parties

During the year, related parties of KMPs were awarded contracts on terms and conditions equivalent to those that prevail in arm's length transactions under the Corporation's procurement process. The Corporation has prepared the related party disclosures for the year based on reasonable enquiries made by management in relation to the Portfolio Minister and their close family members and the information available to the organisation.

Significant related party transactions include transactions between the Corporation, a KMP or a KMP related-party and a Department or a public body. Transactions have been assessed on an arm's length basis with a materiality threshold set at $0.1 million.

These transactions are as follows:

	($ thousands)	
Greg Wilson - Chair	**2024**	**2023**
Greg Wilson was as a Director of Country Fire Authority until May 2024. All dealings with this agency were on normal terms and conditions during the reporting period.		
Total payments received from Country Fire Authority were:	802	-
Freya Marsden - Director		
Freya Marsden is an Independent Member, Audit and Risk Committee of the Department of Treasury and Finance. All dealings with this agency were on normal terms and conditions during the reporting period.		
Fraya Marsden's spouse is a partner at Scyne advisory. All dealings with this agency were on normal terms and conditions during the reporting period.		
Total payments made to the Department of Treasury and Finance were:	242,900	-
Total payments made to Scyne advisory	924	-
Russell Anderson – Director		
Russell Anderson was a Director of the Victorian Water Industry Association. All dealings with this agency were on normal terms and conditions during the reporting period.		
Total payments made to the Victorian Water Industry Association were:	156	132
Total payments received from the Victorian Water Industry Association were:	99	184
Kathleen Bailey-Lord – Director		
Kathleen Bailey-Lord was a Director of the Alinta Energy Group. All dealings with this agency were on normal terms and conditions during the reporting period.		
Total payments received from Alinta Energy Group were:	-	2,115

All other transactions that have occurred with KMPs and their related parties have been trivial or civil in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluating decisions about the allocation of scarce resources and to better understand the effects of related party transactions on the financial statements.

Significant transactions and balances with Government related parties

Entities that have significant influence or the same controlling entity as the Corporation are considered to be related parties of the Corporation. The following entities are considered to be related parties of the Corporation:

Department of Energy, Environment and Climate Action (DEECA)

DEECA leads and directs the Corporation in the implementation of the framework for achieving the Victorian Government's responsibilities for sustainability of the natural and built environment. DEECA monitors the Corporation's compliance with the *Water Act 1989*, Water Interface Agreement and the Supplementary Agreement to the Water Interface Agreement for the Victorian Desalination Plant. The Corporation makes Victorian Desalination Plant payments directly to DEECA who are managing the contract with AquaSure on behalf of the State.

Department of Treasury and Finance (DTF)

DTF monitors the Corporation's compliance with the *Financial Management Act 1994*. DTF is responsible for protecting the shareholder's interest in respect of corporate business plans and capital project approvals above $125 million (2022-23: $100 million). DTF also collects income taxes, the Financial Accommodation Levy, Local Government Rates Equivalent, dividend payments and capital repatriations from the Corporation.

Greater Western Water, South East Water, Yarra Valley Water and Barwon Water

Greater Western Water, South East Water, Yarra Valley Water and Barwon Water are Government owned water corporations with agreements with the Corporation that include bulk water and sewerage, bulk recycled water supply, billings collections and biosolids storage arrangements. These agreements operated on normal terms and conditions during the reporting period.

Treasury Corporation of Victoria (TCV)

TCV provides financial accommodation (loans to the Corporation), executes financial arrangements (derivatives) and provides/arranges financial services to the Corporation. Any investments above $2 million are also required to be invested with TCV.

Development Victoria

Development Victoria creates and delivers economic and social value to Victoria. Development Victoria will deliver property and precinct development projects to meet Government’s policy objectives and application of its experience and expertise to the delivery of civic projects.

Other related parties

- Westernport Region Water Corporation
- South Gippsland Region Water Corporation
- Parks Victoria
- Department of Transport and Planning
- State Revenue Office
- Southern Rural Water Corporation
- Victoria State Emergency Service
- Victorian Water Industry Association
- Victorian Workcover Authority
- Monash University
- Victoria Auditor-General's Office
- Vicforests
- Department of Health and Human Services
- Gippsland Water
- Country Fire Authority
- Suburban Rail Loop Authority

Other related parties with arm's-length transactions greater than $0.1 million have been disclosed above. In the below summaries, all other related parties transactions and payable balances below $0.1 million have also been included.

7.4 Related parties (continued)

Material transactions with related parties

($ thousands)

	2024	2023
Receipts from related parties (inclusive of GST)		
DEECA	11,561	6,920
Greater Western Water	443,766	414,697
South East Water	640,671	602,174
Yarra Valley Water	638,817	596,282
Barwon Water	6,494	5,589
Development Victoria	12,772	12,164
Other related parties	4,677	5,371
Receipt of contributed assets		
From the Department of Transport and Planning via DEECA	-	116,140
Receipt of contributed equity		
From the Department of Transport and Planning via DEECA	-	116,140
DEECA	-	-

($ thousands)

	2024	2023
Payments to related parties (inclusive of GST)		
DEECA	655,572	632,665
DTF	242,900	159,400
Greater Western Water	6,368	5,932
South East Water	6,723	7,480
Yarra Valley Water	8,122	5,482
TCV	131,200	117,100
Other related parties	14,578	38,436
Dividend paid		
DTF	47,643	10,363
Repayment of capital repatriations		
DTF	80,820	-
Transfer of contributed assets		
DEECA	800	-

Outstanding balances arising from sales/purchases of goods and services

($ thousands)

	2024	2023
Receivables		
DEECA	181	176
Greater Western Water	21,757	18,157
South East Water	13,371	10,241
Yarra Valley Water	16,987	15,488
Barwon Water	528	20
Other related parties	329	204
Payables		
DEECA	3,464,764	3,513,452
DTF	53,871	22,283
Greater Western Water	-	15
Yarra Valley Water	39	942
TCV	4,762,944	4,467,007
Other related parties	1,137	449

Transactions relating to dividends and capital repatriations are subject to final determination by the Treasurer after consultation with the Corporation's Board of Directors and the Minister for Water. Transactions relating to equity contributions are determined by the Minister for Water in consultation with the Corporation. Transactions relating to trading activities of the Corporation including sale of bulk water, sale of sewerage services and collection of drainage rates are based on normal commercial terms and conditions.

Outstanding balances are unsecured and are receivable/payable in cash under normal trading terms. There are no guarantees given or received for the current and non-current payables, current receivables and borrowings.

7.5 Remuneration of auditors

($ thousands)

	2024	2023
Audit of financial and performance report by the Victorian Auditor-General's Office	280	260
Total amount paid/payable	**280**	**260**

7.6 Ex-gratia expenses

In accordance with FRD 11 Disclosure of Ex-Gratia Expenses the Corporation must disclose in aggregate the total amount of material (greater than $5,000) expenses.

For 2023-24, the Corporation had a $0.05 million ex-gratia expense (2022-23: zero) in relation to a fire tanker gifted to the Wadawurrung Traditional Owners Aboriginal Corporation to support their cultural fire management. This donation is in direct support of our "We will walk Country together" strategic goal commitments.

7.7 Subsequent events

No matters or circumstance have arisen since 30 June 2024 which have 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 2024.

7.8 Australian Accounting Standards issued that are not yet effective

Certain new amendments to accounting standards that are deemed relevant to the Corporation have been published, but are not mandatory for the 30 June 2024 reporting period. The Corporation has not adopted these amendments early in accordance with DTF guidance.

The Corporation's assessment of the impact of these amendments is set out below:

Several amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the Corporation's reporting.

- *AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *AASB2022-5 Lease Liability in a Sale and Leaseback*
- *AASB2023-1 Supplier Finance Arrangements*
- *AASB2020-1 Classification of Liabilities as Current or Non-current – Amendments to AASB101*
- *AASB2022-6 - Non-current Liabilities with Covenants*

7.9 Changes in accounting policy

Disclosure of Accounting Policies

The Corporation adopted Disclosure of Accounting Policies (Amendments to AASB101) from 1 July 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. Where policies/disclosures considered immaterial they have been removed.

Deferred tax related to assets and liabilities arising from a single transaction.

The Corporation has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112) from 1 July 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented. The amendments resulted in minor disclosure changes and did not impact the measurement of DTA's and DTL's. Refer to Note 3.8.1.

Accounting policy change - classification of current and non current borrowings

The Corporation has changed its accounting policy for presenting current liabilities by classifying its borrowings which mature within 12 months as non current liabilities (previously classified as current). The Corporation has changed its interpretation of the right to defer settlement requirement of AASB 101 as the Corporation has discretion to, and will refinance or roll over these loans with TCV, pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. The Corporation believes that this presentation provides more relevant information to the users of its financial statements as it is more aligned to current practices. Short Term borrowings are classified as current Borrowings at floating interest rate.

The tables below show the adjustments recognised for each individual financial statement line item as a result of the policy change. Line items that were not affected by the changes have not been included.

Statement of Financial Position (extract)

($ thousands)

	30 June 2023	Accounting policy adjustment	1 July 2023 restated	30 June 2024 as reported	Accounting policy adjustment	30 June 2024 result without accounting policy adjustment
Current liabilities						
Interest bearing liabilities	639,081	-448,682	190,399	393,527	449,075	842,602
Total current liabilities	**1,292,322**		**843,640**	**1,151,601**		**1,600,676**
Non-current liabilities						
Interest bearing liabilities	7,344,966	448,682	7,793,648	7,826,441	-449,075	7,377,366
Total non-current liabilities	**8,630,362**		**9,079,044**	**9,111,780**		**8,662,705**

There have been no other changes in accounting policy during the 2023-24 financial year.

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of the Melbourne Water Corporation

Opinion

I have audited the financial report of the Melbourne Water Corporation (the corporation) which comprises the:

- statement of financial position as at 30 June 2024
- statement of profit or loss and other comprehensive income for the year then ended
- statement of changes in equity for the year then ended
- statement of cash flows for the year then ended
- notes to the financial statements, including significant accounting policies
- declaration by Directors and Chief Financial Officer.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* 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.

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

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

Key audit matters

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.

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Key audit matter	How I addressed the matter
Recognition and Measurement of Service Concession Arrangement asset and liability - the Victorian Desalination Plant (the VDP) *Note 5.4 – VDP Service Concession Arrangement*	

VDP Service Concession Asset: **$4.484 billion**
VDP Service Concession Liability: **$3.465 billion**
VDP Commitment Disclosures:
• Minimum future payments: $7.381 billion (nominal)
• Other expense commitment: $3.515 billion (nominal)
I considered the service concession arrangement (SCA) for the VDP's asset, liability and commitment to be a key audit matter because:
• they are financially significant
• the contractual rights and obligations are complex and small changes, including refinancing adjustments, can significantly affect the SCA liability and commitments
• the SCA liability and commitments model is complex
• a significant degree of management judgement and assumptions are required to measure the liability, commitments and the fair value of the VDP asset
• the requirements of AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) are complex, and involve significant management judgement
• the corporation places significant reliance on the Department of Energy, Environment and Climate Action (DEECA) for information to account for and disclose the arrangement
• the required disclosures for service concession arrangements are extensive.
	My key procedures included:
	• gaining an understanding of the key contractual changes from the prior year
	• engaging a subject matter expert to assist in obtaining sufficient appropriate audit evidence for the SCA liability and commitment disclosures, including the:
	  ○ identification of any model and/or assumption changes
	  ○ reasonableness and consistency of the liability model assumptions
	  ○ reasonableness of model inputs, with specific reference to underlying data and supporting documentation
	  ○ model's computational accuracy
	  ○ appropriateness of any re-financing adjustments
	• evaluating our subject matter expert's workings and concluding the work was adequate for the purposes of our audit
	• evaluating management's assessment of the fair value of the VDP asset
	• obtaining representations provided by DEECA relating to the underlying audited data used in the DCF model and for disclosures
	• assessing the adequacy of financial report disclosures against the requirements of applicable Australian Accounting Standards.

Key audit matter	How I addressed the matter
Fair Value of Infrastructure Assets *Note 4.1.3 – Fair value determination of non-financial physical assets*	

Fair value of Infrastructure Assets: **$9.312 billion**
 	
I considered this to be a key audit matter because:
• infrastructure assets are financially significant
• the fair value estimate is derived from an income-based valuation approach that uses a discounted cashflow (DCF) model
• management engage an external valuation expert to prepare the fair value estimate
• the DCF model is highly complex and involves significant judgements and assumptions
• small changes in key assumptions used in the DCF model can materially affect the fair value
• the DCF model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value
• accounting standard AASB 13 *Fair Value Measurement* (AASB 13) requires extensive financial report disclosures.
	My key procedures included:
	• obtaining an understanding of the approach to estimating the fair value of infrastructure
	• assessing the competence, objectivity and capability of management's expert engaged to assist with the valuation process
	• engaging a subject matter expert to assist us in obtaining sufficient appropriate audit evidence, including:
	  ○ the appropriateness of using an income-based valuation approach
	  ○ the identification and assessment of the reasonableness of any changes to the DCF model and/or assumptions,
	  ○ the reasonableness and consistency of all the assumptions used in the DCF model
	  ○ the reasonableness of all inputs used in the DCF model, with specific reference to underlying data and supporting documentation
	  ○ the DCF model's computational accuracy
	• evaluating our subject matter expert's work and concluding the work was adequate for the purposes of our audit
	• assessing the completeness and adequacy of the financial report disclosures against the requirements of AASB 13, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis.

Board's responsibilities for the financial report	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 *Financial Management Act 1994*, 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. 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.

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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.
- 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- 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.

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.

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.

MELBOURNE
13 September 2024

Paul Martin
as delegate for the Auditor-General of Victoria

Sugarloaf Reservoir

Performance Reporting

Contents

Performance Report

Financial Performance Indicators

Key Performance Indicator [1]	2023-24 Result	2022-23 Result	Variance to prior year	Notes	2023-24 Target	Variance to target	Notes
Cash Interest Cover Net operating cash flows before net interest and tax/net interest payments	2.4	2.3	4.3%		2.2	9.1%	
Gearing Ratio Total debt (including service concession liabilities and leases)/total assets * 100	45.1%	44.7%	-0.9%		49.7%	9.3%	
Internal Financing Ratio Net operating cash flow less dividends/ net capital expenditure * 100	76.7%	83.5%	-8.1%		44.5%	72.4%	[2]
Current Ratio Current assets/current liabilities (excluding long-term employee provisions and revenue in advance)	0.17 times	0.20 times [(a)]	-15.0%	[3]	0.18 times [(a)]	-5.6%	
Return on Assets Earnings before net interest and tax/ average assets * 100	4.5%	4.3%	4.7%		4.6%	-2.2%	
Return on Equity Net profit after tax/average total equity * 100	1.9%	1.6%	18.8%	[4]	1.7%	11.8%	[4]
EBITDA Margin Earnings before interest, Tax, Depreciation and Amortisation/total revenue * 100	64.0%	63.8%	0.3%		65.7%	-2.6%	

Note:
(a) The 2022-23 actual and 2023-24 target current ratios have been restated for comparability due to accounting policy changes adopted in 2023-24. For 2022-23 actual this resulted in $448.7 million of current interest bearing liabilities being reclassified from current to non-current and the current ratio changing from 0.14 times to 0.20 times. For 2023-24 target this resulted in $404.0 million of interest bearing liabilities being reclassified from current to non-current and the current ratio changing from 0.11 times to 0.18 times.

Notes – to Performance Report:

[1] Performance indicators as mandated in Ministerial Reporting Direction 07 - Performance and Financial Sustainability. As required by MRD 07 any variances to target or last year of more than 10% for financial performance indicators and 5% for non financial performance indicators have been further explained within these notes.

[2] The 2023-24 result for Internal Financing Ratio is favourable to target is due to lower payments for capital expenditure of ($359.7 million) partially offset by higher net operating cash inflows ($145.8 million – mainly due to lower payments to suppliers and lower income tax).

[3] The 2023-24 result for Current Ratio is unfavourable to prior year due to higher current borrowings ($203.1 million) resulting from higher capital expenditure.

[4] The 2023-24 result for Return on Equity is favourable to prior year due to higher net profit after tax ($30.6 million).

The 2023-24 result for Return on Equity is favourable to target is due to higher average equity ($840.4 million) mainly due to the reserves increase for the revaluation of assets in 2022-23 not being included in plan.

Water, sewerage and other service performance indicators

Key Performance Indicator [1]	2023-24 Result	2022-23 Result	Variance to prior year	Notes	2023-24 Target	Variance to target	Notes
Water Quality Compliance with Bulk Water Service Agreement (BWSA): Microbiological Standards — *E. coli*	100.0%	100.0%	0.0%		100.0%	0.0%	
Water Quality Compliance with BWSA: Aesthetics — Turbidity	100.0%	100.0%	0.0%		91.5%	9.3%	[5]
Customer Responsiveness Complaints referred to Energy and Water Ombudsman Victoria (EWOV) responded to within EWOV established time	100.0%	100.0%	0.0%		100.0%	0.0%	
Non-compliance with other Environment Protection Authority Victoria (EPAV) Licence and SEPP parameters – Sewerage system failure Spills due to sewerage system failure	0.0	0.0	0.0%		0.0	0.0%	
Compliance with EPAV discharge licence requirements							
Western Treatment Plant (WTP)	97.1%	97.0%	0.1%		100.0%	-2.9%	
Eastern Treatment Plant (ETP)	100.0%	96.6%	3.5%		100.0%	0.0%	
Waterways — Drainage and Flood Protection ($m) Reduction in flood damages over the lifetime of works	$249.4M	$125.0M	NA	[6]	$63.0M	295.9%	[7]
Waterways condition Maintain river health (% of 10 target sites at high-value rating)	100.0%	100.0%	0.0%		100.0%	0.0%	
Recycled Water WTP recycled water schemes fully compliant with regulatory obligations and their contractual requirements, as outlined in the relevant Bulk Recycled Water Supply Agreement							
Volume demands	55.0%	100.0%	-45.0%	[8]	100.0%	-45.0%	[8]
Quality	100.0%	100.0%	0.0%		100.0%	0.0%	
Recycled Water ETP recycled water schemes fully compliant with regulatory obligations and their contractual requirements, as outlined in the relevant Bulk Recycled Water Supply Agreement							
Volume demands	100.0%	91.7%	9.1%	[9]	100.0%	0.0%	
Quality	100.0%	100.0%	0.0%		100.0%	0.0%	

Notes – to Performance Report:

[1] Performance indicators as mandated in Ministerial Reporting Direction 07 - Performance and Financial Sustainability. As required by MRD 07 any variances to target or last year of more than 10% for financial performance indicators and 5% for non financial performance indicators have been further explained within these notes.

[5] The favourable variance compared to target and prior year for water quality (turbidity) was due to optimised harvesting during low turbidity periods from the catchment to help ensure good water quality is supplied to the Silvan system resulting in no exceedances.

[6] Waterways - Drainage and Flood protection indicator result is not comparable to the prior year as it is a cumulative result.

[7] The Waterways drainage and flood protection indicator represents anticipated reduction in damages from flood in the Port Phillip and Westernport region determined to be achieved through investment into flood mitigation (asset and non-asset solutions). This metric is part of the Waterways Drainage and Investment Plan (2021-2026), approved by the Essential Services Commission, and sets expectations for active investment which is designed to reduce flood impacts. The indicator is favourable to target due to the flood effects reduction program delivering higher volume of outcomes than originally planned. The program includes building and planning permits, flood mitigation works and community education. In 2023-24, there have been 738 building and planning permits for development cases responded to during the period with floor level advice provided, exceeding the target of 150. The number of households that have received the flood education program are counted as "effective engagements" from the annual report produced by Melbourne University. The number of effective engagements for current financial year is 1,898. The major flood event which occurred in 2022 continues to have a significant impact on housing and the community. Melbourne Water continues to support of effected communities while also continuing to invest in flood mitigation initiatives. Information on the 'flood effects reduction program' can be found at https://letstalk.melbournewater.com.au/maribyrnong-river-flood-model.

[8] The unfavourable variance to prior year and target is due to WTP being unable to supply Class A recycled water partially for several months due to high PH and Blue Green Algae (BGA). Class A recycled water customers (our main customer is Southern Rural Water (SRW) who supply on to their customers who are mostly farmers) have an alternate supply of irrigation water from the Werribee River. We worked closely with SRW during the outage to help ensure that the impact was minimised by keeping them informed of WTP BGA levels so that they could source alternate water supply. We are currently investigating alternate methods for controlling BGA.

[9] The favourable variance to prior year is due to no events occurring in 2023-24 that prevented Melbourne Water from meeting its contractual requirements for supply of recycled water. In 2022-23, the severe weather event in October 2022 adversely impacted ETP's ability to meet its contractual requirements for the supply of Class A recycled water throughout November 2022.

Certification of Performance Report for 2023-24

We certify that the accompanying Performance Report of Melbourne Water Corporation in respect of the 2023-24 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the *2023-24 Corporate Plan*, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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

Greg Wilson
Chair

30 August 2024

Dr Nerina Di Lorenzo
Managing Director

30 August 2024

Fiona Schutt
Chief Financial Officer

30 August 2024

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of the Melbourne Water Corporation

Opinion

I have audited the performance report of the Melbourne Water Corporation (the corporation) for the year ended 30 June 2024, which comprises the:

- financial performance indicators
- water, sewerage, and other service performance indicators
- notes to the performance report
- certification of performance report.

In my opinion, the performance report of the Melbourne Water Corporation for the year ended 30 June 2024 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.

Basis for Opinion

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

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

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

Board's responsibilities for the performance report

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

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the performance report

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

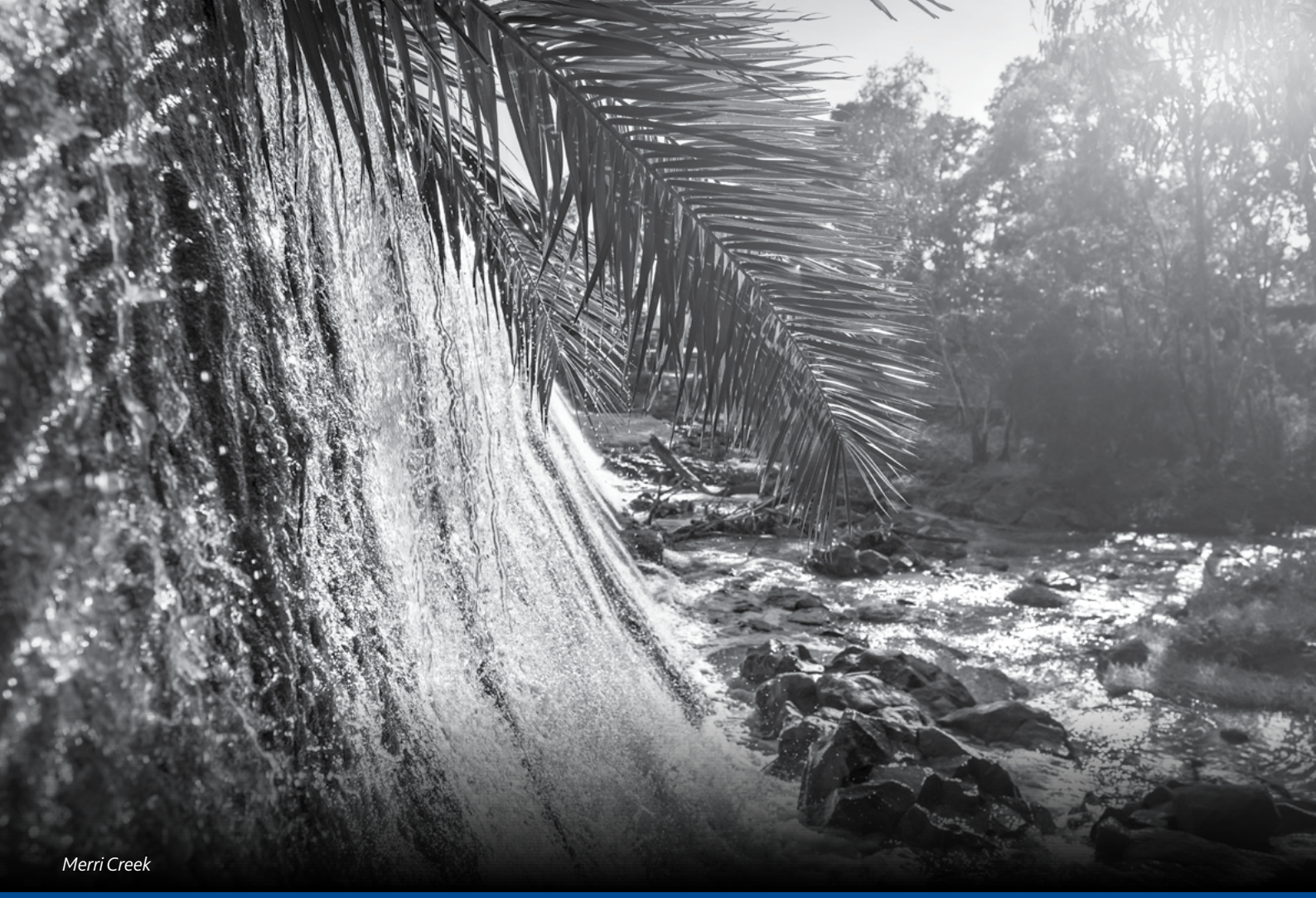
As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

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

MELBOURNE
13 September 2024

Paul Martin
as delegate for the Auditor-General of Victoria



Merri Creek

Appendices

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Appendix A – Disclosure index

The *Melbourne Water Annual Report 2023-24* is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to demonstrate Melbourne Water's compliance with statutory disclosure requirements.

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Appendix B – Corporate information

Consultancy expenditure

The following is a summary of consultancy expenditure by Melbourne Water over the 2023-24 financial year. Details of individual consultancies are outlined on Melbourne Water's website.

Consultancies valued at $10,000 or greater

In 2023-24, there were 18 consultancies engaged where the total fees payable to the consultants were $10,000 or greater (2022-23: 16). The total expenditure incurred during 2023-24 in relation to these consultancies was $2,136,826 (2022-23: $2,227,182) (excluding GST).

Consultancies valued at less than $10,000

In 2023-24, there were two consultancies engaged where the total fees payable to the consultants were less than $10,000 (2022-23: 3). The total expenditure incurred during 2023-24 in relation to these consultancies was $10,735 (2022-23: $17,675) (excluding GST).

Government advertising campaigns

In 2023-24, Melbourne Water had no government advertising campaigns with a value greater than $100,000.

Information and Communication Technology (ICT) expenditure

For the 2023-24 reporting period, Melbourne Water had a total ICT expenditure of $69,960,441 (2022-23: $62,109,989) with the details shown below.

($ 000)			
Business as usual (BAU) ICT expenditure (Total)	Non-business as usual (non-BAU) ICT expenditure (Total = Operational and Capital expenditure)	Non-BAU ICT expenditure Operational expenditure (OPEX)	Non-BAU ICT expenditure Capital expenditure (CAPEX)
$65,225	$4,736	N/A	$4,736

Definitions

Non-Business as Usual (Non-BAU): Non-BAU ICT expenditure is a subset of ICT expenditure that relates to extending or enhancing current ICT capabilities and are usually run as projects.

Business as Usual (BAU): all remaining ICT expenditure is considered business as usual ICT expenditure and typically relates to ongoing activities to operate and maintain the current ICT capability.

Review and study expenses

The following outlines the individual publicly available studies and reviews that were undertaken by Melbourne Water during 2023-24.

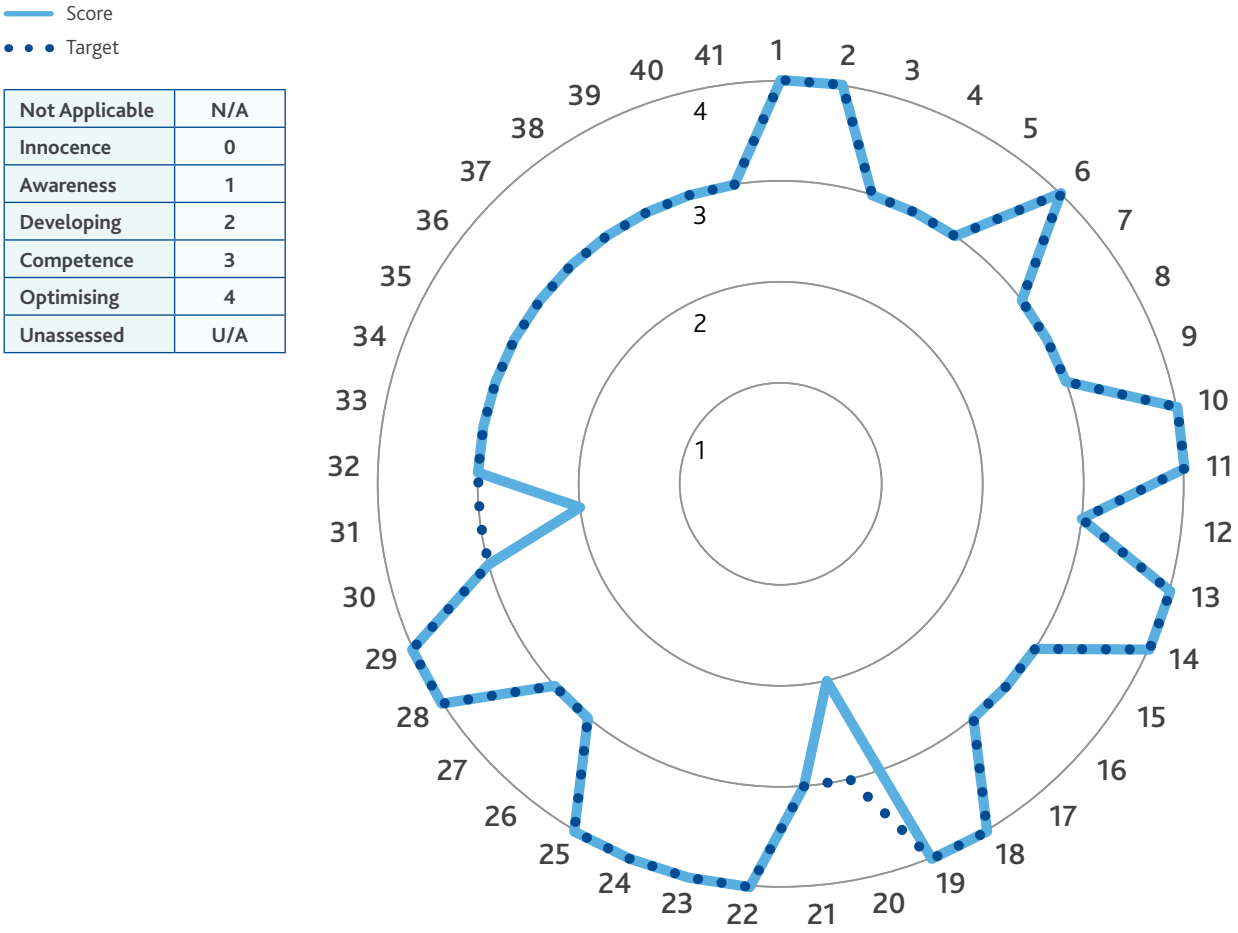
Name of the review	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available location
Healthy Waterways Strategy mid-term evaluation	To assess the progress of the strategy.	Assess progress towards targets and identify areas for improvement.	Inform future decision-making and prioritisation.	$148,760	$694,593	Healthy Waterways Strategy website
Waterways and Drainage Investment Plan annual KPI assessment	To assess the progress of the plan.	Assess progress towards targets and identify areas for improvement.	Inform future decision-making and prioritisation.	$28,665	N/A	Waterways and Drainage Investment Plan - Melbourne Water website
Sustainability materiality assessment	To assess the materiality of key sustainability areas to Melbourne Water.	Understand the potential financial and non-financial impacts of these areas on the business.	Inform future strategic direction and planning.	$60,728	N/A	Page 13 of this report
Maribyrnong River Flood Review	Review of flood strategy, modelling and Maribyrnong River flood event.	Describe the event, provide an analysis of the key components, and provide recommendations.	Hydrologic analysis of the 2022 event, review of modelling, review of Flood Strategy and MRFR Review report	$830,000	Ongoing	Maribyrnong River Flood Review - Let's Talk website

Asset Management Accountability Framework (AMAF) maturity assessment

Melbourne Water's self-assessed maturity for 2023-24 against the Asset Management Accountability Framework (AMAF) requirements identified that Melbourne Water achieved a maturity rating of 'competence' or above (rating 3 or above) across 34 of the 41 requirements of the AMAF. For the seven requirements where we failed to meet our target competency rating, we had a competency rating of 'developing' (rating 2). Melbourne Water is targeting a minimum maturity rating of 'competence' across all of the AMAF requirements. However, Melbourne Water also aims to continuously improve and optimise its asset management practices in all areas, wherever those improvements and resulting levels of maturity provide best value to customers, stakeholders and the community.

To support a focus on asset management maturity improvement, Melbourne Water develops an annual Total Asset Management Improvement Plan (TAMIP). The 2024-25 TAMIP includes specific actions and activities designed to address the identified maturity gaps. Implementation of the TAMIP is reported monthly.

Figure 14: AMAF Maturity Assessment



Not Applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4
Unassessed	U/A

Disclosure of emergency procurement

In 2023-24, Melbourne Water responded to several emergency events across its areas of operation, including pollution control and fire response. Procurement requirements for each of these emergencies were met under existing contractual arrangements pre-established to cater for such events (alongside other business as usual requirements).

Melbourne Water has a specific set of guidelines for enacting procurement outside of approved 'business as usual' arrangements during incidents and emergencies. In certain defined emergency circumstances, Melbourne Water is permitted to forgo routine procurement procedures. The procurement of materials, equipment and labour can be undertaken outside of existing delegated approval authorities, quotation and sourcing requirements. Melbourne Water is to balance the need to act without delay (for example, to save or preserve life, safeguard buildings or repair critical infrastructure) against meeting our overarching agency obligations (act lawfully, reasonably and with integrity).

Despite the events responded to during the year, these emergency procurement guidelines and procedures were not specifically activated for any emergency event. While costs were incurred in responding to and managing these circumstances, all procurement was undertaken in accordance with existing delegations, and business as usual procurement procedures.

Disclosure of procurement complaints

Under the Governance Policy of the Victorian Government Purchasing Board (VGPB), Melbourne Water must disclose any formal complaints relating to the procurement of goods and services received through its procurement complaints management system.

In 2023-24, Melbourne Water received one formal complaint through its procurement complaints management system (in late June 2024) in respect to construction related services. This complaint is still under investigation.

Pricing

Melbourne Water's wholesale water and sewerage prices increase by approximately 0.25 per cent plus inflation in 2023-24, reflecting the ESCs 2021 Price Determination with updates to cost of debt and desalination plant costs. The annual residential waterways and drainage charge increased by 0.70 per cent plus inflation in 2023-24 to $118.16.

Disclosure of major contracts

Melbourne Water has disclosed, in accordance with Ministerial Directions and Instructions for Public Construction Procurement in Victoria and the Victorian Government Purchasing Board (VGPB) policies, all contracts greater than $10 million in value entered into during the year ended 30 June 2024. Details of contracts can be viewed on the Buying for Victoria[22] website.

Competitive neutrality policy

Melbourne Water is corporatized, with an independent Board and independent, objective performance monitoring. Melbourne Water faces the same tax treatment, borrowing requirements and regulations as a private business. As outlined above, Melbourne Water also operates in an environment where the ESC determines cost-based pricing. In this regard, our processes are consistent with the requirements of the Victorian Competitive Neutrality Policy.

In relation to anti-competitive behaviour, Melbourne Water did not have any pending or completed legal action during the reporting period.

[22] https://www.buyingfor.vic.gov.au/

Freedom of Information

Melbourne Water is subject to the *Freedom of Information Act 1982 (Vic) (FOI Act)*.

Melbourne Water's Freedom of Information Officers are:

Principal Officer:
Mr G Wilson
Chair of the Board, Melbourne Water Corporation

Authorised Officers:
Ms K Croker
Freedom of Information, Privacy Officer, Paralegal

Ms V Skliris
Freedom of Information Officer

Requests

Table 16: FOI statistics for the reporting period

Decisions made 32	Other requests 16
Access outcomes: • Access in full: 3 • Access in part: 27 • No documents found: 1 • Access denied: 1	**Outcomes:** • Withdrawn: 1 • Did not proceed: 4 • Provided outside the FOI Act: 3 • Not yet finalised: 7 • Transferred to another agency: 1
Related to: • Environment and planning: 15 • Personal: 3 • Works: 1 • Asset management: 6 • Waterways: 4 • Miscellaneous: 3	**Related to:** • Asset management: 7 • Environment and planning: 5 • Waterways: 2 • Personal: 0 • Miscellaneous: 2
Requests received from: • Members of the public: 15 • Law firms: 13 • Members of the media: 3 • Developers: 1 • Members of Parliament: 1 • Community interest groups: 1	
Documents released: • Total number of documents: 1327 • Documents released in full: 882	

Reviews and complaints

During the reporting period, five decision reviews and no complaints were received from the Victorian Information Commissioner. No Victorian Civil and Administrative Tribunal (VCAT) applications were lodged in relation to reviews of decisions and complaints.

Access to documents

If you would like to make a request under the FOI Act, you may use the online Freedom of Information application form on Melbourne Water's website.

We also accept applications made in writing to:

The Freedom of Information Officer
Melbourne Water
PO Box 4342
Melbourne VIC 3001

Each application must clearly identify the documents sought and must be accompanied by the required application fee of $32.70.

General enquiries about Freedom of Information can be made by contacting the authorised Freedom of Information Officers between 9am and 5pm Monday to Friday via email: foi@melbournewater.com.au or by telephoning 131 722.

Information required under Part 2 of the FOI Act is available on our website. This includes information about Melbourne Water's functions, decision-making, consultation arrangements and publications.

Categories of documents

Melbourne Water uses a computerised records management system to manage its correspondence and documentation. We use online computer systems to manage our financial, human resource and other operational activities and plans relating to water supply, waterways, and drainage and sewerage responsibilities. Historical archives of our activities are available through the Public Record Office Victoria. More information is in the Part II Information Statement[23] on our website.

Privacy

Melbourne Water is subject to the *Privacy and Data Protection Act 2014 (Vic)*, *Health Records Act 2001 (Vic)* and *Privacy Act 1988 (Cth)* regarding federal government identifiers such as Tax File Numbers. Melbourne Water is committed to protecting the privacy of all personal and health information it collects and does so in accordance with its Privacy Policy and privacy laws.

During the reporting period, Melbourne Water managed two privacy complaints from the Office of the Victorian Information Commissioner. No complaints were received from the Health Complaints Commissioner or the Office of the Australian Information Commissioner.

If you wish to access your personal and health information that is held by Melbourne Water, seek a copy of our Privacy Policy or make a privacy complaint, please call 131 722 (within Victoria) or (03) 9679 7100 (within the rest of Australia) or write to:

The Privacy Officer
Melbourne Water
PO Box 4342
Melbourne VIC 3001

Or
Attention: Privacy Officer at privacy@melbournewater.com.au

Financial management

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

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 Melbourne Water and are available on request, subject to the provisions of the FOI Act.

Further information is available on request about:

- pecuniary interests of relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of Melbourne Water publications
- details of changes in prices, fees, charges, rates and levies charged if relevant
- major external reviews carried out on Melbourne Water
- research and development activities
- overseas visits
- major promotional, public relationship and marketing activities
- assessments and measures to improve the occupational health and safety of employees
- statement of industrial relations
- details of time lost through industrial accidents and disputes
- committees chaired by Melbourne Water
- major sponsorships
- consultancies and contractor details.

Phone 131 7822 or (03) 9679 7100 (within the rest of Australia) or visit the Melbourne Water website[24].

[23] https://www.melbournewater.com.au/about-us/publications-and-policies/freedom-information/information
[24] https://www.melbournewater.com.au/

Public interest disclosure

The *Public Interest Disclosures Act 2012 (Vic)* (PID Act) assists people to expose wrongdoing in public life and protects them from any reprisals. The PID Act applies to Melbourne Water and members of our community must have confidence that Melbourne Water and its people are conducting themselves properly.

Melbourne Water does not tolerate improper conduct by employees nor reprisals against those who come forward to disclose such conduct. Melbourne Water is committed to ensuring 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, conduct involving a substantial risk to public health and safety or the environment or other improper conduct. Our commitment is reflected in our Code of Conduct and Fraud, Corruption and Public Interest Disclosures Reporting and Investigation Procedure.

Where a disclosure is brought to Melbourne Water's attention by an investigative body, we 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 to the extent legally possible.

How do I make a 'public interest disclosure'?

You can make a public interest disclosure about Melbourne Water or its Board members, officers or employees by contacting the Independent Broad-based Anti-corruption Commission (IBAC) Victoria, using the contact details provided below. Please note, Melbourne Water is not able to receive these disclosures, directly. Melbourne Water has had no incidents of corruption in this regard in 2023-24.

How can I access Melbourne Water's procedures for the protection of persons from detrimental action?

Melbourne Water has procedures in place for the protection of persons from detrimental action for making a public interest disclosure about Melbourne Water or its employees. You can access our procedures at the Melbourne Water website[25].

Contacts

Jay Dimitri
General Counsel
Melbourne Water
PO Box 4342
Melbourne VIC 3001
Phone: (03) 9473 5564

IBAC Victoria
Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000
GPO Box 24234
Melbourne VIC 3000
Phone: 1300 735 135

See the IBAC website[26] for the secure email disclosure process which also provides for anonymous disclosures.

Building compliance

Melbourne Water continues to work towards compliance with the *Building Act 1993* across our substantial property and building portfolio. We require that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by Melbourne 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.

As part of our ongoing compliance program we continue to obtain relevant statutory building documentation and update our Asset Management System to ensure mandatory testing and inspection is conducted to the relevant standards. These inspections inform the works program which is delivered annually through existing contracts.

In 2023-24:

- no major works projects undertaken (greater than $50,000)
- one building permit and no occupancy permits or certificates of final inspection were issued in relation to buildings owned by the entity
- no emergency orders or building orders were issued in relation to buildings
- no buildings were brought into conformity with building standards during the reporting period.

[25] https://www.melbournewater.com.au/media/24696/download
[26] https://www.ibac.vic.gov.au/

Employment data

Employee-related statistics are provided as additional information in support of statutory reporting and other obligations. Employees have been correctly classified in workforce data collections and are presented in Table 17.

Table 17: Employee profile data by type for the past two years

	2023-24							2022-23						
	All employees		Ongoing			Fixed term and casual		All employees		Ongoing			Fixed term and casual	
	Number (headcount)	FTE	Full time (headcount)	Part time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE	Full time (headcount)	Part time (headcount)	FTE	Number (headcount)	FTE
Total Employees	1,396	1,324.11	1,071	179	1,203.60	146	120.51	1,277	1,204.36	963	202	1,115.75	112	88.61
Demographic data - Gender														
Male	825	808.76	710	43	744.46	72	64.30	744	725.27	639	54	683.85	51	41.42
Female	570	514.35	360	136	458.14	74	56.21	532	478.08	323	148	430.90	61	47.18
*Prefer not to say	1	1.00	1	0	1.00	0	0.00	1	1.00	1	0	1.00	0	0.00
Demographic data - Age														
Under 25	37	31.88	11	1	11.60	25	20.28	28	25.91	18	0	18.00	10	7.91
25-34	258	252.33	202	17	214.30	39	38.03	252	244.90	205	17	217.60	30	27.30
35-44	520	488.81	391	88	454.73	41	34.08	473	439.23	334	109	414.88	30	24.35
45-54	368	349.70	295	52	334.61	21	15.09	327	310.46	253	52	293.14	22	17.32
55-64	174	168.29	147	18	161.22	9	7.07	166	159.20	134	21	151.04	11	8.16
Over 65	39	33.10	25	3	27.14	11	5.96	31	24.65	19	3	21.09	9	3.56
Classification level														
Casual	35	14.84						34	14.86					
Enterprise Agreement (EA) total	778	745.03	588	102	660.96	121	97.47	728	694.08	560	110	639.53	90	68.96
Senior managers	576	557.24	476	77	535.64	25	23.04	508	488.42	396	92	469.22	22	19.64
Executives	7	7.00	7	0	7.00	0	0.00	7	7.00	7	0	7.00	0	0.00

Notes:
- Employees on leave without pay or parental leave without pay excluded, as per FRD 29 guidance.
- Casual employees who did not receive pay in the last full pay period of 2023-24 excluded, as per FRD29 guidance.
- Employees on secondment included, as per FRD 29 guidance.
- Graduates included in workforce data, as per FRD 29 guidance.

Employment and conduct principles

Melbourne Water is committed to recruiting capable and diverse talent to join our team. The selection processes ensure the recruitment of the most suitable candidate for the position in accordance with the skills and experience required for the role, along with the Melbourne Water values and behaviours.

Local Jobs First

The Local Jobs First Policy issued under the Local Jobs First Act 2003 supports businesses and workers by ensuring that small and medium enterprises are given full and fair opportunities to compete for large and small government contracts.

The policy brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy, which were previously administered separately.

Melbourne Water applies the Local Jobs First Policy for all procurement projects valued at $3 million or more located in Metropolitan Melbourne or statewide or $1 million or more for projects being delivered in regional Victoria.

Projects up to $50 million in value are regarded as Standard Projects and projects valued at or above $50 million are deemed to be Strategic Projects. MPSG applies to all construction projects valued at $20 million or more.

Projects commenced – Local Jobs First Standard

During 2023-24, Melbourne Water commenced 20 standard projects totalling contract value of $99.55 million. Of these, 16 were metropolitan Melbourne projects, three are statewide and one regional-only.

The outcomes expected from the implementation of the Local Jobs First policy to these projects where information was provided, were as follows:

- a commitment was made to an average of 94.2 per cent of local content
- a total of 171 annualised employee equivalent (AEE) jobs were committed to, comprising the creation of 19 AEE of new jobs, and retention of 152 AEE.
- a total of 3.8 AEE equivalents of apprenticeships, cadets and trainees were committed to, including 3.8 AAE to new positions, and 3.1 AAE retained.
- 6 projects triggered a MPSG commitment.
- A commitment was made to engage 414 small-to-medium sized enterprises (SMEs) through the supply chain of these projects.

Projects completed – Local Jobs First Standard

During 2023-24, Melbourne Water completed four standard projects in metropolitan Melbourne totalling contract value of $24.16 million.

The outcomes from the implementation of the Local Jobs First policy to these projects where information was provided, were as follows:

- a commitment was made to 93.9 per cent average of local content across the projects and 93.6 per cent local content was achieved
- retention of a total of 9.6 annualised employee equivalent (AAE) jobs was committed to and 15.3 AAE of jobs were actually retained
- a commitment was made to engage 44 small-to-medium enterprises (SMEs) in the supply chain and they contractors confirmed engaging 41 SMEs during their project delivery.

Projects commenced – Local Jobs First Strategic

During 2023-24, Melbourne Water commenced one strategic project totalling $446.4 million of contract value. The Major Project Skills Guarantee applies to the project.

The expected outcomes reported from the implementation of the policy are as follows:

- a minimum commitment was made to 87 per cent of local content
- a total of 113.3 annualised employee equivalent (AEE) jobs were committed to, comprising the creation of 28.3 AEE of new jobs and retention of 85 AEE
- a total of 13 AEE equivalents of apprenticeships, cadets and trainees were committed to, including 9.6 AAE to new positions and 3.4 AAE retained
- a commitment was made to engage 195 small-to-medium sized enterprises (SMEs) through the supply chain of this project.

Projects completed – Local Jobs First Strategic

During 2023-24, Melbourne Water did not finalise any strategic projects commenced in earlier years.

Social Procurement Framework

Melbourne Water embeds social procurement in our procurement processes in line with the Victorian Government's Social Procurement Framework (SPF).

Our tenders include weighted criteria which supports delivery of social and sustainable outcomes across prioritised SPF objectives. Generally prioritised objectives are those covering opportunities for Victorian Aboriginal people, women's equality and safety, opportunities for disadvantaged Victorians, and environmentally sustainable outputs – all of these are aligned with our strategic goals.

For lower value purchases, we seek quotations from capable local social enterprises, disability enterprises, or Aboriginal-owned businesses.

Major projects for infrastructure construction and maintenance routinely seek social procurement commitments for measurable outcomes as Key Performance Indicators, in many cases linked to incentives for rewarding delivering commitments and increased outcomes.

Opportunities for Victorian Aboriginal people

Our processes include securing social procurement commitments to engage Aboriginal and Torres Strait Islander owned businesses under our major contracts for infrastructure construction and maintenance, and directly purchasing from Aboriginal businesses. Melbourne Water is a platinum member of Kinaway Aboriginal Business Chamber of Commerce.

In addition, under our Walking Country Together leadership program we are engaged in funding and negotiating services with Traditional Owners ranging from cultural services and research through to engaging them for on-Country work. The Narrap Team of the Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation is regularly engaged on field service works for purposes of natural resource management.

In 2023-24, at a national level, Melbourne Water received 1,080 responses to requests for tender that were open to the market[27], four of which were from Aboriginal enterprises and three of which were accepted.

Women's equality and safety

In many procurements we undertake evaluations or seek commitments that ensure suppliers to Melbourne Water have in place best-practice gender equality strategies and family violence policies.

The Building Equality Policy (BEP) has been applied to construction projects value at $20 million or more since 2022. This sets project-specific gender equality targets for employment and training opportunities for women in non-traditional roles and the implementation of Gender Equality Action Plans (GEAPs).

Environmentally sustainable business practices and environmentally sustainable outputs

An increasing number of contracts for field services and for construction work, include contractual clauses for use of environmentally sustainable business practices.

Initiatives delivered by contractors that support circular economy principles included use of recycled high-density polyethylene corrugated drainage pipe, when the conventional design would be concrete, and use of recycled crushed glass for embedment instead of virgin mined sand.

[27] This includes request for tender issued through Melbourne Water e-procurement systems but does not include tendering through Vendor Panel to suppliers listed on State Purchase Contract (SPC) Registers and Panels, as quantitative data is not available for how many responses were received under SPCs.

Table 18: Achievements against defined SPF outcomes

SPF Objective	SPF Outcome	Reporting Metrics	2023-24 data
Sustainable Victorian social enterprises and Aboriginal business sectors	Purchasing from Aboriginal businesses	Number of Victorian Aboriginal businesses directly engaged	9 suppliers engaged
		Total direct expenditure with Victorian Aboriginal businesses (excl. GST)	$1.89 million
		Total indirect expenditure with Aboriginal businesses (excl. GST)	$5.93 million
	Purchasing from Victorian social enterprises and Australian Disability Enterprises	Number of Victorian social enterprises and Australian Disability Enterprises directly engaged	13 suppliers engaged
		Total direct expenditure with Victorian social enterprises and Australian Disability Enterprises (excl. GST)	$1.00 million
		Total indirect expenditure with Victorian social enterprises (excl. GST)	$1.84 million
Opportunities for Victorian Aboriginal people	Employment of Victorian Aboriginal people by suppliers to the Victorian Government	Total number of Victorian Aboriginal people employed by Victorian Government suppliers on Victorian Government contracts	61
Opportunities for Victorians with disability	Employment of Victorians with disability by suppliers to the Victorian Government	Total number of Victorians with disability employed by Victorian Government suppliers on Victorian Government contracts	3
Women's equality and safety	For all publicly funded construction projects valued at $20 million or more, the Building Equality Policy (BEP) replaces this objective. The defined outcome for the BEP is: improved gender equality within the construction sector.	Total hours of trade covered labour by women	0
		Total hours of non-trade Construction Award covered labour by women	1,351
		Total hours of management/supervisory and specialist labour by women	7,303
		Total number of apprentice and trainee hours worked by women	0
Opportunities for disadvantaged Victorians	Job readiness and employment for: • long-term unemployed people; • disengaged youth; • single parents; • migrants, refugees and asylum seekers • workers in transition.	Number of Victorian Government suppliers that employ disadvantaged Victorians on Victorian Government contracts	12
		Total number of disadvantaged Victorians employed by Victorian Government suppliers on Victorian Government contracts	24
Sustainable Victorian regions	Job readiness and employment for people in regions with entrenched disadvantage	Number of Victorian Government suppliers that employ people who live in regions experiencing entrenched disadvantage on Victorian Government contracts	2
		Total number of people employed by Victorian Government suppliers working on Victorian Government contracts who live in regions experiencing entrenched disadvantage	6

SPF Objective	SPF Outcome	Reporting Metrics	2023-24 data
Environmentally sustainable outputs	Project-specific requirements to use sustainable resources and to manage waste and pollution	Total number of contracts entered into with Victorian Government suppliers that have clauses relating to both sustainable resources and to manage waste and pollution	7
Environmentally sustainable outputs	Use of recycled content in constructions works	• Total number of contracts entered into with Victorian Government suppliers that have clauses relating to recycled content in construction works. • tonnes of recycled content specified in clauses in contracts or where not specified in tonnes, percentage of recycled content required; • measurement of recycled asphalt products used in asphalt surface • measurement of the repurposing of construction waste.	1
Implementation of the Climate Change Policy Objectives	Project-specific requirements to minimise greenhouse gas emissions	Total number of contracts entered into with Victorian Government suppliers that have a clause for project- specific requirements to minimise greenhouse gas emissions.	0
Implementation of the Climate Change Policy Objectives	Procurement of outputs that are resilient against the impacts of climate change	Total number of contracts entered into with Victorian Government suppliers that have a clause for procurement of outputs that are resilient against the impacts of climate change.	1

Ethical sourcing and Modern Slavery Statement

Melbourne Water's Board and leaders are committed to addressing the risk of modern slavery occurring through our operations and supply chains.

We have now lodged four consecutive Modern Slavery Statements (2020, 2021, 2022, and 2023). The next Modern Slavery Statement is due in December 2024, for the period ending 30 June 2024, and will update our risks, actions taken to assess and address those risks, effectiveness and progress.

Our most recent Modern Slavery Statement is available on the Attorney-General's Department website[28].

Melbourne Water has a range of mitigating actions in place to reduce risk of ethical workplace breaches or contributing to modern slavery through its own operations or engagement with suppliers.

A key enabling action during 2023-24 was upgrading our Modern Slavery Supplier Assessment tool to a cloud-based platform. This supplier assessment tool was developed in conjunction with other Australian Water Authorities in recognition of similarities in supply chains.

This tool is creating efficiencies in the gathering and assessment of supplier responses – a process which aims to improve assessments for modern slavery risks in the supply chain and better understand how our Tier 1 suppliers are managing upstream risk. Melbourne Water is targeting survey requests to suppliers operating in industry segments with higher perceived supply chain risk.

Since introduction of the tool in late 2023, Melbourne Water has achieved a 54 per cent response rate from 206 suppliers invited to provide responses.

The next area of focus is on improving the effectiveness of modern slavery risk assessments through the application into our third-party risk management framework, including a specific focus on supply chain risk exposure.

Efforts are continuing to promote awareness of our responsibilities through the implementation of policies and risk management processes and by providing awareness training to employees.

[28] https://modernslaveryregister.gov.au/statements/16506/

Appendix C – Bulk entitlements

The Victorian Government introduced bulk water reforms on 1 July 2014. These reforms introduced a 'source' and 'delivery' bulk entitlements model for Melbourne, with a seasonal determination process and rights to carry over unused water allocations from year to year. The four systems currently supplying Melbourne (Thomson River, Yarra River, Silver and Wallaby creeks and Tarago and Bunyip rivers) are collectively known as the Greater Yarra System – Thomson River Pool.

Melbourne Water is assigned the source bulk entitlements to the Greater Yarra System – Thomson River Pool. The delivery bulk entitlements to the Greater Yarra System – Thomson River Pool are assigned to Barwon Water, Gippsland Water, Greater Western Water, South East Water, South Gippsland Water, Westernport Water and Yarra Valley Water (the 'primary entitlement holders' [PEHs]).

As the storage manager for the Melbourne headworks system, Melbourne Water allocates water to the PEHs by making seasonal determinations to them. Melbourne Water also has the storage manager functions specified in section 122ZL of the *Water Act 1989* and the obligations specified in bulk entitlements for the Melbourne headworks system, water from the Victorian Desalination Project and those held by the Melbourne retailers in the Goulburn headwork system. The following table fulfils the reporting requirements in Melbourne Water's bulk entitlements.

Melbourne Water reporting obligation	Combined Yarra River, Silver and Wallaby creeks and Thomson River	Yarra River[2] (WSE000185)	Silver and Wallaby creeks[5] (WSE000018)	Thomson River[7] (WSE000168)	Tarago and Bunyip rivers[9] (WSE000041)
The amount of water taken by PEHs in 2023-24 (i) Total inflows[(a)]; (ii) Total storage volumes[(b)]; and (iii) Total outflows[(c)]	N/A	Clause 15.1 (a) (i) 236,396 ML (ii) 529,646 ML (iii) 297,497 ML	Clause 14.1 (a) (i) 1,305 ML (ii) No storage is available in Silver and Wallaby (iii) 1,305 ML	Clause 15.1 (a) (i) 154,194 ML (ii) 947,100 ML (iii) 191,370 ML	Clause 15.1 (a) (i) 30,383 ML (Tarago) 2,196 ML (Bunyip) (ii) 34,580 ML (Tarago) No storage is available in Bunyip (iii) 11,226 ML (Tarago) 2,196 ML (Bunyip)
Compliance with the diversion limit	449,445 ML[1]	Clause 15.1 (b) 256,770 ML[3]	Clause 14.1 (b) 5,909 ML[6]	Clause 15.1 (b) 191,370 ML[8]	Clause 15.1 (b) 11,651 ML (Tarago)[10] 2,192 ML (Bunyip)[11]
Any temporary/permanent transfer of this bulk entitlement	N/A	Clause 15.1 (c) Nil	Clause 14.1 (c) Nil	Clause 15.1 (c) Nil	Clause 15.1 (c) Nil
Any temporary/permanent transfer of a bulk entitlement which may alter the flow in the waterway	N/A	Clause 15.1 (d) Nil	Clause 14.1 (d) Nil	Clause 15.1 (d) Nil	Clause 15.1 (d) Nil
Any amendment to this bulk entitlement	N/A	Clause 15.1 (e) As per Bulk Entitlement (Melbourne Water – Gippsland Water Transfer Changes) Minor Amendment Notice 2023 published in Government Gazette S360 1 July 2023	Clause 14.1 (e) As per Bulk Entitlement (Melbourne Water – Gippsland Water Transfer Changes) Minor Amendment Notice 2023 published in Government Gazette S360 1 July 2023	Clause 15.1 (e) As per Bulk Entitlement (Melbourne Water – Gippsland Water Transfer Changes) Minor Amendment Notice 2023 published in Government Gazette S360 1 July 2023	Clause 15.1 (e) As per Bulk Entitlement (Melbourne Water – Gippsland Water Transfer Changes) Minor Amendment Notice 2023 published in Government Gazette S360 1 July 2023

Melbourne Water reporting obligation	Combined Yarra River, Silver and Wallaby creeks, Thomson River	Yarra River[2] (WSE000185)	Silver and Wallaby creeks[5] (WSE000018)	Thomson River[7] (WSE000168)	Tarago and Bunyip rivers[9] (WSE000041)
Volume of water made available to PEHs from seasonal determinations (on 1 June 2024)	N/A	Clause 15.1 (f)	Clause 14.1 (f)	Clause 15.1 (f)	Clause 15.1 (f)
		Greater Yarra System – Thomson River Pool[4] 151,337 ML (Greater Western Water, former City West Water BE) 182,511 ML (South East Water) 191,505 ML (Yarra Valley Water) 14,156 ML (Barwon Water) 2,946 ML (South Gippsland Water) 885 ML (Westernport Water) 885 ML (Greater Western Water, former Western Water BE)	N/A	N/A	N/A
Any new bulk entitlement of water granted	N/A	Clause 15.1 (g) Nil	Clause 14.1 (g) Nil	Clause 15.1 (g) Nil	Clause 15.1 (g) Nil
Any failures to comply with this bulk entitlement and any remedial action	N/A	Clause 15.1 (h) Nil	Clause 14.1 (h) Nil	Clause 15.1 (h) Nil	Clause 15.1 (h) Nil
Any difficulties experienced in complying with this bulk entitlement and any remedial action	N/A	Clause 15.1 (i) Nil	Clause 14.1 (i) Nil	Clause 15.1 (i) Nil	Clause 15.1 (i) Nil
Any other matters as required by the Minister	N/A	Clause 15.1 (j) Nil	Clause 13.1 (j) Nil	Clause 15.1 (j) Nil	Clause 15.1 (j) Nil

Note a: Total inflows for each of Melbourne Water's bulk entitlements include inflows to reservoir(s) and diversions from weirs available to Melbourne Water under its bulk entitlements.

Note b: Total storage volumes are as at 30 June 2024 for all reservoirs defined in each of Melbourne Water's bulk entitlements.

Note c: Total outflows are the volume of water diverted or released under each of Melbourne Water's bulk entitlements for consumptive and operational purposes. It excludes spills from reservoirs.

Notes for compliance with bulk entitlements

Combined Yarra River, Silver and Wallaby creeks, Thomson River

1. This is the volume diverted in 2023-24. The 2022-23 annual diversion (441,804 ML) was recalculated using the method approved by the Minister for Water in February 2018 for showing compliance with diversion limits for the Yarra River, Thomson River and Silver and Wallaby Creeks bulk entitlements and confirmed to be compliant with this method.

Yarra River

2. Melbourne Water holds the Bulk Entitlement (Yarra River – Melbourne Water) Order 2014 – WSE000185.
3. This is the volume diverted in 2023-24. The 2022-23 annual diversion (323,469 megalitres) was recalculated using the method approved by the Minister for Water in February 2018 for showing compliance with diversion limits for the Yarra River, Thomson River and Silver and Wallaby Creeks bulk entitlements and confirmed to be compliant with this method.

Greater Yarra System – Thomson River Pool

Greater Yarra System – Thomson River Pool

4. The Greater Yarra System – Thomson River Pool includes the following bulk entitlements held by Melbourne Water:
   a. Bulk Entitlement (Yarra River – Melbourne Water) Order 2014 – WSE000185
   b. Bulk Entitlement (Silver and Wallaby creeks – Melbourne Water) Order 2014 – WSE000018
   c. Bulk Entitlement (Tarago and Bunyip rivers – Melbourne Water) Order 2014 – WSE000041
   d. Bulk Entitlement (Thomson River – Melbourne Water) Order 2014 – WSE000168

Silver and Wallaby creeks (Goulburn Basin)

5. Melbourne Water holds the Bulk Entitlement (Silver and Wallaby creeks – Melbourne Water) Order 2014 – WSE000018.

6. Compliance with the three-year total diversion limit of 66,000 megalitres was assessed and confirmed using a three-year rolling total diversion.

Thomson River

7. Melbourne Water holds the Bulk Entitlement (Thomson River – Melbourne Water) Order 2014 – WSE000168.

8. This is the volume diverted in 2023-24. The 2022-23 annual diversion (117,093 megalitres) was recalculated using the method approved by the Minister for Water in February 2018 for showing compliance with diversion limits for the Yarra River, Thomson River and Silver and Wallaby Creeks bulk entitlements and confirmed to be compliant with this method.

Tarago and Bunyip rivers

9. Melbourne Water holds the Bulk Entitlement (Tarago and Bunyip rivers – Melbourne Water) Order 2014 – WSE000041.

10. Compliance with the Tarago River long-term average diversion limit of 24,950 ML was assessed and confirmed using a five-year rolling average annual diversion.

11. Compliance with the Bunyip River long-term average diversion limit of 5,560 ML was assessed and confirmed using a five- year rolling average annual diversion.

Melbourne Water's Maribyrnong Bulk Entitlement

Melbourne Water holds a Bulk Entitlement (WSE000117) to the water resources of the Maribyrnong Basin to supply irrigators diverting water from Jacksons Creek, downstream of Rosslynne Reservoir, and the Maribyrnong River between its confluence with Jacksons Creek and Shepherd Bridge.

Table 19: Compliance with the Maribyrnong River Bulk Entitlement held by Melbourne Water

Description	Clause
The volume of water taken by Melbourne Water to supply licence holders in 2023-24	Clause 19.1 (b), 175 ML
Compliance with the five-year rolling average annual bulk entitlement diversion limit of 1096 ML	117 ML
Melbourne Water's share of flow into Rosslynne Reservoir in 2023-24	Clause 19.1 (a,iii), 207 ML
Melbourne Water's share of storage volume in Rosslynne Reservoir at 30 June 2024	Clause 19.1 (a,ii), 1,781 ML
Transfer and operating losses within the system	Clause 19.1 (a,iv), 0 ML
Releases made from Rosslynne Reservoir to supply licence holders in 2023-24	Clause 19.1 (a,i), 0 ML
Releases from Melbourne Water's share of flow to meet minimum flows	Clause 19.1 (a,v), 165 ML
Any temporary or permanent transfers of the bulk entitlement	Clause 19.1 (c), nil
Any temporary or permanent transfer of the bulk entitlement which may alter the flow in the waterway	Clause 19.1 (d), nil
Alteration to volume of water under licences issued by Melbourne Water	Clause 19.1 (e), nil
Alteration to security of supply of entitlements under licences	Clause 19.1 (e), nil
Transfer of licences (number, amount and places)	Clause 19.1 (f), Yes (In total 20 licences were transferred to VEWH)
Any amendment to the bulk entitlement	Clause 19.1 (g), nil
Any new bulk entitlement granted to Melbourne Water	Clause 19.1 (h), nil
Implementation of metering program	Clause 19.1 (i), Yes
Any failures to comply with any provision of the bulk entitlement	Clause 19.1 (j), nil
Any difficulty experienced in complying with the bulk entitlement and if so, any remedial action taken or proposed	Clause 19.1 (k), nil

Appendix D – Compliance and enforcement: Private diversion licences

To maintain our waterway health, Melbourne Water continues to enhance our compliance and enforcement capacity. In alignment with the state government's commitment to a zero-tolerance approach towards water theft, we have implemented several initiatives to ensure compliance with water diverter obligations. These initiatives include:

- the appointment of two Authorised Water Officers
- the ability to issue penalty infringement notices for selected diversions offences resulting from the introduction of the *Water (Infringement) Regulations 2020*
- a continued partnership with Fines Victoria for the management of issued PINs (fines) which helps with the fine collection, reminder notices and enforcement of the fine if not complied with.

Private diversion licenses

Melbourne Water manages 1,810 licences to use water from farm dams and waterways in the Yarra River, Maribyrnong River, Stony Creek, Kororoit Creek, Laverton Creek and Skeleton Creek catchments. Water is mainly used for agricultural, industrial, commercial, domestic and stock purposes. The total number of 'take and use' licences (for uses such as irrigation) is 1,221 with a combined volume of 33,496.23 megalitres.

Melbourne Water applies permanent management trigger and restriction conditions enacted under the Diversions Drought Response Plan (A Water Sharing Plan for all Licenced Water Users) and licence conditions. Melbourne Water has not invoked any additional drought response measures outside of the plan during 2023-24. The table below details the licence type, number, volume and volume used for 2023-24.

Table 20: Licence type, number and volume used for 2023-24

Licence Totals	No. Licences	Volume (ML)	Metered Usage (ML)
Farm dam registrations	526	6,775.5	0
Farm dam licences	45	989.50	-86.59
Take and use licences Yarra	1,174	32,809.13	7,717.64
Take and use licences Maribyrnong	47	1,026.0	175.41
Stormwater licences	57	3,831.60	795.08
Environmental water licence	8	1,914.07	0

Compliance management

Melbourne Water has delegated power and functions to undertake compliance and enforcement activities under the *Water Act 1989*. Following an independent compliance and enforcement review undertaken in 2020, Melbourne Water has been working with DEECA to review and update compliance and enforcement strategies to ensure a coordinated, risk-based and consistent statewide approach to compliance and enforcement activities.

Our Healthy Waterways Strategy and Stream Flow Management Plans provide guidance on our compliance and enforcement priorities, which is further supported by our Compliance and Enforcement Statement. The Statement is available on our website[29] and outlines our approach to compliance and enforcement and was developed in line with DEECA's Non-Urban Compliance and Enforcement Guidelines for Water Corporations 2019.

[29] https://www.melbournewater.com.au/water-and-environment/water-management/waterway-diversions/water-use-compliance

Melbourne Water is committed to continuous improvement through adopting recommendations from the 2020 Independent Review into Compliance and Enforcement. During 2023-24, Melbourne Water continued to operationalise our Compliance and Enforcement Statement by undertaking the following priority actions:

- implementing system improvements to assist with our compliance and enforcement reporting capability and increasing automation of reporting
- upgrading meters to AS4747 meters as per our Meter Action Plan
- continuing the rollout of automated meter reading technology to provide near-time access to water extraction data
- continuing our communications campaign to build customer understanding of the zero-tolerance approach to improving compliance
- building the capability of our staff to deliver a zero-tolerance approach through additional training, including the Certificate IV Government Investigations and Penalty Infringement Notice Training and Customer Interaction training
- Upgrading the Diversions Licencing database to improve fines reporting efficiency for Auditor General requirements.
- appointing two Authorised Water Officers to support our ongoing commitment to zero tolerance on water theft.
- Participating in the DEECA-led Compliance Community of Practice, Water Compliance Communications Working Group, Authorised Officer Network, and Non-Urban Metering Working Group.

Compliance and enforcement actions

A summary of the investigations into non-compliances and their resolutions over the past three years is provided in Table 21. Due to increased telemetry installations there will likely be continued increase in the number of potential breaches detected.

Table 21: Compliance actions undertaken in the past three years

Item	2023-24	2022-23	2021-22
Potential breaches detected	109	42	49
Under investigation at the time of reporting	10	14	13
Dismissed (insufficient evidence)	0	0	0
No further action required	99	28	22
Verbal warning	0	0	2
Advisory letter	2	0	3
Formal warning or interview	3	0	9
Penalty Infringement Notice	0	0	0
s.151 Notice of Contravention	0	0	0
s.133 Notice of Entry	0	0	0
s.141 Lockdown	0	0	0
Prosecutions commenced	0	0	0
Prosecutions finalised	0	0	0

Metering activities

Melbourne Water has a zero-tolerance approach to unauthorised water take and a risk-based approach to licence management. To support this, we have developed and are delivering our Metering Action Plan, focused on continuing to improve the meter fleet with highly reliable Australian Standard AS4747 compliant meters and telemetry to provide real-time water usage data to Melbourne Water and our customers. This real-time data helps Melbourne Water with enforcement actions and strengthens our zero-tolerance approach. Rollout of our plan is progressing ahead of schedule, and we anticipate being fully compliant with the implementation program of the Victorian Metering Policy as 100 per cent of our active meter fleet have been upgraded to AS4747, which will be complemented by the installation of 260 telemetry devices on these meters by 2025 to reach this target. Our Non-Urban Metering Action Plan and its summary can be found on the Melbourne Water website[30].

[30] https://www.melbournewater.com.au/services/licences-and-permits/metering-pump-and-offtake-guidelines

Managing streamflow

Melbourne Water produces streamflow management plans, local management rules and a Drought Response Plan to document the way water is managed to ensure it is shared fairly between diverters and the environment.

During 2023-24, Melbourne Water maintained streamflow management plans for seven stream systems in the Yarra catchment. The plans aim to manage the water resources of the catchments, develop sustainable allocations for agriculture and other uses and maintain an environmental water regime to sustain waterway health.

We are also working with Traditional Owners to better engage on roles and opportunities in the Stream Flow Management Plan process and to build Traditional Owner cultural values into any future amendments to management plans. In 2023-24, Melbourne Water issued our first cultural water licence to the Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation.

Table 22: Summary of licensed metered sites as of July 2024.

Category	2023-24
1. AS4747 compliant meters	536
2. Existing contemporary meters (To be upgraded to AS4747 compliant meters as per our capital program by 2025)	0
3. Exempt meters	286
Total	**822**

The 822 Melbourne Water meters range in diameters from 25 to 450 millimetres in size, with most of the meters being in the 50 to 150-millimetre range. As of June 2024, we have 100 per cent of total required meter fleet compliant with AS4747 as per DEECA requirements a year ahead of schedule.

Melbourne Water also undertakes meter validations as per AS4747. This is done on each waterway every three years by a Certified Meter Validator. During 2023-24, there were approximately 221 meters validated on-site. In addition, Melbourne Water undertakes a program of regular maintenance of meters, including regular inspections.

Public information and education campaigns

To inform customers and promote our zero-tolerance approach to water theft, Melbourne Water continues several initiatives, including developing a compliance and enforcement web page, adding zero tolerance to water theft banners on invoices, having a compliance focus for the annual StreamNews newsletter, our officers in the field having conversations with customers and creating four fact sheets. These documents can be assessed on the Melbourne Water website[31].

Melbourne Water's compliance and enforcement is a risk-based strategy to ensure that resources are used efficiently, focusing more on areas where there are the greatest compliance risks. Our approach to compliance and enforcement is risk-based and responsive, so our actions reflect the seriousness of the offence. We are committed to:

- emphasising education, community engagement, technology and monitoring programs, to encourage and assist with compliance
- maintaining a clear and logical escalation pathway in response to detected breaches
- working in good faith with all parties and using our enforcement powers only when needed
- undertaking activities in support of our Compliance Communications Strategy, including:
  - participation in the statewide Water Compliance Communications Working Group supporting implementation of the statewide water compliance communications plan and collaboration with other rural water corporations
  - participation in the Australasian Environmental Law Enforcement and Regulators (AELERT) compliance Community of Practice – an Australia-wide working group
- updating our communications plan regarding compliance and enforcing key messaging
- continuing to update compliance information on our website
- continuing our interaction with licence holders in relation to their obligations and the importance of maintaining a high level of compliance
- collaborating with DEECA to refine and expand key messaging around zero tolerance and taglines for Zero Tolerance for Water Theft banner, which have been used on water bills, factsheets and newsletters
- building up working relationships with other statutory authorities that have a compliance role within our operational area.

[31] https://www.melbournewater.com.au/water-and-environment/water-management/waterway-diversions/water-use-compliance

Bans and restrictions

Melbourne Water is transparent about our water use compliance strategies, protocols, and compliance and enforcement activities.

In addition, during drought or low flow conditions, licenced diverters' access to water may be restricted or banned to protect the environment. Our Drought Response Plan is always active and specifies how water is shared when there is not enough to meet all users' needs. It states river flow levels which trigger restrictions or bans and how these are applied to different licence types.

These trigger points have been developed together with stream flow management plans or local management rules or plans.

The status of restrictions and bans for individual catchments is posted daily on Melbourne Water's website[32] and is available by calling Melbourne Water on 131 722 during business hours or via an automated SMS services to subscribed customers.

During 2023-24, we sent over 1,563 text messages to 279 subscribed customers advising them of waterway pumping restrictions and/or bans.

Table 23: Summary of bans and restrictions in 2023-24

Catchment	Restriction days	Ban days	Licence ban days	Days available
Arundel Creek	0	1	0	365
Cockatoo Shepherds Creek (SFMP)	0	0	0	366
Darebin Creek	0	78	0	288
Diamond Creek	0	115	0	251
Dixons Creek (SFMP)	0	125	213	28
Don River (SFMP)	0	0	0	366
Gardiners Creek	0	0	0	366
Hoddles Creek (SFMP)	0	111	0	255
Kororoit Creek	0	0	0	366
Little Yarra River (SFMP)	0	0	0	366
Maribyrnong River (All Year)	0	1	0	365
Maribyrnong River (Winterfill)	0	23	243	100
McCrae Creek (SFMP)	22	0	0	344
Merri Creek	0	0	0	366
Moonee Ponds Creek	0	1	0	365
Mullum Mullum Creek	0	30	0	336
Olinda Creek (Lower) – SFMP	2	0	0	364
Olinda Creek (Upper) – SFMP	0	18	0	348
Pauls Creek (SFMP)	0	109	213	44
Plenty River	0	33	0	333
Steels Creek (SFMP)	0	109	213	44
Stringybark Creek (Lower) – SFMP	0	187	0	179
Stringybark Creek (Upper) – SFMP	0	0	0	366
Wandin Yallock Creek (SFMP)	0	0	0	366
Watsons Creek	0	0	0	366
Watts River	0	0	0	366
Woori Yallock Creek (SFMP)	2	0	0	363
Yarra River (Lower)	89	2	0	279
Yarra River (Upper)	59	0	0	307

[32] https://www.melbournewater.com.au/water-and-environment/water-management/waterway-diversions/restriction-and-ban-status

Statewide key performance indicators

Unauthorised take performance is reported against statewide key performance indicators being:

- no more than 1 per cent of volume of total water take is taken without authorisation at any time
- no more than 3 per cent of accounts are to be in negative at any time.

Table 24 summarises performance against the Minister for Water's statewide performance targets. These key performance indicators show that we have met both in 2023-24.

Table 24: Unauthorised take key performance indicators

	ABAs [or licences]				Volume			
Year	Total number	Number of negative ABAs	ABAs%	ABAs % (Excluding <1ML)	Volume (ML) of water taken under corporation issued licences [1]	Volume (ML) of unauthorised Take	Volume %	Volume % (excluding previous FY)
2023-24	1,221	5	0.40	0.25	7,893.05	-15.93	0.20	0.20
2022-23	1,188	7	0.54	0.47	9,121.01	-85.90	0.94	0.94
2021-22	1,187	17	0.9	0.6	9,920.9	-55.1	0.5	0.5
2020-21	1,193	6	0.3	NA	9,939.1	-140.2	1.4	1.4

Note 1: Melbourne Water reads meters at the end of licence seasons and licensed take information is not captured quarterly.

Appendix E – Port Phillip and Westernport Catchment Condition Report 2023-24

This section of the Annual Report provides an assessment of the condition and management of the region's environment and a reflection on the likely impact of annual scale actions, events, and observed change within the previous year and over the previous three years. A key purpose of monitoring changes in the operating context is to help identify opportunities for adapting and changing the way we manage the environment.

The report is structured in line with the statewide outcome framework that links the regional outcomes sought by catchment communities, to the high-level policy outcomes of the Victorian Government and Australian Government. These are outlined in each Regional Catchment Strategy (RCS) (www.rcs.vic.gov.au).

In 2023-24 reporting focused on assessing the Catchment Management Authority's (CMA) contribution to the management of land and water resources. Reporting on condition indicators will be undertaken as part of the mid-term and final reviews of the RCS.

How to interpret this report

The assessment is based on a set of statewide indicators outlined in the RCS outcomes framework, augmented with regionally-specific indicators selected based on criteria, including availability and quality of data, and the linkages back to regional and policy outcomes.

Three types of indicators make up catchment condition and management reporting: contextual, management and condition.

Contextual indicators help to identify how external environmental factors may have influenced program delivery. The management assessment for each theme assesses the delivery of CMA programs and activities.

Reporting on management and contextual indicators is undertaken annually.

Reporting on condition indicators is undertaken less frequently, reflecting the timeframes to observe changes in the natural environment and the availability of the supporting data. The 2023-24 Annual Report includes a summary rating for catchment condition, building on previous years' assessments.

As much as possible, the reporting format attempts to provide a transparent path between the evidence and the assessment. The assessment is not definitive but applies to a point in time, based on the best available evidence.

Management rating*	Description
Above expectations	Delivery of activities and programs associated with this indicator is assessed as above expectations for the 12-month period (i.e. majority of activities delivered/ targets were met or exceeded)
Satisfactory	Delivery of activities and programs associated with this indicator is assessed as satisfactory for the 12-month period (i.e. targets for some activities were not achieved or the majority were almost achieved)
Below expectations	Delivery of activities and programs associated with this indicator is assessed as below expectations for the 12-month period (i.e. some critical activities/targets were not delivered, or the majority of activities/ targets were not delivered)
Not applicable	A management rating is not applicable for this indicator
Unknown	The rating for this indicator is not known or assessable

***Management** - where appropriate, a management rating is provided that is based on the delivery of planned activities and targets relevant to the theme.

Condition rating#	Description
Good	The condition is classified as good
Moderate	The condition is classified as moderate
Poor	The condition is classified as poor
Not applicable	A condition rating is not applicable for this indicator

 # Condition - where appropriate, a condition rating is provided that is based on the current state of the theme. A condition rating is based on assessments of the assets and pressures represented by the theme. The assessment is based on available science, expert advice and evidence gained during the preceding year.

6-year condition trend rating*	Description
▲	The condition is moving in a positive direction over the short to medium term pending ongoing management and environmental impacts.
●	The condition is in a neutral state over the short to medium term, and is considered relatively stable pending ongoing management and environmental impacts.
▼	The condition is cause for concern over the short to medium term, and will continue to decline pending ongoing management and environmental impacts.

The 6-year trend reflects change in condition over the short to medium term of the condition. The trend is assessed against the direction required to contribute to the achievement of regional outcomes.

2023-24 Catchment condition and management report

Theme	Condition		Management	Summary Comment*
	Condition rating	Trend rating		
Water (for the environment)	Poor	▼	Not applicable	Water for the environment is assessed as poor and the trend is concerned. Our reliance on rivers and dams in the Port Phillip and Westernport region to provide most of our water supplies has come at a cost to the environment and to Traditional Owners and has also affected recreational uses of waterways. Long-term water availability for the environment and river health is declining. Significant additional volumes of environmental water are required to avoid irreversible declines in river health, ensure the survival of native species and the health of water ecosystems[33]. The CGRSWS, released by DEECA in 2022, aims to improve water efficiency and use of manufactured water by returning river water to Traditional Owners and the environment. The targets set in the Healthy Waterways Strategy are supported by the CGRSWS, which aims to return a total of 31.3 gigalitres to rivers across the region by 2032[34].
Water (environmental flow compliance)	Not applicable	Not applicable	Satisfactory	A high level of environmental flow compliance was achieved for the Yarra and Tarago systems (as per targets set out in the Seasonal Watering Plan 2023-24). In the Werribee and Maribyrnong Rivers, 'critical' summer and autumn targets were met.
Water (wetlands extent)	Poor	▼	Not applicable	Wetland extent is considered poor, and the trend is concerned. Many of the region's wetlands have been modified for urban settlement and agriculture. Similarly, wetlands have been drained and modified to improve access, land availability, flooding control and amenity. Many inner Melbourne and coastal suburbs have been built on 'reclaimed' wetlands, and encroaching urban development continues to pose a threat to ephemeral wetlands[33]. Melbourne Water continues to amplify efforts to ensure sufficient protections are in place for natural wetlands, including strengthening urban planning and policy processes and natural wetland information. In 2022-23, progress was made in a research collaboration between Melbourne Water, Melbourne University and Deakin University to develop wetland habitat suitability models to improve our understanding of how best to support habitat for frogs and wetland birds. Protection of seasonal herbaceous wetlands features as an action in the RCS's Natural Resource Management Strategy Action Plan and considerable progress has been made to develop a natural wetland protection framework and tool[35].
Water (wetlands vegetation)	Poor	▼	Not applicable	The condition of wetland vegetation is currently considered poor (low) within the Werribee, Maribyrnong, Yarra and Dandenong catchments. Wetland vegetation is considered moderate within the Westernport catchment. The trend is concerned. Implementing programs to improve wetland buffers, vegetation condition and water regime is predicted to improve the vegetation value scores in the region[35].

[33] Refer to the Port Phillip and Western Port Regional Catchment Strategy: https://portphillipwesternport.rcs.vic.gov.au/

[34] Refer to the Central and Gippsland Region Sustainable Water Strategy: https://www.water.vic.gov.au/our-programs/long-term-water-resource-assessments-and-strategies/sustainable-water-strategies/central-and-gipps-sws

[35] Refer to the Healthy Waterways Strategy: https://healthywaterways.com.au/

Theme	Condition		Management	Summary Comment*
	Condition rating	Trend rating		
Water (extent of protected or improved riparian land (ha))	Not applicable	Not applicable	Satisfactory	Over 10,800 hectares of vegetation was maintained in 2022-23 and the Yarra, Werribee and Dandenong catchments are all well on their way to managing the areas required to maintain good habitat quality. However, the Maribyrnong catchment is slightly off-track, and Westernport is significantly off-track, particularly for managing areas of high-quality vegetation. Some of this result is due to the need to increase the area of vegetation we manage each year; finding ways to work safely in remote areas where high quality vegetation occurs has been challenging[36].
Land (soil health)	Good	●	Not applicable	The condition of soil health in the region is good and the trend is neutral. The condition and trends of soil health using parameters such as soil acidity (pH), phosphorous and nitrogen levels, soil salinity, soil compaction and microbial health have not been systematically recorded and mapped at landscape level. As a result, the percentage of exposed soil is used as a proxy for broad soil health and vulnerability assessment. Data has been collected and mapped nationally through the Australian National University. The data shows the proportion of exposed soil across the region over the past 20 years has been steady at between 10 and 15 per cent. This is relatively low when compared nationally[37].
Land (area of improved Agricultural Practices (ha))	Not applicable	Not applicable	Below expectations	Currently, Melbourne Water receives no funding to improve agricultural practices in the region. In future years, it is expected that Melbourne Water will deliver against this indicator based on National Heritage Trust funding.
Coast and Marine (vegetation)	Unknown	Unknown	Not applicable	The condition of the coastal vegetation has been assessed as unknown and the trend is unknown. The current environmental condition of the region's coasts is variable. Some areas retain high environmental values, while others have been heavily modified by urban development, coastal settlement and recreational use. In developing the Port Phillip and Westernport RCS, the region's coast has been divided into 11 zones delineated by significant changes in coastal characteristics and/or environmental values and where it is sensible to attach tailored environmental targets. Increased and ongoing vegetation surveys of these zones are required to determine trends and conditions conditions[37].
Coast and Marine (vegetation, pest herbivore and predator control and weed control [ha])	Not applicable	Not applicable	Below expectations	Melbourne Water continues to work with key stakeholders to restore estuarine and marine ecosystems within Westernport Bay, including mangrove restoration. Melbourne Water is planning major uplift in these programs over the coming years through the Environmental Contribution 6 (EC6) waterway health program.
Coast and Marine (water quality)	Good	▲	Not applicable	Coast and marine water quality has been assessed as good and the trend is positive. The EPAV has six monitoring locations in Port Phillip Bay. Conditions in Port Phillip Bay have remained relatively consistent since 2002, with overall water quality fluctuating between good to very good. Riverine inputs, particularly nutrients such as nitrogen and phosphorus, highly influence water quality in the northern part of the bay. However, mixing with oceanic waters from Bass Strait and the natural recycling of nutrients in the sediments maintain good water quality. The EPAV has two monitoring locations in Westernport. While rainfall can temporarily decrease water quality, conditions in Westernport have generally remained consistent since 2000. The small catchment inflow volumes and mixing with Bass Strait help to maintain good water quality in Westernport[38].

[37] Refer to the Port Phillip and Western Port Regional Catchment Strategy: https://portphillipwesternport.rcs.vic.gov.au/

[38] Refer to the Environment Protection Authority Victoria Annual Report Card: https://www.epa.vic.gov.au/for-community/monitoring-your-environment/monitoring-victorias-water-quality/report-card

2023-24 Catchment condition and management report (continued)

Theme	Condition		Management	Summary Comment*
	Condition rating	Trend rating		
Biodiversity (native vegetation)	Poor	▼	Not applicable	The condition of native vegetation in the region is poor and the trend is concerned. Before European settlement, approximately 1.28 million hectares was covered by diverse vegetation such as rainforest, woodlands, grasslands, heaths and marshes. Today, due to historical pressures such as land clearing and urban encroachment, an estimated 541,812 hectares of native vegetation remains (around 42 per cent of the region). A number of the ecological vegetation classes have been severely depleted in this region, including Plains Grassland, Plains Grassy Woodland and Box Ironbark Forest[39].
Biodiversity (native animals)	Poor	▼	Not applicable	The condition of native animals is poor and the trend is concerned. Over the past 200 years, this region was home to an estimated 627 species of native fish, amphibians, reptiles, birds and mammals and many smaller animal species such as insects. However, the diversity of native animal species has declined due to habitat loss, pest predation and other factors. This decline is indicated by an analysis of animal sighting data that calculated the probability that each species of native fish, amphibians, reptiles, birds and mammals was persisting in the Local Areas of this region at the end of 2016. In addition, a review of Victoria's threatened species list, completed by DEECA in 2021, found that an estimated 159 species of native animals known to occur in this region since 1980 are listed as threatened[39]. Melbourne Water is renewing its Biodiversity Conservation Action Plan (BCAP) to embed biodiversity conservation. The renewed plan will also expand on prioritising biodiversity assets and values within the National Resource Management Action Plan recently developed for the Australian Government. The BCAP will be important for Melbourne Water to support prudent and efficient investment decisions, enabling investment for the best possible biodiversity outcomes for the Port Phillip and Westernport Region and community.
Biodiversity (vegetation, pest herbivore and predator control and weed control [ha])	Not applicable	Not applicable	Satisfactory	In 2023-24, Melbourne Water collaborated with Parks Victoria to control feral goats on French Island and continued to lead efforts to eradicate feral cats from French Island through collaborative partnerships with Parks Victoria and French Island Landcare. Melbourne Water continues to support community groups, and land managers to reduce the impacts of environmental weeds across the region.

[39] Refer to the Port Phillip and Western Port Regional Catchment Strategy: https://portphillipwesternport.rcs.vic.gov.au/

Theme	Condition		Management	Summary Comment*
	Condition rating	Trend rating		
Community	Good	▲	Above expectations	The community condition is good and the trend is positive. Communities across the Port Phillip and Westernport region provide an immense pool of knowledge, skills, services and funds that play a vital role in achieving a better environment for the region. At the end of 2020-21, there were 85 Landcare groups, 13 Landcare networks and one council-hosted natural resource management network in the region. Approximately 500 other community environmental groups are active in the region, such as Friends of groups, Coastcare and Committees of Management, and many part-Landcare networks. These groups significantly benefit local areas and communities and collectively contribute substantially to improving environmental outcomes. In the 2021-22 Victorian Landcare Group Health Survey, 94 groups in the region reported 85,329 volunteer hours, equating to a value of $3.53 million in economic contribution to environmental volunteering based on a value of $41.72 an hour.
Integrated catchment management	Good	▲	Above expectations	Partnerships and Integrated Catchment Management (ICM) has been assessed as good and the trend is positive. In 2022-23, 22 formal partnerships (including partnerships with Traditional Owners) were established or maintained between organisations and individuals under Melbourne Water CMA initiatives through state and federal government funded programs. In 2023-24, Melbourne Water also developed an ICM pilot for the Watts River Sub-catchment. The pilot demonstrates the benefit of undertaking place-based and holistic catchment planning and delivery and identifies the opportunities generated through collaboration and coordination of multiple partner, agency and community activities.

*Reporting on management and contextual indicators is undertaken annually. Reporting on condition indicators is undertaken less frequently, therefore the 2023-24 Annual Report includes a summary rating for catchment condition building on previous years' assessments.

Appendix F – Environmental Disclosures

Emissions and energy

Organisational boundary

Melbourne Water calculates and reports on its energy and emissions data in accordance with the NGER (Measurement) Determination 2008. For the purpose of reporting to the Clean Energy Regulator under the NGER Scheme, Melbourne Water has four facilities under its operational control: Sewerage East Facility, Sewerage West Facility, Water Facility and Waterways and Other Facility (Corporate). This same boundary and the activities within it are used for the reporting of emissions and energy information within the Annual Report. Emissions and conversion factors used in calculations have been sourced from the National Greenhouse Accounts Factors: 2023[40] published by the Department of Climate Change, Energy, the Environment and Water.

Greenhouse gas emissions

Table 25: 2023-24 greenhouse gas emission performance, by service

Service delivery category	Greenhouse gas emissions (t CO_2-e)				Variance (%)
	2022-23			2022-23	
	Scope 1	Scope 2	Total emissions	Total emissions	
Water treatment and supply	21	39,921	39,943	41,844	-4.5%
Sewerage treatment and management	258,851	108,159	367,010	403,228	-9.0%
Transport	1840	36	1876	1777	5.6%
Waterways	113	843	956	2,437	-60.8%
Other (Offices)	0	271	271	295	-8.1%
Total emissions (a)	**260,826**	**149,230**	**410,056**	449,581	-8.8%
Carbon offsets (self-generated) retired	0	0	0	0	0.0%
Carbon offsets (other) retired	0	0	0	0	0.0%
Total offsets (b)	**0**	**0**	**0**	0	0.0%
Net emissions (a – b)	**260,826**	**149,230**	**410,056**	449,581	-8.8%

Table 26: Scope 1 and 2 emissions by greenhouse gas (in tonnes and converted to tonnes CO_2-e)

Service delivery category	Carbon Dioxide (CO_2) (t CO_2)	Methane (CH4) (t CO_2-e)	Nitrous Oxide (N2O) (t CO_2-e)	Other (t CO_2-e)
Water treatment and supply	39,942	0	0	0
Sewage collection, treatment, and recycling	108,160	207,032	41,945	0
Transport	1840	0	0	0
Waterways	971	0	0	0
Other (e.g. offices, depots etc.)	292	0	0	0
Total	151,205	207,032	41,945	0

[40] https://www.dcceew.gov.au/climate-change/publications/national-greenhouse-accounts-factors-2023

Electricity Consumption

Table 27: Total electricity consumption across our services

Service delivery category	2023-24 Total electricity consumption (MWh)	2022-23 Total electricity consumption (MWh)	Commentary
Water treatment and supply	59,505	57,178	
Sewerage treatment and management	281,112.70	287,153	
Waterways	1085.84	760	
Other (Offices)	369.76	443	This is from our corporate office at 990 La Trobe St only. Electricity use from other sites is included in 'Waterways'
Total	**342,073**	**345,534**	

Table 28: Total electricity consumption by source

Electricity source	2023-24 Total electricity consumption (MWh)	2022-23 Total electricity consumption (MWh)	Commentary
Purchased directly through an electricity retailer	188,900	218,254	Onsite solar farms and upgrades to our biogas handling plants have increased self-generation and reduced grid-purchasing.
Corporation-led/self-sourced activities and initiatives	153,174	127,280	
Not directly purchased but sourced from outside the organisation	0	0	
Total (by source)	**342,073**	**345,534**	

Table 29: Total Electricity Generation Capacity & Generation Reporting (Renewable)

Renewable electricity source	2023-24 Total on- site renewable electricity generation capacity (MW)	2023-24 Total on-site renewable electricity generated (MW) Renewable (Large-scale) system Consumed on-site	2023-24 Total on-site renewable electricity generated (MW) Renewable (Large-scale) system Exported	2023-24 Total on-site renewable electricity generated (MW) 2023-24 Total by source	Commentary
Biogas	25	116,147	14,772	130,920	
Hydroelectricity	36	77	46,880	46,957	
Solar	29	35,368	6,048	41,416	
Wind	-	-	-	-	
Other renewable	-	-	-	-	
Total renewable	**90**	**151,593**	**67,700**	**219,293**	

Table 30: Total other (Non-renewable electricity generation capacity and generation reporting)

Renewable Electricity Source	2023-24 Total on-site renewable electricity generation capacity (MW)	2023-24 Total on-site renewable electricity generated (MW) Consumed on-site	2023-24 Total on-site renewable electricity generated (MW) Exported	Other 2023-24 Total on-site renewable electricity generated (MW) Other	Commentary
Natural gas - electricity generation	9.31	1,581	0	1,581	ETP biogas generation (9.31MW) also operates on natural gas

Natural gas is used as a secondary fuel to optimise use of biogas generation capacity shown in Table 29.

Total energy use

Table 31: Total energy usage from fuels and electricity segregated by energy source, renewable and non-renewable and per FTE employee

Indicator	2023-24	2022-23
Total energy used in fuels (stationary & transportation) (MJ)	27,867,450	33,290,412
Total energy used from electricity (MJ)	1,231,464,240	1,554,328,800
Total energy used segmented into renewable and non-renewable sources (MJ)	1,259,331,690	1,587,619,213
Renewable (MJ)	580,165,670	768,906,041
Non-renewable (MJ)	679,166,020	818,713,172
Unit of energy used normalised by FTE (MJ)	951,085	1,318,620

Stationary fuel use

Sources of emissions from stationary fuel include natural gas used in some building's heating systems, diesel back-up generators at critical facilities and fuel-powered portable equipment. Melbourne Water collected data primarily through our fuel cards transaction history.

Table 32: Total stationary fuel use in buildings and machinery

Indicator	2023-24	2022-23
Total Fuels used in buildings and machinery (MJ)	2,334,944	4,003,601
Buildings	748,529	900,042
• Natural gas	748,529	900,042
Machinery	1,586,415	3,103,570
• Petrol	320,674	437,116
• Diesel	1,265,741	2,666,454
Greenhouse gas emissions from stationery fuel consumption (tonnes CO_2-e)	149	261

Transportation

Melbourne Water's fleet in 2023-24 comprised 524 vehicles essential to the provision of water, sewerage, waterways, and drainage and catchment management services. Of these, 64 per cent are goods vehicles used for operational purposes and 29 per cent are passenger vehicles for transporting staff to the wide variety of sites that Melbourne Water operate. In the last year, our percentage of passenger vehicles that are battery electric vehicles or Plug-in Hybrid Electric Vehicles has increased from 30 per cent to 43 per cent, as we continue our journey to a low carbon emission fleet. This year we expanded the boundary of our disclosures to also include our non-road transport vehicles which can be categorised as agricultural, excavation and marine.

Table 33: Number and proportion of vehicles owned by Melbourne Water segmented by vehicle category and fuel type

Indicator	2023-24	%	2022-23	%
Number and proportion of vehicles	524	100.0	419	100.0
Road vehicles	488	93.1	419	100.0
Passenger vehicles	150	28.6	115	27.4
• Petrol	80	15.3	79	18.9
• Diesel	5	1.0	2	0.5
• Plug-in Hybrid Electric Vehicle (PHEV)	12	2.3	0	0.0
• Battery electric	47	11.0%	34	8.1%
Goods vehicle	337	64.3	304	72.6
• Diesel	337	64.3	304	72.6
Non-road vehicles	36	6.9	-	-
Agricultural	18	3.4	-	-
• Diesel				
Excavation	15	2.9	-	-
• Diesel				
Marine				
• Petrol	3	0.6	-	-

Table 34: Total energy used in transportation and greenhouse gas emissions from vehicle fleet segmented by fuel type and vehicle category

Indicator	2023-24	2022-23
Total energy used in transportation (MJ)	26,060,408	29,286,812
Road vehicles	25,372,650	29,286,812
Passenger vehicles	3,795,417	3,758,948
• Petrol	3,369,542	3,586,952
• Diesel	261,396	161,155
• Battery electric	164,478	10,841
• Goods vehicles	21,577,232	25,527,864
• Diesel	21,577,232	25,527,864
Non-road vehicles	687,758	-
Agricultural	437,542	-
• Diesel	437,542	-
Excavation	210,786	-
• Diesel	210,786	-
Marine	39,429	-
• Petrol	39,429	-
Greenhouse gas emissions from vehicle fleet (Tonnes CO2e)[1]	1849	2053
Road vehicles	1801	2053
Passenger vehicles	282	256
• Petrol	227	242
• Diesel	18	11
• Battery electric	36	2
Goods vehicles	1519	1797
• Diesel	1519	1797
Non-road vehicles	48	-
Agricultural	30	-
• Diesel	30	-
Excavation	14	-
• Diesel	14	-
Marine	2	-
• Petrol	2	-
Total distance travelled by commercial air travel (passenger km)	**221,616.8**	**187,125**

Note 1: The difference between the total greenhouse gas emissions in this table and Table 4 relates to the exclusion of certain purchases made by general site cards that cannot be attributed to specific vehicle types.

Water and waste

Melbourne Water currently calculates its water consumption and waste disposal figures from data recorded at its corporate office building at 990 La Trobe St. This data is then extrapolated to create an estimate of consumption across the whole organisational boundary using FTE data. This method has been used as waste and water data at our corporate office was identified as having the highest data confidence across our portfolio of sites and also has the highest percentage of FTE. Melbourne Water is currently exploring new methods of reliable and accurate water and waste data capture across other sites in our portfolio.

Water consumption

There has been an increase in water consumption between 2022-23 and 2023-24. This can be attributed to a year-on-year increase in total FTE, specifically including a headcount increase of almost 150 people at our corporate office, which serves as the basis for our water consumption data.

Table 35: Total units of metered water consumed by water source and normalised by FTE

Indicator	2023-24	2022-23
Total potable water consumption by Melbourne Water (kilolitres)	707.8	519.5
Total FTE	1324.1	1204.4
Units of metered water consumed normalised by FTE	0.535	0.683

Waste and recycling

There has been a noticeable reduction is waste disposal including a decrease in the amount of waste disposed to landfill proportionate to the amount of waste recycled.

Table 36: Waste and recycling data

Indicator	2023-24	%	2022-23	%
Total units of waste disposed (kg and %)	24,216.3	100	39,148.0	100
Landfill (disposal)	12,226.6	50.5	24,271.8	62.0
Recycling / recovery (disposal)	11,989.7	49.5	14,876.2	38.0
• Food and garden organics	5,578.2		3,687.3	
• Paper and cardboard	4,018.4		10,207.7	
• Other mixed recyclables	2,393.1		981.2	
Number of office sites which are covered by dedicated collection services for[1]				
• Printer cartridges	1	6	1	6
• Batteries	0	0	0	0
• E-Waste	1	6	1	6
• Soft plastics	1	6	1	6
Total units of waste disposed of normalised by full-time equivalent (kg/full-time equivalent)	18.3		32.5	
Recycling rate		49.5		38.00
Contamination of standard bin contents (%)		3.0		7.40
Greenhouse gas emissions associated with waste disposal (t CO_2-e)	19.6		38.82[2]	
Landfill	19.6		38.8	

Note 1: Melbourne Water currently only has dedicated collection services at our corporate office building at 990 La Trobe St. This represents 6 per cent of our 17 office sites.

Note 2: An error was identified in the 2022-23 prior year disclosure of scope 3 waste disposal emissions, which has been amended in this report. It was previously disclosed that the 2022-23 result was 1286 t CO_2-e. However, it was found that this was utilising a scope 1 emissions factor which resulted in a significantly higher and erroneous result.

Sustainable buildings and infrastructure

In 2023-24, Melbourne Water did not acquire any new major assets or leases. Melbourne Water's corporate office building at 990 La Trobe St is leased from Charter Hall and achieved the following National Australian Built Environment Rating System (NABERS) ratings during the period.

Name of building	Building type	Rating scheme	Rating	Certificate expiry
990 La Trobe St Head Office	General Office Building	NABERS – Energy	5.5	Dec 2024
990 La Trobe St Head Office	General Office Building	NABERS – Water	6.0	Dec 2024
990 La Trobe St Head Office	General Office Building	NABERS – Waste	3.0	Oct 2024

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