



BUSSELTON WATER



ANNUAL REPORT 2020

busseltonwater.wa.gov.au



BUSSELTON **WATER**



To the Hon Dave Kelly MLA

Minister for Water

In accordance with Sections 60 and Clauses 35 and 36 of Schedule 3 of the *Water Corporations Act 1995*, we hereby submit for your information and presentation to Parliament, the Annual Report of Busselton Water Corporation for the year ended June 2020.

BUSSELTON WATER ANNUAL REPORT 2020

This report is a review of our performance for the financial year ending 30 June 2020. It informs our shareholder, customers, community and stakeholders about Busselton Water, our governance, the strategic priorities which have driven our activities during the year, and our operational and financial performance.

Helen Shervington

Chair
Busselton Water Corporation

Chris Elliott

Managing Director
Busselton Water Corporation

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OUR YEAR AT A GLANCE



HIGHLIGHTS



We expanded our bore numbers and pipeline network – delivering 5.3GL of high quality drinking water to 13,886 customers across our growing region. Our customer base also grew by 176 new properties.



Asset management was a key focus. We prepared for future growth through a \$2.7 million capital investment program – delivering energy savings and operational safety improvements, and creating efficiencies right across the business.

We proudly supported the community in which we operate – funding eight local groups in their cultural, youth, environmental, arts and sporting pursuits, and providing free drinking water for event patrons across our region.



We armed our business with the information we need to manage the impacts of climate change on our precious and finite water source. With our specialist partner, Rockwater, we developed a sophisticated, three-dimensional model of the Yarragadee and Leederville Aquifers to safeguard our water future.



Our commitment to retaining and attracting a highly-skilled workforce was resolute. We implemented our Workforce and Diversity Plan, extended our team's competencies and skills through training and development, and introduced our own online entry pathway to streamline our recruitment processes.



We launched our newest waterwise initiative, the Waterwise Garden Irrigator Program, and championed waterwise habits in our community, schools, and households. These efforts supported a reduction in average water consumption to just 104kL per person – well below target.



We extended our stellar safety record – achieving four years Lost Time Injury free early in the year and maintaining this performance. Our commitment to safety was recognised with a Safe Way Achiever Award for our safe work practices and safety management systems.



We successfully navigated the COVID-19 pandemic – ensuring uninterrupted service delivery to our customers while maintaining the health, safety and wellbeing of our team through robust policies and procedures.

FROM THE CHAIR

It is with great pleasure that
I present our Annual Report for
the year ending 30 June 2020.



There is no doubt that this year presented significant challenges for us all. The impact of the COVID-19 pandemic tested our resolve as a community and as a business – but also proved to be the catalyst for our adoption of new technologies, streamlined work practices and processes, and more robust risk structures.

Despite the challenges we faced – and due in large part to the dedication of our 32-strong team – we were proud to provide an uncompromised service to our customers. We produced 5.3 billion litres of fresh, high quality drinking water that was fully compliant with the health requirements of the *Australian Drinking Water Guidelines*.

Consistent with the expansion of our region, we connected 176 new properties to our network and invested \$2.7 million in vital capital projects, including

those that support a more energy efficient, sustainable water future.

These improvements – coupled with our unwavering commitment to embed waterwise behaviours in our schools, households and businesses – resulted in another significant reduction in water consumption, now just 104kL per person per year and well below target.

Pleasingly, the business also achieved another credible financial result, achieving a net profit before tax of \$1.72 million. A dividend of \$1.017 million was also paid to the State Government in December 2019, attributable to the 2018-19 financial year results.

Throughout the year, we were immensely proud to continue our long-standing support for our community, which we have served for more than a century. This included providing much-needed funds to eight new local groups to support their tireless work

and, for the first time, providing donations to local families impacted by domestic violence.

On behalf of the Board, I wish to thank Chris Elliott and his capable team for an outstanding performance over the past year. Your capacity, drive and flexibility during a very challenging year was simply remarkable.

I would also like to acknowledge the support and contribution of my fellow Directors for their expertise and efforts in serving the Busselton community. It is an absolute privilege to work alongside you all.

A handwritten signature in blue ink, reading 'H. Shervington'.

Helen Shervington
Chair

FROM THE MANAGING DIRECTOR

2019-20 will be the year we remember as the one that proved our ability to innovate and maintain a safe, efficient, essential service under challenging circumstances.



A strong focus on incident management is an ever present and important part of maintaining drinking water supply as an essential community service. In 2019-20, our incident management protocols proved their worth as we smoothly managed our response to the COVID-19 pandemic.

Financial performance of the business remained strong with 1.28% growth in our customer base to 13,886 customers, and \$12.2 million generated in water sales revenue.

Operationally, we worked to maintain the effectiveness of our assets through a planned capital and maintenance program that both broadened the capacity of our network and ensured the security of supply for our customers. A highlight was the commissioning of a new bore to our network that will ensure water demand during the peak summer and tourist period can be satisfied.

This year, we enacted a wealth of new health and safety procedures, offered a range of mental health supports for staff, and invested in training – all part of our commitment to the highest levels of safety. These actions contributed to yet another year without lost time injury and saw our industry-leading approach to safety recognised by the Industrial Foundation for Accident Prevention.

The year's achievements would not have been possible without the efforts of our dedicated team who has risen to the challenge and worked hard to deliver excellent results for our customers.

Our team is supported by an exceptional group of highly skilled specialist contractors across our operations and administration. Your dedicated contributions to our business performance are greatly appreciated, particularly the flexibility you provided to sustain safe and continuous operations during

the COVID-19 period. This includes our dedicated Customer Advisory Group members, whom I thank for their ongoing contribution to our business.

I also acknowledge the tremendous leadership, vision and commitment provided by our Board of Directors and thank you for your ongoing confidence and support.

Chris Elliott
Managing Director



OUR BUSINESS

Busselton Water is a local water provider based in Busselton, a major regional centre 220 kilometres south of Perth. We have proudly provided safe, sustainable and affordable water to our community and its surrounds since 1906.

We are owned by the Western Australian Government and accountable to its sole shareholder, the Honourable Dave Kelly MLA, Minister for Water. Our operating licence is issued by the Economic Regulation Authority under the *Water Services Act 2012* and is valid until 1 October 2021.

Our funding is generated from customer water sales, related services to customers (including land developers), interest on investments, reserve funding, borrowings and operating subsidies.

In 2013, Busselton Water was established as a water corporation under the *Water Corporations Act 1995* to further encourage opportunities to enhance our services and strengthen our financial sustainability and returns to Government.

Our operating area

Our operating licence (WL3, Version 7) authorises Busselton Water to provide potable water supply services.

We currently provide services to Busselton, and also to the residents of Dunsborough via a bulk water agreement with the Water Corporation.





Our services

Through our managed network of three water treatment plants, nine bores and 335-kilometre pipe network, we supply high quality drinking water to a local population of more than 28,000 people – rising to more than 50,000 people in peak tourist periods.

We service 13,886 customer accounts including residential, commercial, light industrial and special rural water users. We also sell bulk water to bolster supply in the adjoining Dunsborough licence area.

During the year, we assisted 3,646 residential customers with pensioner and senior rebates; concessions for leaks and bursts in the internal water reticulation system; exemptions in cases of special hardships; and discounts for concession holders in private rental tenancies.

Our water

The majority of Busselton Water's raw ground water is drawn from the Yarragadee aquifer – a major freshwater resource for the south west of Western Australia. We also abstract a smaller amount of water from the base of the shallower Leederville aquifer. Our

abstraction is regulated by licences issued by the Department of Water and Environmental Regulation.

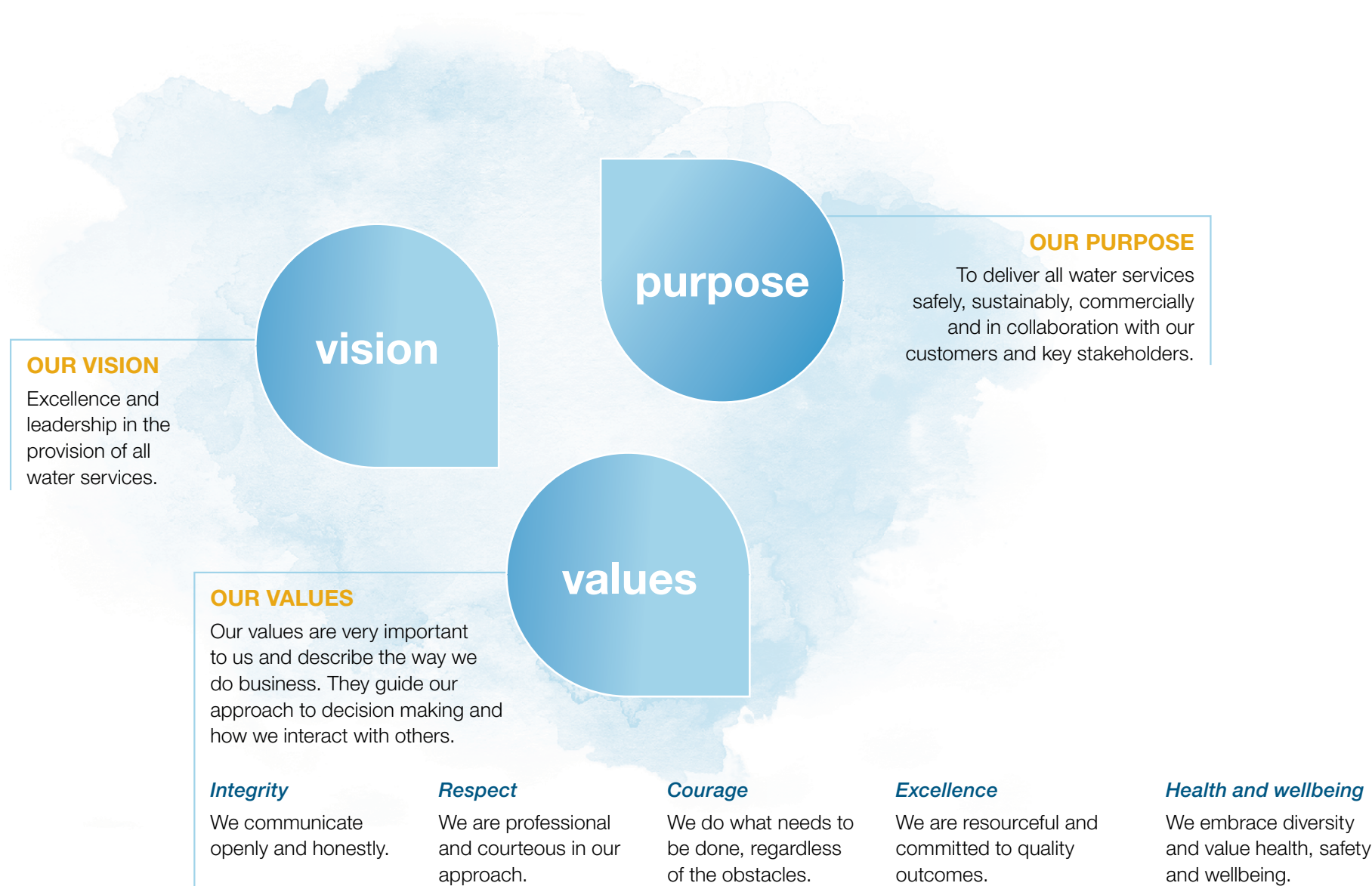
We filter and treat the raw groundwater at our local treatment plants to remove impurities and disinfect it – ensuring it meets *Australian Drinking Water Guidelines* – before distributing the water to our customers.

Our stakeholders

As a local provider, we are committed to an open dialogue with our customers and other stakeholders to ensure the business is informed and in touch with community opinions, concerns and issues.

We proactively engage with a range of stakeholders including customers, represented by the Busselton Water Customer Advisory Group, the City of Busselton, local businesses, community and service organisations, schools, industry organisations, and various State and Federal government agencies.

We value these relationships and continue to invest in our local community and raise awareness about our role and services through timely, targeted and relevant communication, education and partnership programs.



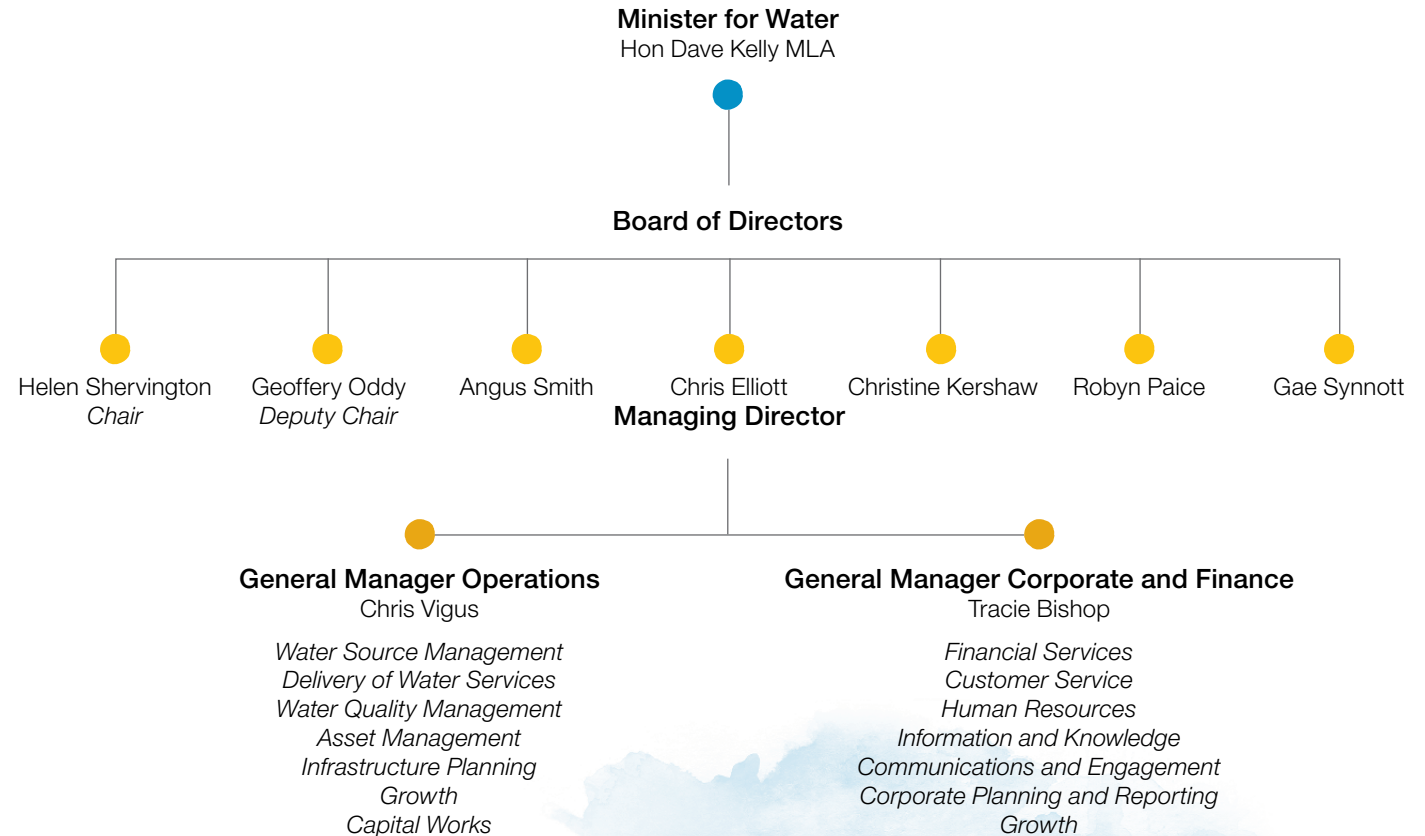
OUR CORPORATE STRUCTURE

Our core business activities are divided into two distinct streams – Operations, and Corporate and Finance – each headed by a General Manager reporting directly to the Managing Director.

The Managing Director is appointed by the Board of Directors, which has the legislative authority to perform the functions of the organisation and is ultimately responsible for legal compliance, corporate governance and risk management.

The Board responds to the Minister for Water and provides strategic direction and guidance to the Managing Director and Senior Executive. It establishes the setting for our corporate culture which enables Busselton Water to achieve high levels of performance and compliance.

Busselton Water employs 32 team members and engages external support and expertise as required.



OUR BOARD



Helen Shervington

OAM, BA (Hons), MIR

Chair

Helen Shervington was first appointed to the Board in October 2011 and elected Chair of the Board in July 2012. Ms Shervington has had extensive involvement with the water industry and is a former member of the Whicher Water Management Committee, Combined Shires Yarragadee Committee and the South West Development Commission. She is also a former member and Deputy President of the (then) Shire of Busselton. Ms Shervington's term expires in May 2022.



Geoffery Oddy

Dip Eng Surv

Deputy Chair

First appointed to the Board in 2014 and currently in his third term, Geoffery Oddy is a retired CEO of Aqwest in Bunbury. Mr Oddy served as interim CEO for Busselton Water in 2012 and has been a member of the Audit Committee since 2018. He is an active member of the Dunsborough community including membership of the local golf and country club. Mr Oddy's term expires in May 2023.



William Angus Smith

BCom, CA

A Chartered Accountant and Registered Tax Agent operating in public practice, Angus Smith was first appointed to the Board in 2013. A member of the Audit Committee since 2017, Mr Smith is also a past executive member of the Busselton Chamber of Commerce and Industry and Treasurer of the Busselton Sporting Association. Mr Smith's term expires in May 2022.



Christine Kershaw

BA, GradDipEd

Appointed to the Board in 2017 and reappointed in 2020, Christine Kershaw is a trainer and consultant with a background in urban and regional development and environmental management. Ms Kershaw is Chair of Cape Naturaliste College, former Chair of South West Catchment Council, a former Regional Landcare Facilitator and Steering Committee member, and Regional Development Australia (South West) Board member. She has been a member of the Audit Committee since 2018. Ms Kershaw's term expires in May 2023.



Robyn Paice

BSc (Hons), PhD

Appointed to the Board in September 2018, Dr Robyn Paice has extensive scientific experience and knowledge related to the investigation and restoration of aquatic ecosystems. Dr Paice is a consulting ecologist and teaches at Edith Cowan University. She brings to the Board her valuable experience in water policy and development together with extensive networks and understanding of local waterways. Dr Paice's term expires in May 2021.



Gae Synnott

BA, MBA, PhD

Dr Gae Synnott was appointed to the Board in September 2018, bringing more than 35 years' experience as a management and communications professional. Self-employed since 1997, Dr Synnott has a social sciences background and has worked across state and local government and a broad range of sectors including resources, infrastructure development, education, the arts, environment (waste and water), health, and sport and recreation. Key areas of her expertise include strategy, outcomes measurement, communications and culture. She is also on the Board of not-for-profit organisation, Starick. Dr Synnott's term expires in May 2021.



Chris Elliott

MBA, GDip Bus, BE (Hons), MIE Aust, CPEng

Chris Elliott was appointed as Busselton Water's Chief Executive Officer in January 2013 and then joined the Board in September 2018 as Managing Director. Under Chris' leadership, Busselton Water successfully transitioned through corporatisation to become a Government Trading Enterprise and has achieved a range of business successes and innovations. Mr Elliott has a passion for business excellence and brings both private and public sector senior executive experience and extensive knowledge of the water industry.

OUR EXECUTIVE



Chris Elliott

MBA, GDip Bus, BE (Hons), MIE Aust, CPEng

Managing Director

Chris Elliott has over 40 years' experience in management and professional engineering roles in the water and construction industries in both public and private sectors. Joining Busselton Water in 2013, his depth of water industry experience and passion for business excellence have combined to provide Busselton Water with the strong strategic leadership required to underpin its ongoing success. Chris is also a member of the Busselton Water Board.



Chris Vigus

BE (Hons), MIE Aust, CPEng, PMP

General Manager Operations

Chris Vigus brings over 40 years' experience as a water industry specialist backed by more than three decades working with WA water utilities in operations, maintenance, construction, project management and infrastructure planning. Before joining Busselton Water in 2018, Chris spent 14 years as an engineering consultant focusing on hydraulic analysis and development of associated software.



Tracie Bishop

BBA, CPA

General Manager Corporate and Finance

Tracie Bishop joined Busselton Water in April 2020, bringing extensive experience in local government and the private sector, predominantly in roles with a strong focus on finance and management. She is a Certified Practising Accountant with particular strengths in strategy and integrated planning, finance, governance, human resources, occupational health and safety, and environmental compliance. A proven leader, Tracie most recently held a senior management role for a regional shire, overseeing its corporate and community services division.



KEY BUSINESS RESULTS

Busselton Water excelled in its corporate performance in 2019-20.

The South West remains one of the fastest growing regions in the state. To support this growth and ensure future supply, we invested in a \$2.7 million capital works program during the year, maintaining a strong focus on innovation and continued improvement. Our financial results also reflect our ongoing commitment to meeting our customers' water needs in the most efficient manner.

In 2019-20, Busselton Water achieved a profit before tax of \$1.72 million and revenue of \$12.19 million (from \$13.6 million in 2018-19).

Our water sales generated \$10.09 million in revenue in 2019-20 (\$9.7 million 2018-19). Ex-plant production and sales are slightly down on last year due to impact of the COVID-19 pandemic.

A further \$2.1 million in revenue (\$3.91 million in 2018-19) was received from developer contribution, operating subsidies, interest on investments and other miscellaneous income.

Operating expenditure in 2019-20 was \$10.47 million.

Net accruals to Government

After 30 June 2020, the Directors proposed a final dividend payment of \$0.76 million for the 2020 year, payable on or before 31 December 2020.

In addition to the dividend payment, other accruals paid to the State Government annually include:

- a National Taxation Equivalent Return (NTER) payment equivalent of \$0.81 million, lodged with the Australian Taxation Office; and
- \$0.06 million being the equivalent of local government rates.

Payment received from the State Government is an operating subsidy of \$0.56 million for the provision of rebates to eligible pensioners and seniors within our community.

The Net Accrual to State Government when taking into account the dividend and accruals paid, less the operating subsidy, is a payment of \$1.06 million.

Debt and borrowings

Our capital program in 2019-20 was self-funded and no additional borrowings were required.

Investing in the community

All of Busselton Water's 32 employees live and work in the region, where they make a direct contribution to the social and economic growth of the community.

Busselton Water's procurement policies award additional weighting to local contractors and suppliers in order to support the local economy wherever possible. Tenders awarded to local contractors in 2019-20 for the delivery of services included pipelines, directional drilling and solar arrays.

Busselton Water also provided support to eight local community organisations in 2019-20, as well as a number of regional and tourism events that were supplied with free drinking water for patrons. We also continued our long-standing support for the Busselton Jetty Swim.

Investing in assets

Capital expenditure for the year was \$2.7 million. Investment focused on several key projects:

- providing power supply and equipment for Bore 21;
- installing stand-by electric generation at our largest delivery pump station (Plant 4);
- constructing a major pipeline between Fairway Drive and Queen Elizabeth Avenue;
- investigating and designing the change-over from fixed speed drive pumps at the Plant 2 to Plant 4 Transfer Station and Delivery Stations at Plants 1, 2, 3 and 4;
- completing a comprehensive three-dimensional model of the hydrogeology of the superficial, Leederville and Yarragadee aquifers in the Busselton area; and
- commencing the conceptual design of the future Plant 8 Water Treatment Plant and its new Bore 22.

At year end, all projects were complete other than the installation of the variable speed drive equipment into the Transfer Station and Delivery Stations.

Our financial results

Financial results (\$m)	2019-20 budgeted	2019-20 revised budget	2019-20 actual	Variance
Operating profit before income tax	2.17	2.17	1.72	(0.45)
Operating profit after income tax	1.39	1.39	0.91	(0.48)
Loan principal repaid	0.29	0.29	0.29	0.00
Capital expenditure	2.86	3.10	2.7	(0.4)
Net accruals to Government (\$'000s)				
Income tax equivalents (NTER)	784	784	807.46	22.97
Local Government rate equivalents	61	61	62.59	1.59
Dividends accrued*	1,187	1,187	757.44	(429.83)
Total accruals to Government	2,032	2,032	1,627.49	(405.27)
Less: Payments from Governments (Operating subsidies)	566	566	562.77	3.45
NET ACCRUALS TO GOVERNMENT	1,466	1,466	1,064.72	(401.82)
Financial performance measures (%)				
Return on fixed assets	1.85	1.84	0.90	(0.94)
Return on equity	1.83	1.82	0.96	(0.86)
Debt to equity ratio	0.73	0.73	0.58	0.15
Debt to total assets ratio	0.61	0.62	0.48	0.14

* Dividend declared for 2018-19 was 1,017.24 (\$'000s) which was paid in December 2019.

Our key performance outcomes

Strategic priority / outcome	2019-20 target	2019-20 actual	Result
Leadership			
Residential water efficiency target kL/pp/year	112	104	On target
Strategy and Planning			
SCI and SDP submitted to Minister	Meet 30 April deadline	SDP Approved SCI deadline extended due to budget timing	On target
Information and Knowledge			
Information and Knowledge Index	4	4	On target
People			
People Index	4	4	On target
WorkSafe and IFAP assessments	≥ Gold level	Gold level ¹	On target
Customer and Other Stakeholders			
Number of complaints per 1000 customers (rolling year average)	<10	2.6	On target
Process Management, Improvement and Innovation			
Business Excellence Index	4	4	On target
Results and Sustainable Performance			
Drinking water quality compliance with health standards	100%	100%	On target
Growth			
Number of new water services – for budget	100	176	On target
Number of new water services – for system capacity	210	176	On target

All key performance outcomes were on target for 2019-20.

¹ Gold level achieved for the IFAP Safe Way Achiever Awards this period. The WorkSafe Awards were planned to be announced in May 2020, but delayed due to COVID-19.

Management trends

Key performance Indicator	2015-16	2016-17	2017-18	2018-19	2019-20
Properties served (% per km of water mains)	39.8	40.2	40.5	40.7	40.9
Average annual residential water supplied (kl/Property)	288.0	274.0	269.0	265.0	261.0
Total number of water main breaks	23	23	32	30	25
Water main breaks (per 100 km of water main)	7.3	7.2	9.8	9.1	7.5
Total number of water quality complaints (per 1,000 properties)	3.8	1.1	1.3	1.1	1.8
Total number of water service complaints (per 1,000 properties)	0.0	0.0	0.5	0.5	0.3
Total number of account and billing complaints (per 1,000 properties)	0.0	0.2	0.3	0.4	0.5
Duration of unplanned water interruption (average minutes)	85.8	63.51	93.8	66.3	147.6
Incidence of unplanned water interruptions (average per 1,000 properties)	239.5	235.81	328.4	354.9	450.9
Economic real rate of return (% net water revenue/written down value of water assets)	6.0	4.2	6.5	3.5	1.5
Lost time injury frequency rate (LTI per million hours)	20.1	0.0	0.0	0.0	0.0
Lost time injury incidence rate (LTI per 100 workers)	3.1	0.0	0.0	0.0	0.0
% return on weighted balance of investments target AusBond Bank Bill (0.32%)	3.0	2.8	2.57	2.63	1.57

Properties connected per kilometre of water main provides information on the spatial density of properties served by water mains. For Busselton Water, our figure of 40.9 compares with approximately 58 for the Perth metropolitan area, and approximately 34 for the average of regional towns.

Our average annual residential water supply was 261kL per property, showing an encouraging trend towards improved water use efficiency.

The total number of water main breaks reduced this year to 25, though this number still reflects the aging of our infrastructure. The reduction resulted in 7.5 water main breaks per 100km of water main.

The duration of unplanned water interruptions increased to 147.6 minutes. Workforce safety considerations required two major mains failures to be repaired over two consecutive working days instead of attempting repair overnight.

Some polyethylene fittings historically used on water service connections are proving to be unsuitable for use with chlorinated water. Their regular, brittle failure is contributing to unplanned water interruptions increasing to 451 per 1,000 properties.

The number of water quality complaints remained very low at 1.8 complaints per 1,000 properties.

The number of water service complaints and account billing complaints remained very low at 0.3 and 0.5 per 1,000 properties respectively.

Both the lost time injury frequency rate (LTIFR) and lost time injury incidence rate (LTIIR) were maintained at zero for the entire year. Busselton Water's last lost time injury (LTI) was in July 2015.

Busselton Water assesses its investment performance against the AusBond Bank Bill. Busselton Water achieved a performance of 1.57%, which was better than the AusBond Bank Bill (of 0.32%).

OPERATING REPORT

STRATEGIC PRIORITY: **Leadership**



We are committed to developing and using leadership concepts, business processes and management systems to develop an organisational culture that is consistent with our values and to support our community and environment.

Leadership and governance

Audit program

A comprehensive audit program was completed during the year:

- our annual external audit program was undertaken by the Office of the Auditor General in June;
- an internal audit program was commenced by William Buck and Associates, with the final report to be presented to the Audit Committee in August 2020; and
- a Fraud and Misconduct Review was undertaken by BDO Australia, with the final report received in May and an action plan subsequently prepared to address the recommendations.

COVID-19

In the last quarter of the period, there was a strong emphasis on managing our response to the COVID-19 pandemic to enable uninterrupted service delivery to customers and maintain the health, safety and wellbeing of our team.

First reported in December 2019 in Wuhan China, the COVID-19 coronavirus was subsequently declared a pandemic on 11 March 2020.

On 16 March 2020 – the day after the Western Australian Government had declared a State of Emergency – Busselton Water announced a ‘corporate incident’ and established an Incident Management Team to coordinate all aspects of our response.

Guided by our Business Continuity Plan and our Board, Busselton Water’s Incident Manager carefully navigated through the period. Actions included:

- coordinating regular team meetings, most by remote means;

- preparing a weekly staff e-bulletin advising of critical information and updates, supported by a series of health and wellbeing information sheets to offer additional support;
- managing working-from-home arrangements to ensure all staff were appropriately supported;
- overseeing the development and implementation of new work instructions and procedures;
- regularly engaging with utilities, suppliers, contractors, agencies and industry to remain informed, contribute to the sector and state response, and ensure consistency with Government initiatives.

Staff, customer and contractor safety remained a priority and was meticulously managed and monitored during the period. A COVID-19 Safety Plan was implemented, and various changes to work practices that have been identified as beneficial will continue post-COVID.

Our response to COVID-19 required agility and commitment from our team – including managing physical distancing at our customer service counter and transitioning to working-from-home.



Society, community and environmental responsibility

Water use efficiency

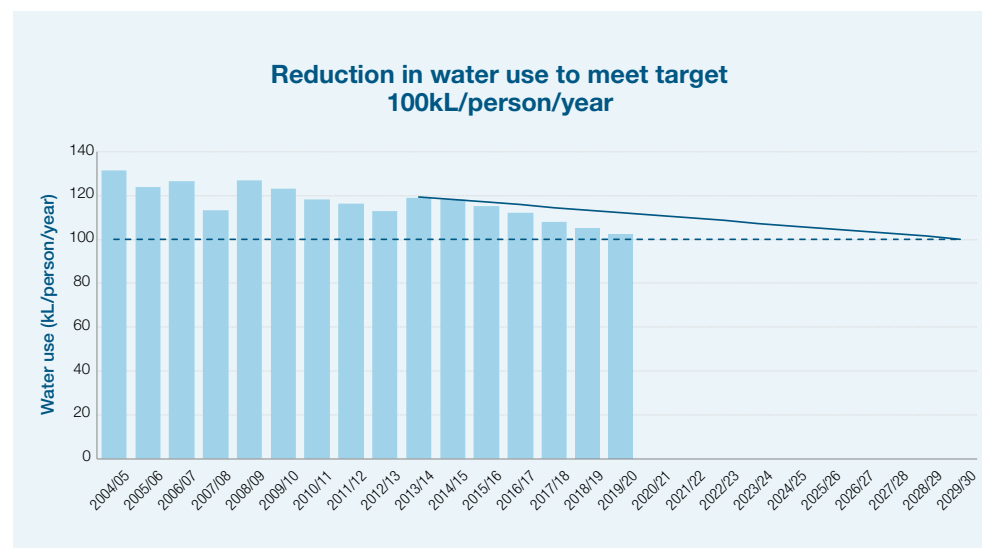
Responding to the impacts of climate change on our finite water source was the impetus for a range of waterwise education programs and other water efficiency initiatives during the period.

We continued to deliver our Water Use Efficiency Plan, maintaining our resolve to reach our consumption target of 100 kilolitres per person per annum by 2030. Despite ongoing regional development and population growth, this year the community achieved an average water consumption of 104kL per person for the year, compared to a target of 112kL.

Underpinning our water efficiency target was our range of waterwise programs. We worked to embed waterwise awareness and behaviour in the community, primarily through two major waterwise information campaigns being the summer waterwise campaign promoting the two-day sprinkler roster from November to March, and the 'Winter Sprinkler Switch Off' campaign from May 2020.

In partnership with Irrigation Australia, we were pleased to introduce our newest waterwise program. The Busselton Water Waterwise Garden Irrigator Program was launched in November and was well received by industry. Within the first three months, a number of local irrigators had signed up to the program and completed the eight-week online course, securing endorsement as a local waterwise irrigator. With these certifications now in place, plans have commenced to launch the program to customers in 2020-21.

A new pilot program was also commenced with Busselton Senior High School as part of our Waterwise Schools program. A water logger was installed at the school to allow the students to access water use data and complete a detailed water audit of the school campus, before brainstorming and implementing water-saving ideas.



A total of 178 school students between Years 2 and 7 also toured our Queen Elizabeth Street plant during the year prior to COVID-19 restrictions being put in place.

During the year, we issued 42 customers with water efficiency breach letters and provided information to develop an improved understanding of the need to preserve precious water resources.

We hosted an industry launch of the Waterwise Garden Irrigator Program attended by 23 local irrigators and local businesses, including local landscapers to tourism accommodation providers. Two local irrigators went on to officially pass their accreditation to become Waterwise Irrigators ahead of the public launch of the program next year.



Energy efficiency

Busselton Water's Energy Strategy progressed during the period, consistent with our commitment to further reduce our carbon footprint.

As part of a \$2.7 million capital investment program, we designed and procured the variable speed drives to be installed on our Plant 2 to Plant 4 transfer stations and all delivery stations. This conversion, when complete in early 2021, will allow the pumps to be slowed to match the pressure our customers need at any time of day, in turn reducing our energy consumption.

Our annual energy consumption was 3,133,920.06kWh, which is 5.02 per cent below the annual forecast consumption of 3,299,630kWh. Maximum summer temperatures play a key role in determining summer water demand and this directly affects our energy consumption.

This financial year, Busselton Water generated 136,307kWh (approximately 4.35 per cent) of our total annual consumption from renewable sources. Electrical energy efficiencies of ground water abstraction and treated water production were 0.56kWh/kL and 0.57kWh/kL respectively – both below our annual target of 0.59kWh/kL.

The Plant 2 solar system has produced 375,819kWh since commissioning, which represents approximately 59.8 per cent toward recovery of its capital cost.

Future projects planned under our Energy Strategy (including Plant 1 and Plant 3 solar systems) will be implemented progressively, reaching completion in 2024-25, after which a revised Energy Efficiency Plan will be appropriate.

Environment and sustainability

Sustainable procurement was a focus in 2019-20. Procurement procedures were updated to include sustainability as part of our supplier assessment matrix, with weighted evaluation criteria now included for:

- a supplier's Environmental Management System (five per cent weighting value);
- the expected life of supplied goods (five per cent weighting value); and
- the ability to recycle/reuse goods at end of life (five per cent weighting value).

Our Environmental Management System (EMS) was also drafted and delivered this year through specialist consultant, Stantec. The development of the EMS has created the framework that will support our environmental processes and improve our environmental performance – including guiding the future update of our 2017 Waste Management Plan.

We continued to deliver the actions of our Waste Management Plan throughout the year – including the ongoing use of Bokashi waste and recycle bins in our offices and minimising the use of paper through tablet use by field staff.

In September, we launched our BYO Bottle Program, aimed at reducing single-use plastic.

The program was enormously successful – we partnered with local event organisers to deliver and connect our two water fountains at 13 events during the year, providing more than 140,000 eventgoers with water to refill their bottles.



Risk management

As a business, our focus on strong risk oversight continued in 2019-20. Consistent with WA Government Risk Management Guidelines by RiskCover and ISO 31000:2009 Risk Management Principles and Guidelines, we maintained a robust risk management and control system to identify and assess material risks and report on their effective management.

In 2019-20, there were 12 incidents recorded in the Operational Incident Register, all of which were closed. The majority of these incidents were managed as routine repair events. Two cases received comprehensive incident management to coordinate workforce deployment, safety and advise customers impacted by service disruption.

Of particular note this year, the COVID-19 pandemic presented a substantial risk to Busselton Water's ability to service the community. In its raw form, the pandemic posed an extreme risk to the continuous provision of the essential service of on-tap, safe drinking water. To mitigate this risk, we rapidly developed and deployed operational changes that effectively ensured that drinking water would be available without compromise throughout the pandemic.

Supporting our local community

Our Community Partnership Program continued to thrive in 2019-20, providing much-needed funding for grassroots organisations across the region.

This year, we supported eight local programs in the areas of sport, youth development, disability services, community services, the arts and the environment. A total of 16 applications for funding was received, with the successful applicants awarded grants of between \$1,000 and \$3,600, being:

- **Acting Up! Academy of Performing Arts** – for two youth scholarships for those experiencing financial hardship.
- **Busselton and Dunsborough Wildlife Club Inc** – for 30 animal carriers and two catch nets.
- **Busselton Hockey Stadium Club Inc** – for a non-filtered drinking fountain.
- **Busselton Naturalists Club** – for fencing to support the revegetation of Ambergate Reserve.

- **Busselton Senior High School** – for the Waalitj Kaaditjin Aboriginal and Torres Strait Islander student engagement and capacity building program.
- **Geographe Education Support Centre** – for the purchase of two adult trikes to assist with learning and skill building capacity.
- **Disabled Surfers' Association South West** – to support its 'Let's Go Surfing' events.
- **West Busselton Primary School** – for a single bubbler refrigerated drinking fountain.



Busselton Water's support for the Waalitj Kaaditjin program at Busselton Senior High School saw 75 students don a distinctive new uniform.

"The new jumpers are a big part of our students' journey – they symbolise each student's belonging to the program and their wider community and country. The uniforms are something we've wanted from the start of the program but haven't been able to achieve until our partnership with Busselton Water."

Gwen Gray, Waalitj Kaaditjin program coordinator



STRATEGIC
PRIORITY:
**Strategy
and planning**



We are committed to establishing systems to set strategic direction (where we have come from, where we are going and how we will get there) and deploying plans to achieve our strategies.

Strategic planning process

In January, we implemented the 2019-20 cycle of our Strategic Planning Process, reviewing and re-establishing our shareholder expectation, vision and purpose, strategic priorities, current performance, opportunities and challenges, core strategies and values. This included a review of progress against the planned improvements in our eight Strategic Plans, with input received from all business areas.

As part of this annual planning process, a review of the Customers and Other Stakeholders Business Management System was also initiated this year, with a renewed focus enabled by the newly established position of Manager Customer and Community Relations.

Business continuity planning

Busselton Water's Business Continuity Plan sets out the principles, actions and resources for the initial response to any anticipated or unanticipated incident, as well as the continuity of critical business activities and ongoing recovery in the event of prolonged business interruption.

In March, following the declaration of COVID-19 as a pandemic, a major review was undertaken of this Plan, with a range of improvements made to better enable its implementation. These improvements focused our response to the COVID-19 pandemic and successfully guided the business in the last quarter of the year.

GTE reform

During 2019-20 we embraced the reform changes recommended for Government Trading Enterprises (GTE) with respect to our Statement of Corporate Intent and Strategic Development Plan. This provided us with the ability to respond within the context of existing protocols or emerging GTE reform models.



**STRATEGIC
PRIORITY:**
**Information
and knowledge**



We are committed to the effective application of the information and knowledge required to achieve our business objectives and the need for efficient and effective processes to acquire, analyse, apply and manage the information and knowledge.

ICT strategy

Information technology consulting service, Cirrus Advisory, completed an ICT Development Strategy for the business, allowing us to embark on a restructure and refresh of the information technology and systems that keep us operating as an effective and efficient water utility.

Digital Policy and security audit

Our Cyber Security Assessment Framework was completed and adopted this year, defining our obligations and performance standards, and facilitating the adoption of a best-practice procedural model within the business.

The Framework was supported by improved reporting structures for targeted phishing and heightened email security – both important pillars in our capability to quickly respond to cyber threats. These improvements became particularly relevant during COVID-19, which presented a 300 per cent increase in phishing attempts to staff – all of which were managed appropriately and without incident.

Both the three-year ICT Strategy and the Cyber Security Assessment Framework identified that data modelling and process mapping are key to understanding and developing efficient management programs for the business. A large program of work has been identified, including a multi-factor authentication project which is fundamental to increasing our cyber security maturity. This work was commenced this period and will continue throughout 2020-21.

Our Cyber Security Action Plan was also submitted to the Office of Digital Government in May in line with Government requirements.

Business continuity

A new Cloud-based (off-site) back-up service was implemented during the period, ensuring access to our networks at all times – reducing risk and supporting business continuity, particularly during periods of crisis.

SMS notifications

A new domain was registered to support our SMS notification system for planned outages, enabling customers to receive an SMS based on their specific location and notifying them of an upcoming outage in their area.

Record keeping

Our Record Keeping Plan was reviewed and approved by the Minister in October 2019 and was subsequently submitted to the State Records Office of Western Australia.

Intelligent Water Network (IWN)

The 12-month Ambergate trial has been extended until June 2021 to provide greater data analysis and hardware testing over a longer period. Investigations have continued with alternate IWN-enabled software which is scheduled for a pilot program in 2020-21.

Customer feedback

The final report and recommendations of the 2019 biennial Customer Survey were received this year. Pleasingly, customer perceptions showed significant improvement since the previous survey in 2017 and highlighted a number of positives for the business:



- 80 per cent of customers were satisfied with Busselton Water's service.
 - 91 per cent of customers who contacted Busselton Water said their matter was resolved, with 79 per cent satisfied with the way their matter was handled.
 - 83 per cent of customers believe it is easy to do business with Busselton Water.
 - 85 per cent of customers believe Busselton Water is an important part of the local community.
 - 79 per cent of customers believe Busselton Water does a good job at managing water resources.
- All customer ideas, feedback and concerns were reviewed and an action plan prepared to inform future planning and customer services.

STRATEGIC
PRIORITY:
People



We are committed to valuing our people and creating a great place to work; attracting the right people, developing their skills, engaging them and retaining them; establishing appropriate policies, systems, processes and tools that ensure people are engaged and make a meaningful contribution to organisational improvement, goals and successes.

Ensuring a great place to work

Health, safety and wellbeing

Our team's safety is a top priority for Busselton Water. We implemented a range of safety actions and improvements during the year:

- we continued our program of eliminating 'working at height' risks by installing stairs and roof handrails on the water storage tank at our Plant 4 on Bussell Highway;
- we modified the public footpath located at the exit of our Depot to improve visibility and ensure the safety of the many pedestrians, school children and cyclists using that path each day;
- we ensured our safety focus did not overlook the risks our assets pose in the public realm by adding barriers to prevent members of the community from using our water pipes to cross the several drains around Busselton;
- at our Depot storeroom and workshop, we replaced the heavy sliding doors that had to be opened manually with motorised roller doors;



- we expanded the staff car parking space at our Depot to provide safer movement;
- we provided staff with a range of mental health and wellbeing sessions and, during COVID-19 when anxiety and social isolation became more prevalent, a series

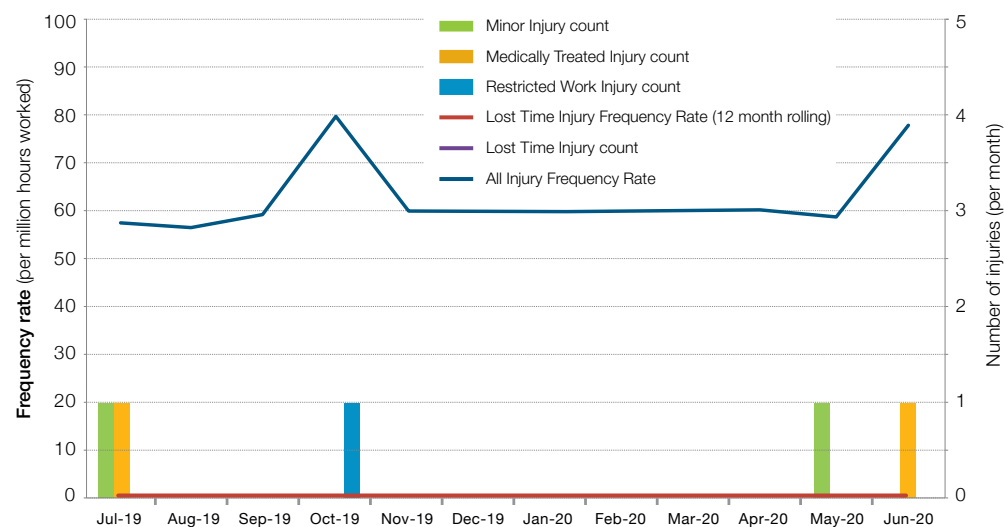
of information materials was also prepared to assist with personal care and mental health; and

- all staff were offered complimentary skin checks and flu vaccinations, with the uptake from our workforce being 85 per cent and 61 per cent per cent respectively.

In July, we commenced the year by achieving four years Lost Time Injury (LTI) free and we retained that performance throughout the entire year. This result can be credited to our strong focus on safety from executive decisions through to the work conducted every day in the field.

Five injuries occurred within the year. They resulted in the All Injury Frequency Rate increasing marginally through the year.

Our commitment to safety was recognised by the Industrial Foundation for Accident Prevention, awarding Busselton Water a Safe Way Achiever Award for our safe work practices and safety management systems (our fourth in as many years).





Performance management framework

As part of our planned improvements to our Performance Management Framework, the performance appraisal process was revised to clarify the expectations of 'personal safety plans' and foster more detailed discussions around the many factors which form and evaluate individual performance.

Enterprise Agreement

Busselton Water's Enterprise Agreement was rolled over for a further year, which incorporated a \$1,000 per year pay increase as per Government wages and remuneration policy.

Code of Conduct

Our Code of Conduct was monitored for compliance by the Senior Executive Group. No breaches of the Code were reported in the period.

BUILDING ORGANISATIONAL CAPABILITY

Workforce planning

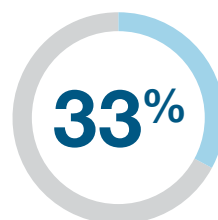
The implementation of our Integrated Workforce and Diversity Plan continued this year, with an emphasis on our succession planning for critical roles.

A staff questionnaire was completed for all staff over 55 years of age, focused on retirement planning. Responses from this survey will be collated and will be used to implement a succession plan for critical roles. This is intended to be commenced in 2020-21.

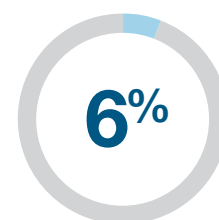
Workplace training and development

Staff training and development continued during the year to build competencies and skills and to ensure we meet our legislative and regulatory obligations. Training in the period included:

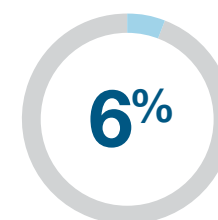
- infection control training (in light of COVID-19 requirements);
- resilience training;
- industry and innovation skills and awareness training through OzWater'20;
- records management system training;
- attendance at Safety Symposium 2019;



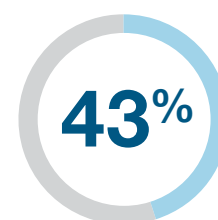
FEMALE
WORKFORCE



WORKFORCE FROM
A CULTURALLY DIVERSE
BACKGROUND



ABORIGINAL
WORKFORCE



MATURE AGED
WORKFORCE

- attendance at a Department of Communities' Hardship Utility Grant Scheme training session;
- a range of operational training including courses related to elevated work platforms, asbestos handling and removal, and operation of a vehicle loading crane; and
- attendance at the FOI in WA Conference.

This year, we also commenced a skills audit to inform our future training and development program to ensure staff are able to meet both personal and organisational goals.

Leadership coaching and development and team building exercises planned for this period were cancelled due to COVID-19 and will be revised in 2020-21.



Online recruitment

To support a more streamlined recruiting environment, we introduced our own online employment capabilities, integrated with our existing website. The new platform allows applicants to submit their full application online and directly to Busselton Water's Human Resources Officer, creating greater efficiencies and streamlining the application process for all involved.

We also continued to harness opportunities to seek and secure the highest calibre of applicants to join our team. Specialist consultants, Price Consulting Group, were engaged to assist the hiring of Senior Executive members, and LinkedIn was successfully used to promote Board and staff vacancies to a wider audience.

Records management

Our Record Keeping Plan was updated and continued to support the efficient and appropriate archiving of records during the year. Annual records management refresher training for staff was completed in November, facilitated by our records management partner Information Proficiency. Thirteen staff attended training.

STRATEGIC
PRIORITY:

**Customers and
other stakeholders**



We are committed to analysing our customer and other stakeholder requirements, using this knowledge, and managing our relationships to deliver increasing value to customers and other stakeholders.

Meeting our customers' needs

Improving the customer experience

To better understand and improve our customers' experience when interacting with Busselton Water, a customer journey mapping exercise was commenced this year.

Led by our Manager Customer and Community Relations, the process enabled the business to proactively identify any 'pain points' for our customers – allowing easy identification of any causes of irritation to allow revision of existing processes to correct these issues. Further customer journey maps are planned for 2020-21.

As part of our resolve to provide greater flexibility and in-person payment options closer to home and more accessible for our customers, over-the-counter payments of regular water accounts at Busselton Water's Administration Centre ceased in June.

The changes, though always planned, were expedited during the COVID-19 pandemic to preserve the safety of both our customers and staff. A major customer information campaign was implemented ahead of the changes, which informed customers of the many other ways to pay their water accounts.

Strengthening our social and digital platforms

Our social and digital platforms continued to gather momentum and reach. In 2019-20:

- our Facebook audience grew, with page likes increasing by 12 per cent and the page's 210 posts creating more than 8,700 engagements. Page reach more than doubled that of last year, averaging 23,500 people a month.
- in only its second year, the Busselton Water LinkedIn page was viewed 620 times and had 2,644 engagements from 31 posts.

- the Busselton Water website (including the MyBusseltonWater portal) has had more than 20,200 users visit close to 31,000 times (an increase on last year of 41 per cent and 50 per cent respectively).
- the MyBusseltonWater login page received 7,400+ visits and achieved more than 800 registrations in the first four months after its launch.
- eight e-bulletins, sent to a growing subscriber list of 2,163 customers, were opened more than 14,000 times and actively drove traffic to Busselton Water's digital channels more than 1,600 times.
- more than 20,000 SMS notifications were issued to customers, including those to advise of service outages, changes to over-the-counter transactions, and the winter sprinkler switch-off.



Enhancing MyBusseltonWater

Customer interest in MyBusseltonWater continued to grow following the application's launch in June 2019. Assisted by a strong promotional campaign in the first four months post-launch, registrations reached 7.8% of all water accounts by the end of the period.

Refinements to the application were made during the year, specifically to capture more complete data sets after extensive consumption data integrity testing highlighted the capacity for additional water use information to be collected. Customers will have access to the new data from August 2020.

In October, we were recognised by the Busselton Chamber of Commerce and Industry for our contribution to the community, awarded our second Business Excellence Award in as many years.



Stronger stakeholder networks

Across the year, we strengthened our local partnerships and extended our industry networks by:

- extending our working relationships with other water providers, including the Water Corporation and Aqwest;
- attending a number of the Busselton Chamber of Commerce networking events;
- participating in local and state committees, including the South West Water Industry Group, the quarterly Advisory Committee for the Purity of Water, the South West Infrastructure Group, the Southern Critical Infrastructure Security Collective, the Joint Interagency Working Party and others;
- participating in a number of forums hosted by the Water Services Association of Australia;

- attending two highly regarded water sector conferences – VicWater's Annual Conference in Melbourne and OzWater'20, the foremost water industry event in the country which was, for the first time, held online (due to COVID-19 restrictions). The online program enabled eight staff and Board members to participate in various sessions to inform future planning for the business.

Engaging with our community

Customer Advisory Group

Busselton Water's 10-member Community Advisory Group continued to be an invaluable source of information and feedback during the year.

Due to COVID-19 implications, the group was only able to meet in person on one occasion (in November 2019), but was otherwise engaged online through a number of electronic newsletters and short surveys.



Supporting those impacted by domestic violence

Our commitment to raising awareness of domestic violence and providing support to local services was extended in 2019-20.

As part of this year's 16 Days in WA to Stop Violence Against Women initiative, we:

- encouraged our team to wear orange to support an end to violence against women;
- hosted a guest speaker from Communicare's local domestic violence support service, Tuart House, to speak to staff at a special morning tea; and
- highlighted the statistics and impacts of domestic violence to our customers and community through our website and social channels.

For the first time, we also ran two community donation drives for local support service, Tuart House, with our Administration Centre acting as a community drop-off point for school supplies between November and January, and toiletries during March. More than 330 items were collected and gratefully accepted by Tuart House for its clients.

BUSSELTON SENIOR HIGH SCHOOL



National Water Week

In October, we celebrated National Water Week with a week-long community engagement program. Highlights of this year's event included:

- a public display to educate the community about Busselton Water's role and promote the National Water Week theme, *It's Time to Change the World*;
- the launch of the Young Water Warriors pilot program at Busselton Senior High School. Busselton Water installed a data logger to track the school's water use and allow students to take an active role in water management and efficiency. A total 120 Year 7 students participated in the program and, whilst there have been delays due to COVID-19 implications, are actively engaged in auditing the school's water use;
- a community competition to name Busselton Water's mascot, which resulted in close to 750 names suggested by the community and more than 1,000 votes for the winning name, Hydro, including votes from nine local schools in the region; and
- a United Nations Sustainable Development Goals' art competition with three local schools showcasing how, as a community, Busselton could ensure the availability and sustainable management of water and sanitation for all.



STRATEGIC
PRIORITY:

**Process
management,
improvement and
innovation**



We are committed to supplying value to our stakeholders through our processes and to encouraging innovation and improvement in our processes, therefore improving the quality of outputs.

Managing our water

Water quality

In 2019-20, we extracted 5.6GL of groundwater and produced 5.3GL of drinking water.

Our commitment to achieving full compliance with health related and non-health related water quality criteria in the *Australian Drinking Water Guidelines* (ADWG) is firmly established and reflected in our exceptional water quality results in 2019-20:

Health related characteristics	% compliance with MoU
Escherichia coli	100
Naegleria	100
Chemical	100
Pesticides	100
Radiological	100

Our performance was guided by our Memorandum of Understanding (MoU) with the Department of Health, which was updated to reflect compliance with the 2018 Australian Drinking Water Guidelines. Our Water Quality Committee met quarterly with the Department of Health to review water quality results and discuss any relevant matters.

We maintained rigorous processes to ensure the delivery of safe, high quality drinking water to our customers, including an extensive water sampling program which resulted in 4,450 water quality tests being taken throughout the year.

There were 25 water quality complaints received during the year, relating to taste, discoloured water and a very small number of customers exploring potential causes of itchy skin.

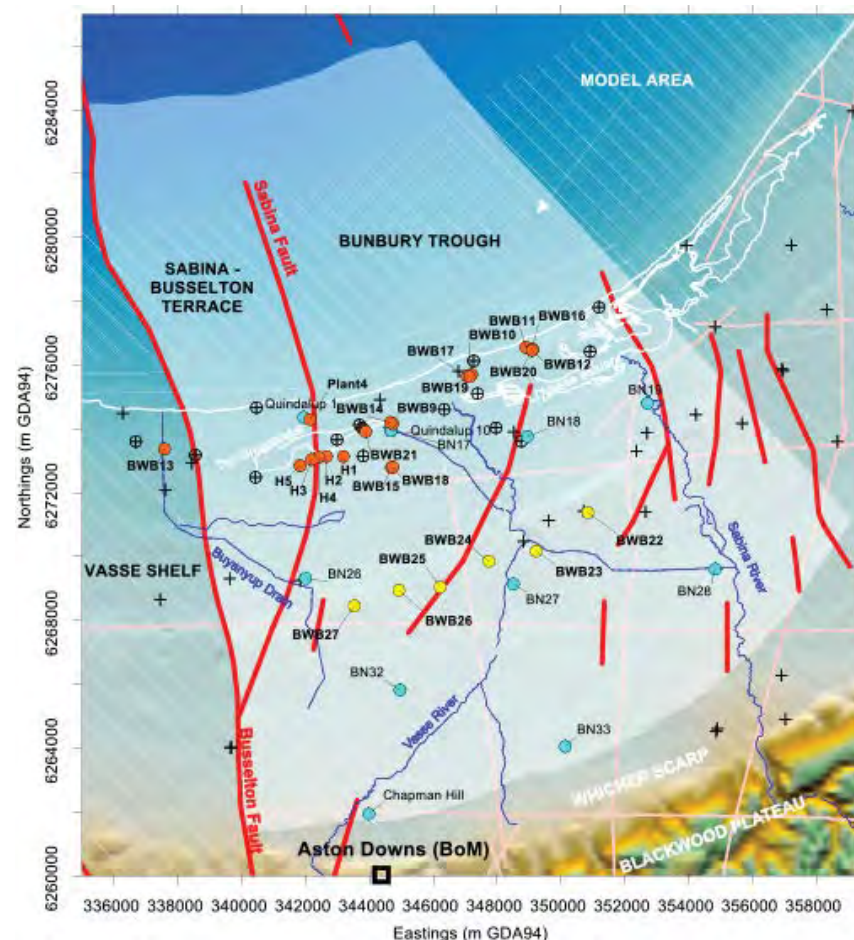
Water resource management

Forward planning to respond to the impacts of climate change and its effect on groundwater resources in the South West region was a focus in 2019-20.

Declining annual rainfall due to climate change is reducing recharge into the groundwater aquifers, while rising sea levels are changing the balance of freshwater flows towards the ocean. Together with the region's drying climate, this saltwater intrusion and abstraction from coastal bores pose considerable future threats to our groundwater supply. Busselton Water is addressing these challenges through the proposed migration to an inland borefield treated at a future Plant 8.

This year, with assistance from hydrogeological consultants, Rockwater, and the Department of Water and Environmental Regulation, we completed a three-dimensional model of the Busselton portion of the superficial, Leederville and Yarragadee aquifers, taking into consideration climate change effects.

This complex exercise assembled detailed information (including geology, seismic survey readings, bore construction logs, abstraction histories, computer predictions of ground water pressures and water levels, rainfall, sea level rise and more) to create a model approximately 20 kilometres wide, 23 kilometres long and one kilometre deep. The sophisticated model was then used to forecast the aquifers' response to growth in Busselton and Dunsborough/Yallingup over the next 30 years.



Capital works program

In 2019-20, we delivered a \$2.7 million capital works program:

Capital Works Program	2019-20 Actual \$'000
Office Equipment / Information & Knowledge	0
Building, Land and Land Improvement	141
Plant and Machinery	1,030
Motor Vehicles	166
Meters	391
Mains & Services – New Developments	7
Mains & Services – New Major Mains	367
Mains & Services – Upgrade Existing	570
Total	2,672

Plant 8 design

Informed by Rockwater's aquifer modelling, Busselton Water was able to work with partner GHD to define the agreed 'Basis for Design' for a future Plant 8.



Variable Drives Program

Variable speed drives were designed and procured for our Plant 2 to Plant 4 transfer station and all delivery stations. Installation will be complete early in 2021, allowing the pumps to be slowed in line with customer demand. The improvements will help to build efficiencies and reduce energy consumption.

Bore 21

A new bore (Bore 21) was constructed and commissioned in the period. This additional bore will ensure sufficient supply of water on hot summer days when the local population swells with tourists and daily water demand jumps to four times the daily winter usage.

This work included the completion of the pipeline for the water main between Fairway Drive and Queen Elizabeth Avenue in West Busselton, including the pipeline crossing of the Vasse Diversion Drain.



Electro-chlorination unit

Our new disinfection unit which produces sodium hypochlorite from table-grade salt was commissioned at Walpole Loop Yalyalup in July, ensuring supply to the Busselton Margaret River Airport is the same high-quality water delivered to the rest of Busselton.



Managing our assets

Triennial Operating Licence review

In July 2019, the Economic Regulation Authority (ERA) delivered its decision that Busselton Water has demonstrated adequate compliance with its Operating Licence obligations and has an effective asset management system. The ERA decided to maintain the audit and review period at 36 months, with the next audit and review to cover the period 1 April 2019 to 31 March 2022. Busselton Water notified the ERA in January 2020 that all improvement actions in the post audit review implementation plan were complete.

Annual Audit

Following the annual audit a few minor recommendations for improvement were identified and implemented. Of significance was a recommendation for the Asset Revaluation Reserve to be analysed by Asset Class, and new general ledger accounts created to better track asset revaluations within the asset classes.

Asset maintenance

Busselton Water maintained, operated and managed nine bores, three water treatment plants, five storage tanks and 335 kilometres of distribution mains to supply high quality water to our customers. We extended our pipeline network by six kilometres this year and carried out maintenance and upgrades to our water treatment plants, ensuring our water treatment system was fully available and reliable. During the year, all three treatment plants operated normally.

This strong attention to asset condition and maintenance, risk management and improved efficiencies, resulted in:

- the construction of a pipe storage shed with racking to improve the efficiency and protection of the many pipe sizes we stock in readiness for the next unplanned pipe repair;
- new techniques and learnings about the advantages of vacuum excavation, particularly for rectifying small holes on customer service breaks. The process is faster, safer and more accurate, and results in less spoil on a customer's front verge;
- replacement of seven sections of degraded asbestos cement pipe with new PVC pipe to reduce the incidence of bursts in Bower Road, Costello Road, Marine Terrace, Geographe Bay Road, Backhouse Street and Pettit Crescent.

- a physical security review conducted of all Busselton Water plant sites and offices to ensure staff and public safety and preclude unauthorised entry.





Leak detection

As part of our comprehensive leak detection program, our contractor Leak Search inspected 83 kilometres of pipeline in the Geographe, Bovell and Yalyalup areas to identify concealed underground water leaks to reduce water wastage and improve asset reliability. We assess one third of our mains network each year. A total of 44 leaks were detected with an average loss of about 5kL per hour, equating to savings of 43ML per year.

Busselton Water's radio frequency meters can also detect continuous water flow greater than two litres per hour, which may be the first indication of a hidden leak on a customer property. During the reporting period, 986 letters were issued to customers per billing cycle to advise of a potential leak.

We also continued our partnership with Telstra through our Ambergate water meter trial, which commenced in June 2019. The trial provides a test case for the development of Telstra's water management system software. The ability to combine daily consumption readings from a district zone meter as well as individual customer water meters within that zone, backed by encrypted, secure cloud-based software analytics, also provides a substantial advancement in capability for Busselton Water to detect leaks. The trial continued throughout the year, with results for this period now being assessed. The program will continue for a further 12 months.



Driving innovation

Innovation workshops

Our inaugural series of annual innovation workshops was held in September. All staff participated in the workshops, which was focused on uncovering the opportunities and challenges of today and the future, including assessment of trends and disrupters.

Workshop participants evaluated a selection of business processes in which they are regularly involved. They were asked to score the process against two parameters; (a) the level of efficiency currently seen in the business and (b) their perception of whether our approach was obsolete, contemporary or leading edge.

The findings from the workshop revealed a spread of assessments, but on a weighted-average basis, the business scored well above target. Those results that were below-target were subsequently used to inform our improvement planning process.

Innovation is embedded in our culture – driven by all staff at all levels of the business. Busselton Water's Treatment Plant Operator, Rick Blythe was recognised and rewarded for his safety innovation. Rick designed and fitted a chlorine cylinder yoke to prevent movement of emergency shut-off devices.



STRATEGIC
PRIORITY:
**Results and
sustainable
performance**



We are committed to achieving excellent results and using effective methods to monitor and demonstrate performance, and review and improve performance.

Reporting requirements

Busselton Water successfully delivered on all reporting framework requirements in 2019-20.

We provided quarterly and annual reports to the Minister for Water detailing performance and progress towards the commitments set out in our *Statement of Corporate Intent*.

Monthly management reports informed the Senior Executive Group on performance and progress towards our objectives, with this information also used by the Managing Director in reports to the Board of Directors.

Our 2018-19 Annual Report was tabled in Parliament on 18 September 2019. Our 2019-20 *Statement of Corporate Intent* was tabled in Parliament on 27 June 2019.

We also submitted our annual report on our compliance with performance standards set out in our operating licence to the Economic Regulation Authority.

The Key Business Results section of this report shows 2018-19 results in our Financial Performance, Business Performance and Management Trends, with these results showing targets were met at a consistently high level with no significant variances.

Performance targets

We reviewed our key performance indicators for our *2020-21 Statement of Corporate Intent*.

As part of the KPI review, new indices were established for:

- *People*, comprising of four elements being code of conduct, performance management, learning and development and staff turnover; and
- *Information and knowledge*, comprising of four elements being Freedom of Information requests, enforcement of cyber security controls (breach reporting), support tickets logged and closed out, and achievement of the ICT budget/forecast.

Each element has a rating scale of 0 to 5. To achieve the maximum index score, each element must achieve a rating score of 5.

Organisational capability assessment

A preliminary assessment of our organisational capability was completed during the period. It identified those team members that have the capability to work within other areas of the business. With this preliminary assessment completed, an assessment of critical positions, training opportunities and timeframes can progress. This work, along with our succession planning, was halted with the arrival of COVID-19.



STRATEGIC
PRIORITY:
Growth



We are committed to growing our business by expanding and diversifying our existing water services.

Our region continued to grow in 2019-20, defying the downward trend observed in other parts of the state. Locally, small scale developments slowed to the occasional subdivision, whilst a larger development of more than 50 lots in Vasse continued during the year.

We connected 176 new customer properties to our network and supplied 5.3GL of drinking water – which matched last year's volume of water supplied.

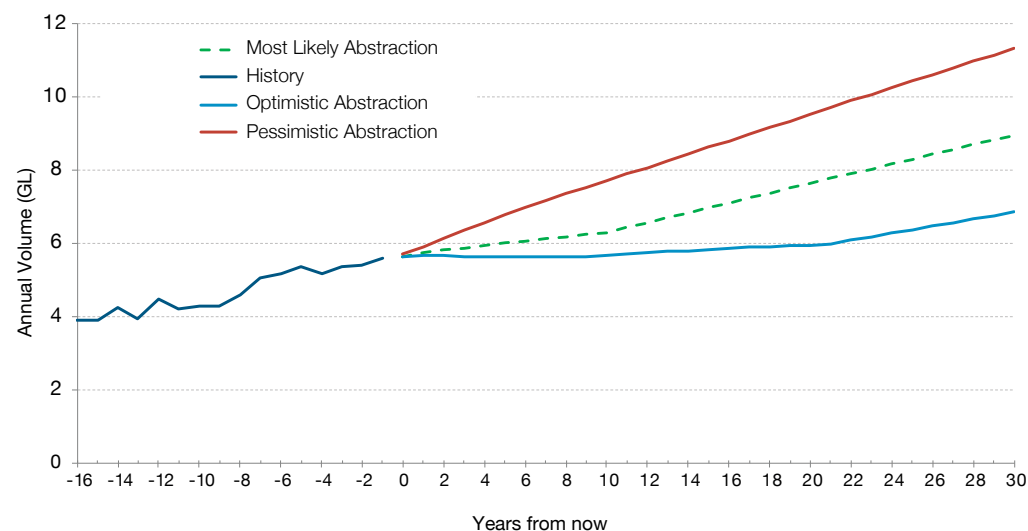
Pleasingly, despite overall growth in the region, the average volume of household water use reduced by 4kL per household, from 265kL to 261kL per year.

We also continued our long-term agreement with the Water Corporation to augment Dunsborough's water supply on an as-required basis, resulting in 312,262kL of water exported to this area, an increase of 6,194kL on the previous year.

Long-term forecasts indicate our region will continue to grow. Busselton's residential population is anticipated to reach 68,000 by 2050 and demand for water is set to more than double to between seven and 10 billion litres per annum over the next 30 years.

Mindful of this growth and our role in managing our finite water supply for future generations, Busselton Water undertook scenario planning during the year, assessing high and low growth scenarios for the region.

Analysis included the development of a 30-year forecast of growth and subsequent water demand, with consideration of Optimistic, Pessimistic and Most Likely scenarios. It also considered water use efficiency uptake and system water loss reduction as part of the modelling. This appraisal was used to inform the need and scheduling of future plant and network development.





CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

Busselton Water's strong corporate governance framework ensures all of the requirements contained within the *Water Corporations Act 1995* are addressed in our Board Charter. Our annual review of policies, procedures, controls and risk management processes also makes certain that we deliver on the commitments set out within it.

Our corporate governance framework is outlined following.

Board of Directors

Busselton Water is required to have a Board that comprises six or seven persons appointed by the Governor on the Minister for Water's nomination.

In the case of nomination for appointment to the Board, the nominee must ordinarily reside within Busselton Water's operating area, so far as is necessary for the majority of directors to be locally-based at the time of the appointment.

Directors are appointed for a term of three years and are eligible for reappointment. The terms of appointment are staggered so that one

third of the Directors retire each year, which ensures continuity of knowledge and experience on the Board. Subject to reappointment, there is no limit on the time a Director may serve on the Board.

The Governor, on the Minister's nomination, appoints a director of Busselton Water to be Chairperson and another to be Deputy Chairperson of the Board.

Changes to the Board

Mr Geoffrey Oddy was reappointed as Deputy Chair for a term expiring on 31 May 2023.

Ms Christine Kershaw was reappointed as a member for a term expiring on 31 May 2023.

Accountability and independence

As prescribed in Schedule 2 of the *Water Corporations Act 1995*, Directors have a duty to act honestly, exercise reasonable care and diligence, not make improper use of information or position, act with loyalty and in good faith and disclose all material personal interest in matters involving Busselton Water which are raised in Board meetings.

The Board has authority, subject to the *Water Corporations Act 1995* to perform the functions, determine the policies and control the affairs of Busselton Water.

Ministerial approval is required for transactions that are above a prescribed amount, amount to a major initiative or is likely to be of significant public interest.

Ethical standards

The Board Charter describes how the Board discharges its functions, roles and responsibilities as defined in the *Water Corporations Act 1995*.

The Board has adopted the Code of Conduct for directors produced by the Australian Institute of Company Directors, and Busselton Water's Code of Conduct.

Busselton Water's Code of Conduct is reviewed annually followed by staff training sessions. A report on the observance of the Code of Conduct is provided to the Minister for Water annually, with a copy of the report provided to the Public Sector Commission.

Conflicts of interest

The Board Charter and Busselton Water Code of Conduct set specific standards in relation to conflicts of interest. Conflicts may be perceived, potential or actual.

Procedures are in place to identify, declare and manage conflicts of interest where private or personal interest's conflict with Busselton Water duties.

Related party disclosures

The Board Charter and Busselton Water Code of Conduct require Key Management Personnel (Board Directors and Senior Executive) to provide details of any controlled (or jointly controlled) entities; and details of any transactions, to the best of their knowledge, between themselves or related parties.

The objective is to ensure that Busselton Water's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and financial performance may have been affected by related party disclosures.

Board performance

The Board and Audit Committee undertake annual performance evaluations of the Board, Audit Committee and individual members to assess performance against the requirements of the Board and Audit Committee Charters, the *Water Corporations Act 1995* and any relevant achievement goals. Outputs from the reviews are used to inform the Director Development Program, including training opportunities.

Governance framework

The Board is responsible for corporate governance and approves our Strategic Development Plan (SDP), Statement of Corporate Intent (SCI), Strategic Asset Plan (SAP), budgets and policies. It ensures legal compliance and risk management are effectively managed.

Each year the Board, in consultation with the Senior Executive Group, develops the SCI to provide direction for the coming 12 month period. The five-year SDP is updated each year to provide longer term direction. Both plans for the reporting period were presented to the Minister for Water.

The SCI is available to the public and communicates our objectives for the coming year.

The Board also prepares a SAP that identifies the top priority investment proposals and their strategic justification.

At monthly meetings, the Board monitors financial and operational performance through comprehensive monthly reporting. They consider progress towards our vision in each of the strategic priority areas – Leadership; Strategy and Planning; Information and Knowledge; People; Customers and Other Stakeholders; Process Management, Improvement and Innovation; Results and Sustainable Performance; and Growth.

Internal control

The Board, through the Audit Committee, has oversight for the financial reporting process, the system of internal controls, and the internal and external audit processes.

Busselton Water's internal control structure includes clear lines of accountability and delegation of authority. The Senior Executive Group

has responsibility for maintaining internal controls in the delivery of Busselton Water's strategic objectives.

Strategic plans are monitored monthly to ensure the risk of not achieving organisational objectives is identified and appropriately managed and mitigated.

Audit Committee

The Audit Committee was chaired by Mr Angus Smith and includes Mr Geoffery Oddy and Ms Christine Kershaw. Each member has considerable corporate and financial experience and the skills to undertake the Committee's responsibilities.

The Committee oversees the internal audit function and liaises with the external auditor.

The Audit Committee scope includes all audit related activities within the business. The Committee assists the Board in adding value and improving the organisations operations. It helps Busselton Water accomplish its objectives by bringing a planned, systematic and disciplined approach to evaluate and improve the effectiveness of financial and other business processes and controls.

The Audit Committee invites input and attendance from the Managing Director, Chief Finance Officer and Senior Executive Group members. External attendees during the year included internal auditors.

Teleconference meetings are held with the audit staff of the Office of the Auditor General, Board Chair, Audit Committee, Managing Director, Chief Finance Officer and the General Manager Business Services.

Internal audit and review

The Audit Committee, in discussion with the Senior Executive Group, sets the scope of the internal audit program for a rolling three year period. The quality of our internal controls and audits is improved by referencing ad-hoc audit reports from the Office of the Auditor General.

Internal audits are outsourced within a three year agreement and conducted annually. Internal audit findings are actioned and closed under the direction of the Audit Committee.

External auditors

The *Water Corporations Act 1995* requires that Busselton Water's financial reports for each financial year are audited by the Office of the Auditor General. Any audit findings are actioned and closed out under the direction of the Audit Committee.

Managing financial exposures

The Board meets on a regular basis to analyse financial risk exposure and to evaluate Treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist Busselton Water in meeting its financial targets, while minimising potential adverse effects on financial performance.

Busselton Water operates under policies and a delegation approved by the Board. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

Ministerial directions

Under Section 64(1) of the *Water Corporations Act 1995* the Minister for Water may give directions in writing to Busselton Water generally with respect to the performance of its functions and, subject to Section 65, Busselton Water is to give effect to any such direction. During the reporting period no directions were received from the Minister for Water.

State Records Act 2000

In accordance with Section 61 of the *State Records Act 2000* and the State Records Commission's Standard (Standard 2 – Principle 6), Busselton Water has an approved Record Keeping Plan. In accordance with Section 28(5) of the Act, the Plan was submitted to the Minister and approved in October 2019. It describes how records are created, maintained, managed and disposed of in accordance with Standards and Principles.

A review of the efficiency and effectiveness of the training program was carried out during the reporting period. After the review, annual refresher training on record keeping was provided to all staff. Training is

also provided for new employees and includes familiarisation with the document management policy and procedures.

Busselton Water continues to work with Information Proficiency, our record keeping partner, on creating statistical information that can be used for monthly reporting.

Public interest disclosure statement

The *Public Interest Disclosures Act 2003* facilitates the disclosure of public interest information, and provides protection for those making such disclosures and those who are the subject of disclosures.

Busselton Water has appointed a Public Interest Disclosure Officer and has internal procedures to support disclosures.

There were no public interest disclosures during the reporting period.

Freedom of Information

In accordance with section 96 of the *Freedom of Information Act 1992* Busselton Water has published a Freedom of Information statement.

The statement can be found at **www.busseltonwater.wa.gov.au**.

Its purpose is to provide members of the public with information about how to access documents we may hold.

During the year, one request for information was made.

Reportable expenditure

In accordance with section 175ZE of the *Electoral Act 1907*, Busselton Water incurred the following expenditure in advertising, market research, polling, direct mail and media advertising.

Total expenditure in 2019-20 was \$306,661.

Expenditure was incurred in the following areas:

Expenditure	Amount paid (\$, ex GST)
Media advertising organisations	
Marketforce Productions	21,387
Direct mail organisations	
Zipform	18,619
Market research organisations	
Mills Wilson	266,655

DIRECTORS' REPORT

The Directors of Busselton Water present their report for the 12-month period ending 30 June 2020.

Directors

The following persons were Directors of Busselton Water at the date of this report:

Helen Shervington (Chair)

Director since: October 2011

Chair since: July 2012

Geoffery Oddy (Deputy Chair)

Director since: October 2014

William Angus Smith

Director since: August 2013

Christine Kershaw

Director since: September 2017

Robyn Paice

Director since: September 2018

Gae Synnott

Director since: September 2018

Christopher Elliott

Director since: September 2018

Please also see details of the Directors' qualifications and experience on pages 15 and 16.

Directors' meetings

Attendance by Directors at meetings held during the financial year ended 30 June 2019 is set out in the following table:

Director	Board		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Helen Shervington	11	10		
William Angus Smith	11	11	3	3
Geoffery Oddy	11	9	3	2
Christine Kershaw	11	11	3	3
Robyn Paice	11	10		
Gae Synnott	11	11		
Christopher Elliott	11	10		

Board meetings are held monthly. The Audit Committee meets three times per year.

Senior Executive

The Senior Executives of Busselton Water at the date of this report were:

Three highest paid employees	Title	Year ended 30 June 2020	Year ended 30 June 2019
Christopher Elliott	Managing Director	✓	✓
Christopher Vigus	General Manager Operations	✓	✓
Tracie Bishop	General Manager Corporate and Finance	✓	
Murray Johnsen	Operations Engineer	✓	

Principal activities

Busselton Water was established as a Corporation in November 2013 under the provisions of the *Water Corporations Act 1995*. The organisation's principal activity is to acquire, store, treat, distribute and supply drinking water to the Busselton area. In addition, we undertake, maintain and operate any works, system, facilities apparatus or equipment required for these purposes. These services are provided under this Act and subsidiary legislation which control the water industry.

There has been no significant change in the nature of our activities during the reporting period.

Operating results

During the year, Busselton Water supplied 5.3GL of drinking water.

Busselton Water made a profit before tax of \$1.72 million in 2019-20, (2018-19: \$3.86 million) and an after tax profit of \$0.91 million (2018-19: \$2.68 million).

Dividends

Dividends paid by Busselton Water since the end of the previous financial year were:

Date of	Amount \$m	Date of payment
Final 2018-19	1.017	18/12/2019

Dividends declared after end of year

After the balance sheet date, the Directors have proposed a final dividend of \$0.76 million for 2019-20, payable on or before 31 December 2020.

The financial impact of the dividend has not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent reports.

Review of operations

Busselton Water operates within a regulatory framework comprising the Economic Regulation Authority, Department of Water and Environmental Regulation, Department of Health and Department of Treasury.

The Busselton Water Statement of Corporate Intent (SCI) provides clear direction through objectives and performance targets.

Busselton Water performed well against all targets set out in the SCI 2019-20.

Remuneration report

Director's emoluments

The Minister determines the emoluments of the Board of Directors.

Total remuneration band	No. of Directors		Short-term remuneration		Post-employment superannuation		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
\$			\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
0-10,000	0	2	-	3	-	1	-	4
10,001-20,000	5	5	13	62	1	5	14	67
20,001-30,000	1	1	25	25	2	2	27	27

Executive emoluments

The compensation packages for the Managing Director (MD) and executives consist of a total reward that is a mix of fixed compensation, in the form of salary, non-monetary benefits and superannuation contributions. Non-monetary benefits may include access to a fully maintained motor vehicle and fringe benefits tax. Other long-term benefits refer to long service leave. The compensation of all staff is reviewed annually.

The compensation package for the MD also includes a variable component. The actual amount to be paid is determined annually by the Board.

In April 2017, Busselton Water was requested by the new State Government to adopt its Machinery of Government budget repair strategies comprising:

- freezing Chief Executive Officer salaries for four years; and
- capping non-executive annual salary increases to \$1,000 per employee.

As part of our commitment to the State Government's budget repair strategies, Busselton Water has adopted these measures.

In accordance with S13 (3) of the *Water Corporations Act 1995*, the Board obtains concurrence of the Minister for Water before setting or altering compensation for the Managing Director. Compensation for the Managing Director and Senior Executives is benchmarked against local industry standards and is set to attract and retain the talent and experience required to deliver strategic objectives. The number of employees whose total remuneration falls within the following bands is:

Total remuneration band	No. of Staff ¹		Short-term remuneration ²		Variable remuneration ³		Post-employment superannuation		Other long-term benefits ⁴		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$			\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
0-50,000	1	1	31	22			2	2	2	(1)	35	23
50,001-100,000	1	1	72	48			7	4			79	53
150,001-200,000		2		301				29		9		338
200,001-250,000	1		181				17		9		207	
350,001-400,000	1	1	278	276	75	53	31	24	14	30	398	383

¹ Where there is more than one employee in a remuneration band the average remuneration is shown

² Includes base remuneration and non-monetary benefits

³ Variable remuneration reported in 2020 contains two payments relating to the 2017/18 and 2018/19 financial years. Variable remuneration in 2019 contains one payment relating to the 2016/17 year.

⁴ Other long-term benefits e.g. movement in accrued leave provision

Environmental performance

Busselton Water operates within Commonwealth and State environmental laws including the *Environment Protection and Biodiversity Conservation Act (Cth) 1999* and the *Environmental Protection Act 1986 (WA)*.

Under the Environmental Protection Act, we are registered to discharge backwash water to the environment. Should an unplanned discharge with potential to harm the environment occur, our incident management process ensures a fast and effective response to these and other incidents.

Environmental performance is underpinned by our Environment Policy which enables systematic identification of environmental risks and development of environmental improvement plans to reduce risks and ensure our activities are sustainable.

State of affairs

There were no significant changes in the state of affairs during the year ended 30 June 2020 not otherwise disclosed in this report, or the financial statements.

Events subsequent to balance date

Since the end of the financial year ending 30 June 2020 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect Busselton Water's operations, the results of those operations or Busselton Water's state of affairs in subsequent financial periods.

Directors' interest and benefits

In the 12 months to 30 June 2020, no Director received, or became entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by Busselton Water with the Director, or with a firm, of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification of Directors and Auditors

In the 12 months ending 30 June 2020, Busselton Water has not indemnified against a liability, a person who is, or has been, a Director or auditor of Busselton Water. During the period ended 30 June 2020, Busselton Water paid insurance premiums in respect of

Director's and Officer's liability insurance for any past, present or future, Director, Board/Committee member, Executive Officer or employee of Busselton Water.

This statement is made in accordance with a resolution of the Board.



Helen Shervington
Chair



Geoffery Oddy
Deputy Chair

Busselton, 17 August 2020

FINANCIAL REPORT

for the year ended 30 June 2020



DIRECTORS' DECLARATION

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CASH FLOWS

NOTES TO THE FINANCIAL STATEMENTS

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Note 2	Use of Our Funding
Note 3	Our Funding Sources
Note 4	Key Assets
Note 5	Other Assets and Liabilities
Note 6	Financing
Note 7	Risks and Contingencies
Note 8	Other Disclosures

Directors' Declaration

In the opinion of the Directors of Busselton Water Corporation:

- (a) the financial statements and notes are in accordance with the *Water Corporations Act 1995*, including:
 - (i) giving a true and fair view of Busselton Water's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) there are reasonable grounds to believe that Busselton Water will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Helen Shervington
Chair, Busselton Water Corporation



Angus Smith
Member, Busselton Water Corporation

Date: 28 August 2020



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

BUSSELTON WATER CORPORATION

Opinion

I have audited the financial report of Busselton Water Corporation (the Corporation), which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In my opinion, the financial report of Busselton Water Corporation is in accordance with schedule 3 of the *Water Corporations Act 1995* including:

- (a) giving a true and fair view of the Corporation's financial position as at 30 June 2020 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Corporation in accordance with the *Auditor General Act 2006* and the relevant 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. I have also fulfilled my 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.

Responsibility of the Directors for the Financial Report

The directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and schedule 3 of the *Water Corporations Act 1995*. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are 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 the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my 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 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 the financial report.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website at

https://www.augasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Busselton Water Corporation for the year ended 30 June 2020 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on the website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

SANDRA LABUSCHAGNE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
31 August 2020

Statement of Comprehensive Income

as at 30 June 2020

	Notes	2020 \$	2019 \$
EXPENSES			
Employee Benefit Expenses	2.1.1	1,265,328	1,516,236
Cost of Sales	2.2	3,994,862	3,738,207
Depreciation and Amortisation Expense	4.1.1, 4.2	2,824,028	2,296,661
Finance Costs	6.2	48,362	56,065
Administration Expenses	2.3.1	807,978	773,246
Other Expenses	2.3.2	1,370,663	1,317,777
Loss on Disposal of non-Current Assets	2.3.3	156,980	58,740
Total cost of services		10,468,201	9,756,932
INCOME			
Revenue			
Water Sales Revenue	3.1	10,090,375	9,697,999
Grants and Contributions	3.2	562,769	614,886
Developer Contributions - Headworks	3.3	1,112,238	2,330,798
Developer Contributions - Mains	3.3	32,753	415,491
Interest Revenue	3.4	196,127	325,183
Other Revenue	3.4	194,191	230,672
		12,188,453	13,615,029
Profit before income tax equivalent expense		1,720,252	3,858,097
Income Tax Equivalent Expense	8.7	(807,464)	(1,179,828)
Profit after income tax equivalent expense		912,788	2,678,269
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	8.6	333,776	18,842,926
Total Other Comprehensive Income		333,776	18,842,926
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,246,564	21,521,195

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

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current Assets			
Cash & Cash Equivalents	6.3	1,697,577	894,459
Other Financial Assets	6.3	9,110,000	10,410,000
Trade and other receivables	5.1	3,068,370	3,629,429
Inventories	5.2	579,955	498,594
Other Current Assets	5.3	33,800	219,125
Current Tax Assets		230,565	154,480
Total Current Assets		14,720,268	15,806,087
Non-Current Assets			
Infrastructure Property, Plant and Equipment	4.1	100,173,055	100,317,348
Intangible Assets	4.2	307,912	404,936
Right of Use Assets	4.4	218,909	
Total Non-Current Assets		100,699,877	100,722,283
TOTAL ASSETS		115,420,145	116,528,370
LIABILITIES			
Current Liabilities			
Payables	5.4	747,124	1,779,323
Borrowings	6.1	307,662	294,088
Employee Related Provisions	2.1.2	1,127,800	969,901
Lease Liabilities	6.4	109,855	-
Other Current Liabilities	5.5	69,093	64,768
Total Current Liabilities		2,361,534	3,108,080
Non-Current Liabilities			
Employee Related Provisions	2.1.2	46,039	65,691
Borrowings	6.1	240,046	547,708
Deferred Tax Liabilities	8.7	18,157,528	18,544,262
Lease Liabilities	6.4	123,047	-
Total Non-Current Liabilities		18,566,660	19,157,661
TOTAL LIABILITIES		20,928,194	22,265,741
NET ASSETS		94,491,591	94,262,629
EQUITY			
Reserve Fund	8.6	10,647,065	11,060,801
Reserves		54,039,744	53,705,968
Retained Earnings		29,805,143	29,495,860
TOTAL EQUITY		94,491,951	94,262,629

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

as at 30 June 2020

Notes	Reserves	Retained Earnings	Total Equity
	\$	\$	\$
Balance as at 1 July 2018	48,242,068	26,039,350	74,281,418
Total comprehensive income for the year	18,842,926	2,678,270	21,521,196
Transfers to reserves	1,919,729	(1,919,729)	-
Transfers from Reserves	(4,237,954)	4,237,954	-
Transactions with owners, recorded directly in equity			
Dividends paid	-	(1,539,985)	(1,539,985)
Total transactions with owners	-	(1,539,985)	(1,539,985)
Balance at 30 June 2019	64,766,769	29,495,860	94,262,629
Balance as at 1 July 2019	64,766,769	29,495,860	94,262,629
Total comprehensive income for the year	333,776	912,788	1,246,564
Transfers to reserves	2,210,408	(2,210,408)	-
Transfers from Reserves	(2,624,145)	2,624,145	-
Transactions with owners, recorded directly in equity			
Dividends paid	-	(1,017,242)	(1,017,242)
Total transactions with owners	-	(1,017,242)	(1,017,242)
Balance at 30 June 2020	64,686,808	29,805,143	94,491,951

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

Statement of Cash Flows

as at 30 June 2020

	Notes	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from Rates & Water Sales		10,320,103	9,761,526
Interest Received		425,210	355,509
Developers Contributions		1,065,277	2,347,146
GST Receipts on Sales		15,076	124,090
GST Receipts From Taxation Authority		661,467	608,635
Other Receipts		491,049	452,063
		12,978,182	13,648,968
Payments			
Payment to Suppliers & Employees		(8,385,033)	(6,719,223)
Finance Costs		(43,042)	(56,065)
GST Payments on Purchases		(588,032)	(801,660)
		3,962,075	6,072,021
NET CASH PROVIDED BY OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the Sale of Non-Current Physical Assets		66,446	91,773
Purchase of Non-Current Physical Assets		(2,632,853)	(5,078,716)
		(2,566,407)	(4,986,943)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(294,088)	(281,107)
		(294,088)	(281,107)
CASH FLOWS TO STATE GOVERNMENT			
Operating Subsidy Contributions		562,769	614,886
Taxation Equivalent		(1,143,989)	(1,434,900)
Dividends Paid	8.6	(1,017,242)	(1,539,985)
		(1,598,462)	(2,359,999)
NET CASH PROVIDED TO STATE GOVERNMENT			
Net increase / (decrease) in cash and cash equivalents		(496,882)	(1,556,034)
Cash and cash equivalents at the beginning of period		11,304,459	12,860,493
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6.3	10,807,577	11,304,459

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

Notes to the Financial Statements

as at 30 June 2020

1. Basis of Preparation

Busselton Water is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Agency is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities has been included in "Our Business" section which does not form the part of these financial statements.

These financial statements were authorised for issue by the Board of Directors of Busselton Water on 28 August 2020.

Statement of Compliance

Busselton Water is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with:

- The *Water Corporations Act 1995*;
- Australian Accounting Standards (Reduced Disclosure Requirements); and
- Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The Water Corporations Act take precedence over AAS's. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. 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.

Significant judgements and estimates have been made to meet the requirements of the new standards AASB 16, AASB 15 and AASB 1058.

2. Use of Our Funding

Expenses incurred

This section provides additional information about how Busselton Water expenses are applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by Busselton Water in achieving its objectives and the relevant notes are:

	Notes
Employee benefits expenses	2.1.1
Employee related provisions	2.1.2
Cost of sales	2.2
Other Expenditure	2.3
Administration expense	2.3.1
Other expenses	2.3.2
Loss on disposal of non-current assets	2.3.3

2.1.1 Employee benefits expenses

	2020	2019
	\$	\$
Salaries ^(a)	1,121,310	1,355,947
Superannuation Expenses ^(b)	144,018	160,289
	<u>1,265,328</u>	<u>1,516,236</u>

^(a) Salaries are employee expenses including all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, and termination payments. This figure does not include total salary expense as labour expenses to Busselton Water infrastructure are costed to Cost of Sales (Note 2.2).

^(b) Superannuation expenses comprises employer contributions paid to superannuation funds. Busselton Water does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. This figure does not include total superannuation expense as labour expensed to Busselton Water infrastructure are costed to Cost of Sales (Note 2.2).

Notes to the Financial Statements

as at 30 June 2020

2.1.2 Employee related provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

	2020 \$	2019 \$
Current		
Annual leave ^(a)	301,226	210,622
Long service leave ^(b)	183,077	176,957
Sick leave ^(c)	509,434	464,079
	<u>993,737</u>	<u>851,658</u>
Employment on-costs ^(d)	<u>134,063</u>	<u>118,243</u>
	<u>1,127,800</u>	<u>969,901</u>
Non-current		
Long service leave ^(b)	37,911	53,700
Employment on-costs ^(d)	<u>8,128</u>	<u>11,991</u>
	<u>46,039</u>	<u>65,691</u>
Aggregate employee benefit liability	<u>1,173,839</u>	<u>1,035,592</u>
Number of employees at year end	<u>32</u>	<u>31</u>

^(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

^(b) Long service leave liabilities that have been classified as current as Busselton Water does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities as Busselton Water has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

The provision for long service leave is calculated at present value as Busselton Water does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

^(c) Sick leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period.

^(d) The settlement of annual leave, long service leave and sick leave gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The provision is measured at the present value of future payments.

Employment on costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred.

Movements in other provisions

	2020 \$	2019 \$
Employment on-cost provision		
Carrying amount at start of period	130,235	123,984
Additional/(reversals of) provisions recognised	82,203	88,560
Payments/other sacrifices of economic benefits	<u>(70,247)</u>	<u>(82,309)</u>
Carrying amount at end of period	<u>142,191</u>	<u>130,235</u>

Key sources of estimation uncertainty - long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating Busselton Water's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Notes to the Financial Statements

as at 30 June 2020

2.2 COST OF SALES

	2020	2019
	\$	\$
Pumping	708,618	749,886
Maintenance: General Production Plant	1,417,409	1,311,425
Mains & Meters	1,093,644	992,147
Net Vehicle Running Expenses	78,945	67,204
Net Operations Overhead	132,357	76,081
Net Stock Allocated	(223)	5,812
Meter Reading Costs	16,525	21,435
Water Sampling & Monitoring Fees	547,587	514,217
	<u>3,994,862</u>	<u>3,738,207</u>

Cost of sales represents the costs incurred for water treatment, operation of bores, maintenance of mains and meters, water quality, and the related materials, labour and depreciation expenses related to these processes. Salary and superannuation expenses for water workers are expensed to the Cost of Sales.

2.3 OTHER EXPENDITURE

2.3.1 Administration Expense

	2020	2019
	\$	\$
Office Expenses	551,822	641,028
Stationery & Printing	35,711	23,792
Advertising	2,455	183
Bank Charges	27,888	26,747
Audit Fees	91,689	58,317
Legal Expenses	999	2,200
Other Administration Expenses	24,975	20,979
Pandemic Protection Measures	72,439	-
	<u>807,978</u>	<u>773,246</u>

2.3.2 Other Expenses

	2020	2019
	\$	\$
Members Expenses	154,122	152,788
Other Governance	269,350	298,123
Pensioner Rate Rebate ^(a)	636,386	592,682
Consulting Fees	86,347	41,902
Private Works	3,387	18,374
Payroll Tax	58,476	70,917
Asset Revaluation expenses	-	19,500
Other Costs & Staff Expenses ^(b)	162,595	123,491
	<u>1,370,663</u>	<u>1,317,777</u>

^(a) Pensioner rebates are rebates and concessions provided to Pensioners, Seniors and various exempt bodies on annual service charges and water consumption charges.

^(b) Other costs and staff expenses include employee provision movements, staff insurances, training costs and other staff related expenses for the day-to-day running costs incurred in normal operations.

Other expenses are recognised as an expense in the reporting period in which they are incurred.

2.3.3 Loss on disposal of non-current assets

	2020	2019
	\$	\$
<u>Cost of Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles and infrastructure	223,427	150,512
<u>Proceeds from Disposal on Non-Current Assets</u>		
Plant, equipment, motor vehicles & infrastructure	(66,447)	(91,772)
Net (gain)/loss	<u>156,980</u>	<u>58,740</u>

Realised and unrealised gains or losses are usually recognised on a net basis. These include gains or losses arising on the disposal of non-current assets.

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the statement of comprehensive income (from the proceeds of sale).

Notes to the Financial Statements

as at 30 June 2020

3. Our Funding Sources

Revenue obtained

This section provides additional information about how Busselton Water obtains its revenue and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by Busselton water and the relevant notes are:

	Notes
Water sales revenue	3.1
Commonwealth grants and contributions	3.2
Developer contributions	3.3
Other revenue	3.4

After 30 June 2020, the Directors proposed a final dividend payment of \$579,221 for the 2020 year, payable on or before 31 December 2020. The dividend has not been provided for and there are no tax consequences.

3.1 WATER SALES REVENUE

	2020 \$	2019 \$
Water Consumption	6,462,665	6,230,212
Connection Fees	162,223	165,019
Standard Supply Charge	3,385,279	3,224,203
Meter Reading Charges	27,390	28,512
Other Water Sales	52,818	50,053
	<u>10,090,375</u>	<u>9,697,999</u>

Revenue is recognised and measured at the fair value of consideration received or receivable.

Revenue from water usage is based on water consumed by customers and other rates and charges are based on amounts levied and billed for the period.

3.2 GRANTS AND CONTRIBUTIONS

	2020 \$	2019 \$
Operating Subsidy Contributions	<u>562,769</u>	<u>614,886</u>
	<u>562,769</u>	<u>614,886</u>

Operating Subsidy contributions are recognised as revenue when there is reasonable assurance that they will be received and Busselton Water has complied with the conditions attached to them.

3.3 DEVELOPER CONTRIBUTIONS

	2020 \$	2019 \$
Headworks contributions - Cash	<u>1,112,238</u>	<u>2,330,798</u>
	<u>1,112,238</u>	<u>2,330,798</u>
Developer mains contributions - Cash	11,074	16,349
Developer mains contributions - Non-Cash	<u>21,679</u>	<u>399,142</u>
	<u>32,753</u>	<u>415,491</u>

Revenue is recognised at fair value when Busselton Water obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

3.4 OTHER REVENUE

	2020 \$	2019 \$
Interest revenue		
Interest on Water Fund	32,568	57,790
Interest on Reserves	<u>163,559</u>	<u>267,393</u>
	<u>196,127</u>	<u>325,183</u>

Interest Revenue is recognised as interest accrues.

	2020 \$	2019 \$
Sundry revenue		
Backflow Prevention Device Testing Fees	34,866	30,907
Private Works & Sundry Income	2,541	36,215
Operating lease revenue	22,274	21,552
Meter Reading	53,563	47,054
Penalties Raised	24,537	16,420
Hydrant (Application) Hire	9,448	22,728
Geothermal recoups	17,256	17,129
Insurance Recoveries	3,762	20,189
Other Receipts & Services ^(a)	<u>25,944</u>	<u>18,478</u>
	<u>194,191</u>	<u>230,672</u>

Other Revenue is recognised and measured at the fair value of consideration received or receivable.

^(a) Other receipts and services includes revenue from miscellaneous income, credit card fees and sale of scrap.

Notes to the Financial Statements

as at 30 June 2020

4. Key Assets

This section includes information regarding the key assets Busselton Water Board utilises to gain economic benefits or provide service potential. This section sets out both the key accounting policies and financial information about the performance of these assets.

	Notes
Infrastructure, property, plant and equipment	4.1
Depreciation expense	4.1.1
Intangibles	4.2
Amortisation and impairment	4.2.1
Impairment	4.3
Right of use assets	4.4

4.1 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Amount

Reconciliations of the carrying amounts for each class of property, plant and equipment between the beginning and the end of the reporting period are set out below:

Adoption of revaluation versus cost basis for plant and equipment

Busselton Water adopts the cost basis and revaluation basis of accounting for valuing non-current assets. Non-cash developer contributed infrastructure assets are originally based on cost, based on the contractual value of the works transferred to Busselton Water. Subsequent measurement of these assets utilises the revaluation model.

2020	Fair Value	Accumulated Depreciation	Carrying Amt at Beginning of Period	Additions	Transfers	Disposals/W'downs	Depreciation	Impairment Losses	Revaluation	Carrying Amt at End of Period
Land at Fair Value	2,385,000	-	2,385,000	-	-	-	-	-	-	2,385,000
Freehold Land Improvements	633,100	-	633,100	14,889	-	-	(45,604)	-	-	602,385
Capital Works in Progress	1,457,214	-	1,457,214	443,794	(1,450,974)	-	-	-	-	450,034
Plant & Machinery	16,465,956	(55,564)	16,410,392	644,097	446,917	-	(1,198,820)	-	-	16,302,586
Buildings	3,101,300	-	3,101,300	72,026	-	-	(145,763)	-	-	3,027,563
Motor Vehicles	643,351	(1,638)	641,713	167,393	-	(85,190)	(59,057)	-	-	664,859
Mains & Services	73,462,178	-	73,462,178	960,727	1,004,057	(28,282)	(944,452)	-	-	74,454,227
Meters	2,019,700	-	2,019,700	390,711	-	(109,954)	(198,413)	-	-	2,102,044
Tools	26,000	(6,804)	19,196	-	-	-	(2,414)	-	-	16,782
Office Equipment	213,843	(26,290)	187,553	-	-	-	(19,978)	-	-	167,575
	100,407,642	(90,296)	100,317,346	2,693,637	-	(223,426)	(2,614,501)	-	-	100,173,055

Notes to the Financial Statements

as at 30 June 2020

Initial Recognition

Items of property, plant and equipment and infrastructure, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of land, buildings, infrastructure and all other property, plant and equipment. The assets are independently valued every 3 years. All asset classes were independently revalued by Griffin Valuation Advisory as at 30 June 2019. The valuations were recognised at 30 June 2019.

Land, buildings, infrastructure and all other items of property, plant and equipment are carried at fair value less accumulated depreciation on buildings, infrastructure and other items of property, plant and equipment.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment and infrastructure, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

Significant assumptions and judgements

Significant assumptions and judgements

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

4.1.1 Depreciation Expense

	2020 \$	2019 \$
Freehold Land Improvements	45,604	47,856
Plant and Machinery	1,198,820	618,514
Buildings	145,763	133,227
Motor Vehicles	59,057	69,814
Mains and Services	944,452	825,831
Meters	198,413	494,747
Tools	2,414	2,446
Office Equipment	19,978	23,818
Right of use assets	112,502	-
	<u>2,727,003</u>	<u>2,216,253</u>

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line basis, at rates that allocate the asset's value over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

As at 30 June 2020, there were no indications of impairment to property, plant and equipment or infrastructure.

Asset	Useful Life
Buildings	3 to 40 Years
Land Improvements	2 to 30 Years
Meters 20mm and 25mm	8 to 10 Years
Meters 40mm and above	20 to 25 Years
Mains and Services	70 to 80 Years
Motor Vehicles	7 to 20 Years
Office Equipment	2 to 13 Years
Plant	2 to 60 Years
Tools	3 to 16 Years
Land	Not depreciated

The estimated useful lives and depreciation method are reviewed at the end of each annual reporting period and adjustments made where appropriate. Land which is considered to have an indefinite life, are not depreciated.

Notes to the Financial Statements

as at 30 June 2020

4.2 INTANGIBLE ASSETS

	2020 \$	2019 \$
Computer Software		
At Fair Value	628,326	628,326
Accumulated amortisation	(320,415)	(223,390)
	<u>307,912</u>	<u>404,936</u>
Reconciliations:		
Carrying amount at start of period	404,936	396,918
Additions	-	88,425
Amortisation expense	(97,025)	(80,407)
Carrying amount at end of period	<u>307,912</u>	<u>404,936</u>

Total amortisation expense for intangibles for the year is \$97,025 (2019: \$80,407).

Initial Recognition

Acquisitions of intangible assets costing \$5,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below \$5,000 are immediately expensed directly to the Statement of Comprehensive Income.

Computer Software

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is immediately expensed directly to the Statement of Comprehensive Income.

Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

4.2.1 Amortisation and impairment

	2020 \$	2019 \$
Amortisation Expense	97,025	80,407

As at 30 June 2020 there were no indications of impairment to intangible assets.

Busseton Water held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets no yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by Busseton Water have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful lives for intangible assets are 2 to 13 years.

4.3 IMPAIRMENT OF ASSETS

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the Agency is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/ amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

4.4 RIGHT OF USE ASSETS

	2020 \$	2019 \$
Right of use assets	331,412	-
Accumulated depreciation	(112,502)	-
	<u>218,909</u>	<u>-</u>

Reconciliations:

Carrying amount at start of period	-	-
Additions	331,412	-
Amortisation expense	(112,502)	-
Carrying amount at end of period	<u>218,909</u>	<u>-</u>

Notes to the Financial Statements

as at 30 June 2020

Initial recognition

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset

This includes all leased assets other than investment property ROU assets, which are measured in accordance with AASB 140 'Investment Property.

Busselton Water has elected not to recognise right-of-use assets and lease liabilities for short-term lease (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

Subsequent Measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to Busselton Water at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 4.1.1.

The following amounts relating to leases have been recognised in the statement of comprehensive income:

	2020	2019
	\$	\$
Depreciation	112,502	-
Interest lease expense	5,320	-

The total cash outflow for leases in 2020 was \$104,654.

The Agency has leases for information technology equipment.

Up to 30 June 2019, the Busselton Water classified leases as either finance leases or operating as leases. From 1 July 2019, at 1 July 2019, the Agency recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in note 6.4.

5. Other Assets and Liabilities

This section sets out those assets and liabilities that arose from Busselton Water's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations.

	Notes
Receivables	5.1
Inventories	5.2
Other current assets	5.3
Payables	5.4
Other liabilities	5.5

5.1 RECEIVABLES

Includes all amounts due to Busselton Water from operations.

	2020	2019
	\$	\$
Rates/Std Supply Charge Debtors	868,448	883,520
Excess Water/Consumption Debtors	2,011,217	2,216,494
Deferred Rates/Charges ^(a)	2,926	4,360
Late Payment Penalty	8,592	6,191
Fire Services	16,588	15,691
Settlement Reading Fees	5,705	7,146
Miscellaneous Fees	2,910	4,511
Sundry Debtors	64,003	306,623
GST (Net Receivable from ATO)	23,131	110,010
Miscellaneous Debtors	64,852	74,883
	<u>3,068,370</u>	<u>3,629,429</u>

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment).

The collectability of trade receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that Busselton Water will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

There were no indications of impairment to Receivables.

^(a) Deferred Rates are those rates that are owed by a property owner but Legislation allows the owner to delay payments until the property is sold.

Notes to the Financial Statements

as at 30 June 2020

5.2 INVENTORIES

	2020	2019
	\$	\$
Inventories held for distribution (at cost)	579,955	498,594

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate for each particular class of inventory, with the majority being valued on a weighted average cost basis.

5.3 OTHER CURRENT ASSETS

	2020	2019
	\$	\$
Prepayments and accrued income	33,800	219,125

Prepayments represents payments in advance of receipt of goods or services or that part of the expenditure made in one accounting period covering a term extending beyond that period.

5.4 PAYABLES

	2020	2019
	\$	\$
Trade creditors	284,339	1,039,778
Accrued salaries	111,464	80,163
Accruals	351,321	659,382
	<u>747,124</u>	<u>1,779,323</u>

Trade creditors and Accruals are recognised at the amounts payable when Busselton Water becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement is generally within 30 days.

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. Busselton Water considers the carrying amount of accrued salaries to be equivalent to its fair value.

5.5 OTHER LIABILITIES

	2020	2019
	\$	\$
Monies in Trust	14,311	18,154
Income in Advance	54,782	46,614
	<u>69,093</u>	<u>64,768</u>

Monies in Trust relates to subdivision design fees and various deposits received on hire items. Income in advance are water debtors with credits on account.

6. Financing

This section set out the material balances and disclosures associated with the financing and cashflow of Busselton Water.

	Notes
Borrowings	6.1
Finance Costs	6.2
Cash and Cash Equivalents	6.3
Lease Liabilities	6.4
Commitments	6.5
Capital commitments	6.5.1
Other expenditure commitments	6.5.2

6.1 BORROWINGS

	2020	2019
	\$	\$
<u>Current</u>		
Western Australia Treasury Corporation Loan (WATC)	307,662	294,088
Total current	<u>307,662</u>	<u>294,088</u>
<u>Non-Current</u>		
WATC Loan	240,046	547,708
Total Non-current	<u>240,046</u>	<u>547,708</u>

All loans payable are initially recognised at fair value, being the net proceeds received. Subsequent measurement is at amortised cost using the effective interest method. \$294,088 was repaid during the year (2019: \$281,107).

6.2 FINANCE COSTS

	2020	2019
	\$	\$
Loan Guarantee Fee	9,888	9,861
Interest Expense	33,154	46,204
Lease interest expense	5,320	-
	<u>48,362</u>	<u>56,065</u>

Finance costs include a loan guarantee fee and interest expenses incurred in the connection with borrowing of funds from the Western Australia Treasury Corporation (note 6.1).

Notes to the Financial Statements

as at 30 June 2020

6.3 CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

	2020 \$	2019 \$
Cash and cash equivalents on this account	1,697,577	894,459
<u>Fixed Term Deposits Held to Maturity</u>		
Reserve Investments	9,100,000	10,400,000
Water Fund Investments	10,000	10,000
	<u>9,110,000</u>	<u>10,410,000</u>
Cash and cash equivalents	<u>10,807,577</u>	<u>11,304,459</u>

6.4 LEASE LIABILITIES

	2020 \$	2019 \$
Current	109,855	-
Non-current	123,047	-
	<u>232,902</u>	<u>-</u>

Busselton Water measures a lease liability, at the commencement date, at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, Busselton Water uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the Agency as part of the present value calculation of lease liability include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options (where these are reasonably certain to be exercised);
- Payments for penalties for terminating a lease, where the lease term reflects the agency exercising an option to terminate the lease.

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Periods covered by extension or termination options are only included in the lease term by the Agency if the lease is reasonably certain to be extended (or not terminated).

Variable lease payments, not included in the measurement of lease liability, that are dependent on sales are recognised by Busselton Water in profit or loss in the period in which the condition that triggers those payments occurs.

This section should be read in conjunction with note 4.4.

Subsequent Measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

6.5 COMMITMENTS

6.5.1 Capital commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2020 \$	2019 \$
Within 1 year	387,027	516,725
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>387,027</u>	<u>516,725</u>

6.5.2 Other expenditure commitments

Other expenditure commitments, contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows.

	2020 \$	2019 \$
Within 1 year	82,120	166,774
	<u>82,120</u>	<u>166,774</u>

Notes to the Financial Statements

as at 30 June 2020

7. Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of Busselton Water.

	Notes
Financial instruments	7.1
Contingent assets and liabilities	7.2
Contingent assets	7.2.1
Contingent liabilities	7.2.2

7.1 FINANCIAL INSTRUMENTS

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2020 \$	2019 \$
<u>Financial Assets</u>		
Cash and cash equivalents	1,697,577	894,459
Receivables ^(a)	3,045,239	3,519,419
Other Financial Assets	9,110,000	10,410,000
	<u>13,852,817</u>	<u>14,823,878</u>
<u>Financial Liabilities</u>		
Payables	747,124	1,779,323
WATC Borrowings	547,708	841,796
Other Financial Liabilities	178,948	64,768
	<u>1,473,780</u>	<u>2,685,887</u>

^(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

7.2 CONTINGENT ASSETS AND LIABILITIES

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

7.2.1 Contingent assets

Busselton Water has no contingent assets.

7.2.2 Contingent liabilities

There is a current employee matter with the Equal Opportunities Commission which may include future costs to the organisation. At this stage we are unable to determine an amount.

8. Other Disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	8.1
Initial application of Australian Accounting Standards	8.2
Key management personnel	8.3
Related parties	8.4
Remuneration of Auditors	8.5
Equity	8.6
Income Tax	8.7

8.1 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No significant events have occurred after the reporting date which would have a material effect on the financial statements.

8.2 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

AASB 15 Revenue from Contract with Customers and AASB 1058 Income of Not-for-Profit Entities

AASB 15 Revenue from Contracts with Customers replaces AASB 118 Revenue and AASB 111 Construction Contracts for annual reporting periods on or after 1 January 2019. Under the new model, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer and is based upon the transfer of control rather than transfer of risks and rewards.

AASB 15 focuses on providing sufficient information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers. Revenue is recognised by applying the following five steps:

- Identifying contracts with customers
- Identifying separate performance obligations
- Determining the transaction price of a contract
- Allocating the transaction price to each performance obligation
- Recognising revenue when or as each performance obligation is satisfied.

Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the contract price are allocated to the separate elements.

In addition, income other than from contracts with customers are subject to AASB 1058 Income of Not-for-Profit Entities. Income recognition under AASB 1058 depends on whether such a transaction gives rise to liabilities or a contribution by owners related to an asset (such as cash or another asset) recognised by the Agency.

Notes to the Financial Statements

as at 30 June 2020

The Corporation's main revenue is from water supply and consumption. Busselton Water did not have revenue from contracts with customers during the reporting period, therefore the application of this standard has no impact.

AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases and related Interpretations. AASB 16 primarily affects lessee accounting and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

Busselton Water applies AASB 16 Leases from 1 July 2019 using the modified retrospective approach. As permitted under the specific transition provisions, comparatives are not restated. The cumulative effect of initially applying this Standard is recognised as an adjustment to the opening balance of accumulated surplus/(deficit).

The main changes introduced by this Standard include identification of lease within a contract and a new lease accounting model for lessees that require lessees to recognise all leases (operating and finance leases) on the Statement of Financial Position as right-of-use assets and lease liabilities, except for short term leases (lease terms of 12 months or less at commencement date) and low-value assets (where the underlying asset is valued less than \$5,000). The operating lease and finance lease distinction for lessees no longer exists.

Under AASB 16, Busselton Water takes into consideration all operating leases that were off balance sheet under AASB 117 and recognises:

- right of use assets and lease liabilities in the Statement of Financial Position, initially measured at the present value of future lease payments, discounted using the incremental borrowing rate (3.2%) on 1 July 2019;
- depreciation of right-of-use assets and interest on lease liabilities in the Statement of Comprehensive Income; and
- the total amount of cash paid as principal amount, which is presented in the cash flows from financing activities, and interest paid, which is presented in the cash flows from operating activities, in the Statement of Cash Flows.

Busselton Water measures concessionary leases that are of low value terms and conditions at cost at inception. There is no financial impact as Busselton Water is not in possession of any concessionary leases at the date of transition.

The right-of-use assets are assessed for impairment at the date of transition and Busselton Water has not identified any impairments to its right-of-use assets.

On transition, Busselton Water has elected to apply the following practical expedients in the assessment of their leases that were previously classified as operating leases under AASB 117:

- A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics;
- Busselton Water has relied on its assessment of whether existing leases were onerous in applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. Busselton Water has adjusted the ROU asset at 1 July 2019 by the amount of any provisions included for onerous leases recognised in the statement of financial position at 30 June 2019;
- Where the lease term at initial application ended within 12 months, Busselton Water has accounted for these as short-term leases;
- Initial direct costs have been excluded from the measurement of the right-of use asset;
- Hindsight has been used to determine if the contracts contained options to extend or terminate the lease.
- Busselton Water has not reassessed whether existing contracts are, or contained a lease at 1 July 2019. The requirements of paragraphs 9-11 of AASB 16 are applied to contracts that came into existence post 1 July 2019.

a. Measurement of lease liabilities

Operating Lease Commitments disclosed as at 30 June 2019	203,965
Discounted using incremental borrowing rate at date of initial application ⁽¹⁾	
Lease liability recognised at 1 July 2019	197,438
Add:	
Finance lease liabilities recognised at 30 June 2019	(73,311)
Lease liability recognised at 1 July 2019	<u>124,127</u>
Current lease liabilities	59,603
Non-current lease liabilities	64,524

⁽¹⁾ The WATC incremental borrowing rate was used for the purposes of calculating the lease transition opening balance.

Notes to the Financial Statements

as at 30 June 2020

8.3 KEY MANAGEMENT PERSONNEL

Busselton Water has determined that key management personnel include the responsible Minister, board members, and, senior officers of Busselton Water. However, Busselton Water is not obligated to compensate the responsible Minister and therefore disclosures in relation to Ministers' compensation may be found in the *Annual Report on State Finances*.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Agency for the reporting period are presented within the following bands:

Compensation of members of Busselton Water

Compensation Band	2020	2019
0 - 10,000	-	2
10,001 - 20,000	5	5
20,001 - 30,000	1	1
	\$	\$
Total compensation of members of Busselton Water	98,733	98,822

Compensation of other senior officers

Compensation Band	2020	2019
30,001 - 40,000	1	-
70,001 - 80,000	1	-
150,001 - 160,000	-	1
170,001 - 180,000	-	1
200,001 - 210,000	1	-
380,001 - 390,000	-	1
390,001 - 400,000	1	-
	\$	\$
Total compensation of senior officers	719,348	720,561

Total compensation includes the superannuation expense incurred by Busselton Water in respect of senior officers.

8.4 RELATED PARTIES

Busselton Water is a wholly owned and controlled entity of the State of Western Australia.

Related parties of Busselton Water include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other agencies and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly owned public sector entities);
- associates and joint ventures of a wholly owned public sector entity

Material transactions with related parties

Outside of normal citizen type transactions with Busselton Water, there are no other related party transactions that involve key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

Significant transactions with government related entities

	Notes	2020	2019
		\$	\$
Income tax Equivalents (NTER)	8.7	807,464	1,179,828
Dividends	8.6	1,017,242	1,539,985
Payroll Tax	2.2 & 2.3.2	119,436	148,330
Operating Subsidies	3.2	562,769	614,886
Loan Repayments (WATC)	6.1	294,088	281,107
Insurance		116,015	124,748
Local Government Rates Equivalent	2.2 & 2.3.1	62,594	60,069
Bulk Water Supply Agreement - Water Sales	3.1	341,222	320,783
Bulk Water Supply Agreement - Infrastructure	3.3	755,167	745,497

8.5 REMUNERATION OF AUDITORS

Remuneration paid or payable to the Auditor General in respect to the audit for the current financial year is as follows:

	2020	2019
	\$	\$
Auditing the accounts, financial statements, and controls	38,773	38,773
	<u>38,773</u>	<u>38,773</u>

Notes to the Financial Statements

as at 30 June 2020

8.6 EQUITY

The Government holds the equity interest in Busselton Water on behalf of the community. Equity represents the residual interest in the net assets of Busselton Water. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

	2020 \$	2019 \$
<u>General Reserve Fund</u>		
Balance at start of period	11,060,801	13,379,026
<u>Less: Transfers to Retained Profits</u>	<u>(2,624,145)</u>	<u>(4,237,954)</u>
<u>Add: Transfers from Retained Profits</u>	<u>2,210,408</u>	<u>1,919,729</u>
Balance at end of period	<u>10,647,064</u>	<u>11,060,801</u>

Dividends

Dividends are recognised as a liability in the period in which they are declared. Dividends are calculated with respect to 85% of net profit of the Corporation for the financial year after first taking into account any amounts payable to the Treasurer for payment of amount in lieu of rates and exclusion of developer hand-over assets.

The following dividends were declared and paid by the Corporation for the year ended 30 June 2019.

	2020 \$	2019 \$
Final dividend payment for the prior year	<u>1,017,242</u>	<u>1,539,985</u>
	<u>1,017,242</u>	<u>1,539,985</u>

After 30 June 2020, the Directors proposed a final dividend payment of \$579,221 for the 2020 year, payable on or before 31 December 2020. The dividend has not been provided for and there are no tax consequences.

Asset Revaluation Reserve Fund

Balance at start of period

Net revaluation increments/(decrements)

	2020 \$	2019 \$
Land	-	(1,945,000)
Deferred Tax Land	-	534,875
Land improvements	-	(140,068)
Deferred Tax Land Improvements	7,622	45,447
Plant and Machinery	-	785,847
Deferred Tax Plant and Machinery	118,507	(232,292)
Buildings	-	637,197
Deferred Tax Buildings	20,278	(213,251)
Motor Vehicles	-	11,798
Deferred Tax Motor Vehicles	9,951	7,099
Mains and Services	-	28,310,531
Deferred Tax Mains and Services	140,239	(7,678,533)
Meters	-	(1,825,477)
Deferred Tax Meters	26,288	616,171
Tools	-	(3,966)
Deferred Tax Tools	(843)	30
Office Equipment	-	11,839
Deferred Tax Office Equipment	35,609	(44,668)
Deferred Tax Low Value Pool	(23,875)	(34,653)
Deferred income tax	<u>333,776</u>	<u>18,842,926</u>

Balance at end of period

Retained Earnings

	2020 \$	2019 \$
Balance at Start of Period	29,495,860	26,039,350
Result for the Period	912,788	2,678,270
Add Transfers From Reserves	2,624,145	4,237,954
Less Transfers to Reserves	(2,210,408)	(1,919,729)
Dividends Paid	<u>(1,017,242)</u>	<u>(1,539,985)</u>
Balance at End of Period	<u>29,805,143</u>	<u>29,495,860</u>

Notes to the Financial Statements

as at 30 June 2020

8.7 INCOME TAX

Income tax Equivalents

	2020 \$	2019 \$
(a) Income Tax Expense		
<i>Current income</i>		
Current income tax charge	860,422	1,206,514
Adjustments in respect of current income tax of previous years		
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(52,958)	(26,686)
Total Income tax expense	<u>807,464</u>	<u>1,179,828</u>
(b) Amounts recognised in other comprehensive income		
<i>Deferred income tax</i>		
Unrealised gain on available for sale financial assets	(333,776)	6,999,777
Income tax benefit recognised in other comprehensive income	<u>(333,776)</u>	<u>6,999,777</u>
(c) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax equivalents	1,720,252	3,858,098
Tax at the statutory income tax rate of 27.5% (2019: 27.5%)	473,069	1,060,977
Under (over) provisions in prior periods	-	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	334,395	118,851
Total Income Tax Expense	<u>807,464</u>	<u>1,179,828</u>

(d) Deferred Income Tax

	Statement of Financial Position		Statement of Comprehensive Income	
	2020 \$	2019 \$	2020 \$	2019 \$
<u>Deferred income tax assets</u>				
Provisions - employee benefits	322,806	284,788	(38,018)	(18,447)
Accrued Superannuation	3,098	2,366	(732)	82
Prepaid expenses	(3,655)	(3,833)	(177)	401
Gross deferred income tax assets	<u>322,248</u>	<u>283,321</u>		
<u>Deferred income tax liabilities</u>				
Revaluation of land, property, plant and equipment	18,473,248	18,807,024	(333,776)	6,999,777
Interest receivable	6,528	20,559	(14,031)	(8,722)
Gross deferred income tax liabilities	<u>18,479,776</u>	<u>18,827,583</u>		
Net deferred income tax liabilities	<u>18,157,528</u>	<u>18,544,262</u>		
Deferred income tax expense			<u>(386,734)</u>	<u>6,973,091</u>

Busselton Water operates within the national tax equivalent regime (NTER) whereby an equivalent amount in respect of income tax is payable to the Department of Treasury. The calculation of the liability in respect of income tax is governed by NTER guidelines and directions approved by Government.

As a consequence of participation in the NTER, Busselton Water is required to comply with AASB 112 'Income Taxes'.

The income tax expense equivalent, or income for the period is the tax payable on the current period's taxable income adjusted by 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, and to unused tax losses.

Deferred tax assets and liabilities are recognised for 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 substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred income tax equivalents are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

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