



## **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

### **2013-14 AND 2014-15 FINANCIAL AND PERFORMANCE OUTCOMES GENERAL QUESTIONNAIRE**

**YARRA VALLEY WATER LIMITED**

**SECTION A: Output variances and program outcomes*****Question 1 (departments only)***

This question does not apply to your agency.

***Question 2 (departments only)***

This question does not apply to your agency.

***Question 3 (Department of Treasury and Finance only)***

This question does not apply to your agency.

**SECTION B: Asset investment (departments only)*****Question 4***

This question does not apply to your agency.

***Question 5***

This question does not apply to your agency.

***Question 6***

This question does not apply to your agency.

**Question 7**

This question does not apply to your agency.

**Question 8**

This question does not apply to your agency.

**Question 9 (Department of Treasury and Finance only)**

This question does not apply to your agency.

**SECTION B: Asset investment (non-departments only)****Question 10**

Please provide the following details for any asset investment project where actual expenditure in 2013-14 or 2014-15 varied by \$±10 million or more from the initial budget estimate at the start of the relevant year (**not** the revised estimate).

If there were no asset investment projects for your agency where the actual expenditure varied by \$±10 million or more from the budget estimate, you do not need to answer this question. If this is the case, please indicate 'no relevant projects' in the table(s) below.

(a) in 2013-14

Project	Estimated expenditure in 2013-14 (2013-14 budget papers) (\$ million)	Actual expenditure in 2013-14 (\$ million)	Explanation for variance	Estimated financial completion date in 2013-14 budget papers	Estimated financial completion date in 2014-15 budget papers	Explanation for any changes to the estimated financial completion date
No relevant projects	-	-	-	-	-	-

(b) in 2014-15

Project	Estimated expenditure in 2014-15 (2014-15 budget papers) (\$ million)	Actual expenditure in 2014-15 (\$ million)	Explanation for variance	Estimated financial completion date in 2014-15 budget papers	Estimated financial completion date in 2015-16 budget papers	Explanation for any changes to the estimated financial completion date
Sewer Waste To Energy	12.27	0.91	Lower expenditure in 2014-15 due to delays associated with the timing of Government and agency approvals and finalisation of commercial contract.	2015-16	2016-17	Lower expenditure in 2014-15 due to delays associated with the timing of Government and agency approvals and finalisation of commercial contract.

### Question 11

Please detail the initial budget estimates (**not** the revised estimate) for 'purchases of non-financial assets' for 2013-14 and 2014-15 (or equivalent line items in the cash flow statements) for your entity, the actual amounts of those line item in your annual reports and an explanation for any variances greater than  $\pm 10$  per cent or \$100 million.

Initial budget estimate for 2013-14 (\$ million)	Actual for 2013-14 (\$ million)	Explanation for any variance greater than $\pm 10$ per cent or \$100 million
240.5	195.2	Savings achieved through reprioritisation of programs and efficiencies achieved in delivering the capital program. Competitive tendering also resulted in lower contract rates.

Initial budget estimate for 2014-15 (\$ million)	Actual for 2014-15 (\$ million)	Explanation for any variance greater than $\pm 10$ per cent or \$100 million
256.8	184.5	Savings achieved as a result of changes in capital expenditure profile following the Fairer Water Bills outcomes. Savings were also achieved through reprioritisation of programs and efficiencies achieved in delivering the capital program. Competitive tendering also resulted in lower contract rates.

## SECTION C: Revenue and appropriations

### Question 12

Please explain any variances greater than  $\pm 10$  per cent or \$100 million between the prior year's actual result and the actual result for 2013-14 and 2014-15 for each revenue/income category detailed in your operating statement. Please also indicate what any additional revenue was used for or how any reduced amounts of revenue impacted on service delivery.

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

If there were no revenue/income categories for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the prior year's expenditure by more than  $\pm 10$  per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Revenue category	2012-13 actual (\$ million)	2013-14 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
Service and trade waste charges	313.0	370.1	Increase in YVW water and sewer prices from 1 July 2014 in line with the Essential Services Commission water plan 2013-14 price determination.	Revised (increased) wholesale costs primarily as a result of the desalination plant.
Usage charges	423.4	546.7	Increase in YVW water and sewer prices from 1 July 2014 and changes in demand.	Revised (increased) wholesale costs primarily as a result of the desalination plant.
Other revenue	20.5	31.4	Higher volume of sales in relation to developer related product and services.	Increased revenue and therefore profit in comparison to prior year.

Revenue category	2013-14 actual (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
Fairer water bills rebates to customers	-	65.7	As a result of an efficiency review of Victoria's urban water corporations, YVW and other metropolitan retailers included a \$100 bill reduction for all domestic households in their first water bill of 2014-15.	Offset primarily by reductions in YVW operating expenditure and wholesale charges.

Contributions	32.3	41.1	Higher developer related activity levels.	Increased revenue and therefore profit in comparison to prior year.
Other revenue	31.4	36.8	Higher volume of sales in relation to developer related product and services.	Increased revenue and therefore profit in comparison to prior year.

### Question 13

Please explain any variances greater than  $\pm 10$  per cent or \$100 million between the initial budget estimate (**not** the revised estimate) and the actual result for 2013-14 and 2014-15 for each revenue/income category detailed in your operating statement. Please also identify any actions taken in response to the variations, either to mitigate or take advantage of the impact.

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

If there were no revenue/income categories for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the initial budget estimate by more than  $\pm 10$  per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Revenue category	2013-14 budget estimate (\$ million)	2013-14 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Actions taken in response
Other revenue	15.1	31.4	Higher volume of sales in relation to developer related product and services.	No action required.

Revenue category	2014-15 budget estimate (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Actions taken in response
Contributions	27.6	41.1	Higher developer related activity levels.	No action required.
Other revenue	22.2	36.8	Higher volume of sales in relation to developer related product and services.	No action required.

**Question 14 (departments only)**

This question does not apply to your agency.

**Question 15 (departments only)**

This question does not apply to your agency.

**Question 16**

Regarding the trust accounts listed in the ‘trust account balances’ note to the financial statements in your entity’s annual report, please identify any accounts from which payments were passed directly to other bodies without being counted in your entity’s comprehensive operating statement. For each relevant account, please identify:

- (a) the value of payments;
- (b) the recipients of the payments; and
- (c) the purpose of the payments.

Trust account	Total payments from the account to bodies other than the Department, 2013-14 (\$ million)	Recipient of the payment	Purpose of the payment
Not applicable			

Trust account	Total payments from the account to bodies other than the Department, 2014-15 (\$ million)	Recipient of the payment	Purpose of the payment
Not applicable			

## SECTION D: Expenses

### Question 17

Please explain any variances greater than  $\pm 10$  per cent or \$100 million between the prior year's actual result and the actual result for 2013-14 and 2014-15 for each category of expenses detailed in your operating statement. Please also detail the outcomes in the community<sup>1</sup> achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

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

If there were no categories of expenses for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the prior year's expenditure by more than  $\pm 10$  per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Expenses category	2012-13 actual (\$ million)	2013-14 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Bulk water and sewerage charges	359.64	538.67	Primarily as a result of pricing structure changes from Melbourne Water.	Decrease to profit before tax.
Salary and employee benefits expense	37.45	42.92	Mainly due to the insourcing of IT which resulted in an increase in the number of technical staff.	Offset by a corresponding reduction in IT contract costs.
Environmental contribution	17.5	29.88	Revised contribution levy charged to YVW based on revenues.	Decrease to profit before tax.
Amortisation	14.17	18.96	Capitalisation and subsequent amortisation of several major I.T items	Decrease to profit before tax.

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

Write off of assets	2.71	4.73	Write-off of the Coburg Stormwater Harvesting and Reuse Project.	Decrease to profit before tax.
Consulting services	3.07	3.92	Unbudgeted increase in consulting fees.	Decrease to profit before tax.
Electricity	3.38	3.84	Increase in usage during head office renovations, pricing changes and growth.	Decrease to profit before tax.
Information Technology costs	7.34	4.97	Reduction in consultants and outsourced services stemming from the insourcing of the I.T. function. This will correlate to an increase in employee benefits.	Increase to profit before tax.
Rental expenses relating to operating leases	0.87	0.43	Phasing out of leased vehicles	Increase to profit before tax but also correlates to an increase in capital costs and future depreciation.
Smart Water Contributions	0.65	0.56	Lower levels of expenditure charged from Smart Water Fund following operational changes to the fund.	Increase to profit before tax.
Superannuation defined benefit expense	1.25	0.91	In accordance with performance of defined benefit fund as advised by Mercers.	Increase to profit before tax.

<b>Expenses category</b>	<b>2013-14 actual</b> <b>(\$ million)</b>	<b>2014-15 actual</b> <b>(\$ million)</b>	<b>Explanations for variances greater than ±10 per cent or \$100 million</b>	<b>Outcomes achieved by additional expenses/impact of reduced expenses</b>
Government Water Rebate contribution received from MWC	0	-49.07	Rebates to YVW from Melbourne Water as part of Fairer Water Bills initiative. As a result of an efficiency review of Victoria's urban water corporations, YVW and other metropolitan retailers included a \$100 bill reduction for all domestic households in their first water bill of 2014-15.	Increase to profit before tax, however this correlates to future rebates to customers.
Depreciation	67.05	74.44	Higher depreciation due to capital program and increase through infrastructure valuation.	Decrease to profit before tax.

Consulting services	3.92	4.31	Increase to consulting fees.	Decrease to profit before tax.
Write off / disposal of assets	4.73	4.18	Write off – Occupancy based charges Write off of the IT capital expenditure costs incurred to implement occupancy based charges.	Increase to profit before tax.
Bad and doubtful debts	9.48	4.09	Reduced write offs from changes to the <i>Water Act 1989</i> and improved debt collection in disconnected accounts following implementation of the new debt collection mercantile contact.	Increase to profit before tax.
Electricity	3.84	3.39	Reduction in usage consumption.	Increase to profit before tax.
Information technology costs	4.97	3.36	Mainly attributable to reduction in I.T. consulting costs.	Increase to profit before tax.
Government taxes, fees and contributions	3.39	2.58	Mainly attributable to reduction in land tax.	Increase to profit before tax.
Superannuation defined benefit expense	0.91	0.73	In accordance with performance of defined benefit fund as advised by Mercers.	Increase to profit before tax.
Transport costs	0.67	0.55	Reduction in transport usage.	Increase to profit before tax.
Smart water fund contributions	0.56	0.34	Lower levels of expenditure charged from Smart Water Fund as a result of operational changes in the fund.	Increase to profit before tax.
Rental expenses relating to operating leases	0.43	0.27	Reduction in motor vehicle lease payments.	Increase to profit before tax, however correlates to an increase in motor vehicle purchases.

### Question 18

Please explain any variances greater than  $\pm 10$  per cent or \$100 million between the initial budget estimate (**not** the revised budget) and the actual result for 2013-14 and 2014-15 for each category of expenses detailed in your operating statement. Please also detail the outcomes in the community<sup>2</sup> achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

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

If there were no categories of expenses for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the initial budget estimate by more than  $\pm 10$  per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

<b>Expenses category</b>	<b>2013-14 budget estimate</b> <b>(\$ million)</b>	<b>2013-14 actual</b> <b>(\$ million)</b>	<b>Explanations for variances greater than <math>\pm 10</math> per cent or \$100 million</b>	<b>Outcomes achieved by additional expenses/impact of reduced expenses</b>
Operating expenditure	99.7	89.6	Savings across a range of activities including elimination of discretionary expenditure and delivery of productivity initiatives.	Increased profit before tax.
Bad and doubtful debts	7.6	9.5	Long term debtor write offs.	Lower profit before tax and reduced debtors.
Smart Water Fund	1.0	0.6	Operational changes in the Smart Water Fund.	Increased profit before tax
Coburg Stormwater Harvesting & reuse project write off	0.0	2.0	Project was no longer viable.	Lower profit before tax and capital expenditure.

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

Other expenses	1.2	1.9	Year-end defined benefit fund adjustment based on Mercer actuarial report.	Lower profit before tax.
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Expenses category	2014-15 budget estimate (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Bad and doubtful debts	5.9	4.1	Improved debt collection on disconnected accounts following implementation of new debt collection contract.	Increased profit before tax.
Smart Water Fund	0.8	0.4	Operational changes in the Smart Water Fund.	Increased profit before tax.
Write off occupancy based charges	0.0	1.1	Government decision to not proceed with occupancy based service charging	Lower profit before tax.
Other expenses	1.2	0.7	Lower licence charges	Increased profit before tax.

### **Question 19 (departments only)**

This question does not apply to your agency.

### **Question 20**

Please detail any changes to your department's/agency's service delivery as a result of expenditure reduction initiatives, e.g. changes to the timing and scope of specific programs or discontinued programs:

(a) in 2013-14

Not applicable

(b) in 2014-15

Not applicable

**Question 21 (departments only)**

This question does not apply to your agency.

**Question 22 (Department of Treasury and Finance only)**

This question does not apply to your agency.

**Question 23 (PNFC and PFC entities only)**

Please detail the value of dividends paid by your agency to the general government sector over the last three years, explaining the reasons for any significant changes over that period and the impact of any changes on the agency.

Total dividends paid in 2012-13 (\$ million)	Total dividends paid in 2013-14 (\$ million)	Total dividends paid in 2014-15 (\$ million)	Explanation for any variance greater than $\pm 10$ per cent or \$100 million	Impact of changes to dividends on the agency
57.5	17.7	31.7	There were movements in profit across the years. The fluctuations also represent the payment and timing of interim dividends to the Victorian Government.	Nil

## SECTION E: Public sector workforce

### Question 24

Please detail the total full-time equivalent number of staff in your department/agency as at 30 June 2013, 30 June 2014 and 30 June 2015 in each of the following bands of levels, and explain the changes:

Level	Total FTE (30 June 2013)	Total FTE (30 June 2014)	Total FTE (30 June 2015)	Explanation for changes
VPS Grades 1-3	-	-	-	
VPS Grade 4	-	-	-	
VPS Grades 5-6 and STS	-	-	-	
EO	-	-	-	
Other	548	524	538	Result of reduction of staff numbers through productivity gains.
Total of all staff (including non-VPS grades)	548	524	538	

**Question 25**

In the table below, please detail the salary costs for 2012-13, 2013-14 and 2014-15, broken down by ongoing, fixed-term and casual, and explain any variances greater than  $\pm 10$  per cent or \$100 million between the years for each category.

<b>Employment category</b>	<b>Gross salary 2012-13 (\$ million)</b>	<b>Gross salary 2013-14 (\$ million)</b>	<b>Gross salary 2014-15 (\$ million)</b>	<b>Explanation for any year-on-year variances greater than <math>\pm 10</math> per cent or \$100 million</b>
Ongoing	26.2	30.6	30.2	Not applicable
Fixed-term	17.7	20.4	20.5	Not applicable
Casual	1.2	1.1	0.8	Not applicable
<b>Total</b>	<b>45.1</b>	<b>52.1</b>	<b>51.5</b>	Insourcing of IT resulted in an increase of technical staff and corresponding reduction in our IT contract costs.

**Question 26**

Please detail the number of executives who received increases in their base remuneration in 2013-14 and 2014-15, breaking that information down according to what proportion of their salary the increase was, and explaining the reasons for executives' salaries increasing in each bracket.

<b>Increase in base remuneration</b>	<b>Number of executives receiving increases in their base rate of remuneration of this amount in 2013-14</b>	<b>Reasons for these increases</b>
0-3 per cent	8	Annual increase
3-5 per cent	-	
5-10 per cent	-	
10-15 per cent	-	
greater than 15 per cent	-	

Increase in base remuneration	Number of executives receiving increases in their base rate of remuneration of this amount in 2014-15	Reasons for these increases
0-3 per cent	-	
3-5 per cent	8	Annual increase
5-10 per cent	-	
10-15 per cent	-	
greater than 15 per cent	-	

## SECTION F: Inter-sector flows

### *Question 27 (Department of Treasury and Finance only)*

This question does not apply to your agency.

## SECTION G: Government decisions impacting on the finances

### Question 28

(a) Please detail any costs incurred during 2014-15 in the following categories as a result of machinery-of-government changes:

	(\$ million)
Consultants and contractors (including legal advice)	-
Relocation	-
Telephony	-
IT and records management	-
Rebranding	-
Furniture and fit-out	-
Other	-

(b) If these costs were met out of existing budgets, please indicate what projects, programs or areas the money was originally budgeted for.

Not applicable

(c) Please identify any benefits achieved during 2014-15 as a result of machinery-of-government changes, quantifying the benefits where possible.

Not applicable

**Question 29**

Please identify any Commonwealth Government decisions during 2013-14 or 2014-15 which had not been anticipated in the State budget but which impacted on your entity’s finances or activities during those years (including new funding agreements, discontinued agreements and changes to funding levels). Please quantify the impact on income and expenses where possible.

Commonwealth Government decision	Impact in 2013-14		Impact in 2014-15	
	on income (\$ million)	on expenses (\$ million)	on income (\$ million)	on expenses (\$ million)
Not applicable				

**Question 30**

Please identify any COAG decisions during 2013-14 or 2014-15 which had not been anticipated in the State budget but which impacted on your entity’s finances or activities during those years (including new funding agreements, discontinued agreements and changes to agreements). Please quantify the impact on income and expenses where possible.

COAG decision	Impact in 2013-14		Impact in 2014-15	
	on income (\$ million)	on expenses (\$ million)	on income (\$ million)	on expenses (\$ million)
Not applicable				

**SECTION H: Fiscal and financial management strategies (Department of Treasury and Finance only)*****Question 31***

This question does not apply to your agency.

***Question 32***

This question does not apply to your agency.

**SECTION I: Economic environment*****Question 33 (Department of Treasury and Finance only)***

This question does not apply to your agency.

***Question 34 (Department of Treasury and Finance only)***

This question does not apply to your agency.

***Question 35 (Department of Treasury and Finance only)***

This question does not apply to your agency.

***Question 36 (Department of Treasury and Finance only)***

This question does not apply to your agency.

**Question 37**

Please identify any key economic variables for which there were variances in 2013-14 and 2014-15 between what was estimated in the initial budget for each year (**not** the revised estimate) and what actually occurred which had a significant impact on your department’s/agency’s finances, service delivery or asset investment. For each variance, please indicate:

- (a) what had been expected at budget time
- (b) what actually occurred
- (c) how the variance impacted on the budget outcomes (quantifying the impact where possible)
- (d) what decisions were made in response (including changes to service delivery, asset investment, borrowings etc.).

Expected economic result in 2013-14	Actual result in 2013-14	Impact of the variance on budget outcomes	Decisions made in response
Not applicable			

Expected economic result in 2014-15	Actual result in 2014-15	Impact of the variance on budget outcomes	Impact of the variance on service delivery
Not applicable			

## **SECTION J: Previous recommendations**

### ***Question 38 (departments only)***

This question does not apply to your agency.