Melbourne Water Annual Report

2024-25

VICTORIA State Government

Melbourne Water

Our vision

Enhancing Life and Liveability

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

Aboriginal acknowledgement

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

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

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

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

About this report

The *Melbourne Water Annual Report 2024-25* describes activities undertaken by Melbourne Water between 1 July 2024 and 30 June 2025 to meet our customers' needs, regulatory obligations and contribute towards achieving our vision of enhancing life and liveability.

Melbourne Water is a Victorian Government-owned statutory authority.

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

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

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

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

All financial years within this Annual Report are represented as a date range. For example, 2024-25 refers to 1 July 2024 to 30 June 2025.

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

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

In accordance with the *Financial Management Act 1994*, we are pleased to present Melbourne Water's Annual Report for the year ended 30 June 2025.

Greg Wilson
Chair
29 August 2025

Nerina Di Lorenzo
Managing Director
29 August 2025

[1] https://www.melbournewater.com.au/about/what-we-do/annual-report

Contents

The year in review

Report from the Chair and Managing Director

Water is essential to our way of life. At Melbourne Water, we are committed to enhancing life and liveability for the Greater Melbourne region.

As our city grows and the climate changes, planning for secure water supplies and resilient essential services has become more crucial than ever. As the caretaker of Melbourne's water cycle, we continue to take action to manage and protect the essential services that sustain our communities now and in the future.

Long-term water security planning

In the event of a severe drought, additional annual water requirements could reach 85 GL by 2030, based on a high demand and high climate change impact scenario (see page 51 for more details). The first six months of 2025, we saw the lowest inflows to Melbourne's four major harvesting storages since records began in 1913. Combined with rising water use across Greater Melbourne and the driest autumn on record, it's clear we can no longer rely on rainfall alone to keep our city thriving.

Through our collaboration with the Accord, a partnership with South East Water, Yarra Valley Water, Greater Western Water, and Barwon Water, we continue to focus on long-term water security planning. This includes exploring alternative water sources, such as desalination, to ensure long-term resilience in our water supplies. This year, additional water was ordered from the Victorian Desalination Plant and we made progress on bulk supply reform for our water corporation customers.

With a growing population also comes increased pressure on sewerage systems, which requires significant capital investments and the continuation of major capital projects to ensure we maintain public health to its highest standards.

This year, we also continued our collaboration with the Victorian Government and our partners to implement key water strategies, such as the *Greater Melbourne Urban Water and System Strategy: Water for Life* and *Central and Gippsland Region Sustainable Water Strategy* (CGRSWS). These strategies provide a clear pathway for our sector to work together to address our challenges and achieve better outcomes for the communities we serve.

2026 Price Submission

To prepare us for the future, we have continued our extensive engagement as part of our 2026 Price Submission. The Submission will outline the foundational services and investments required now to secure Melbourne's living standards and keep bills as low as possible, including securing new water supplies, transitioning to new sewerage treatment technologies, and preparing for more frequent and intense flood events.

Our 2026 Price Submission has been shaped by a two-year extensive in-depth customer and community engagement, which gathered feedback from over 6000 end-use customers. We also extended our engagement program this year to further ensure all our partners, customers, Traditional Owners, government representatives, and the community are reflected in our plans and decisions for the 2026-2031 regulatory period.

Planning for our future requires a balance between maintaining affordability and investing in system resilience. Throughout our 2026 Price Submission development, Melbourne Water has focused on improving its productivity and efficiency to provide the best possible value to our customers.

We look forward to submitting our 2026 Price Submission to the Essential Services Commission (ESC) on 1 October 2026. For more information, see page 11.

Supporting the Victorian Government Housing Statement

This year, Melbourne Water continued to support the release of the Victorian Government's Plan for Victoria, which outlines the actions needed to respond to its *Housing Statement*. This plan ensures that the necessary investments and planning controls for housing growth are integrated across new priority precincts and Activity Centre Plans.

Melbourne Water continues to support the *Housing Statement* through our Urban Planning and Development, and Customer teams. Over the past year, we have undertaken significant updates across the business to deliver positive planning outcomes for our developer customers.

As a referral agency, Melbourne Water has a role to play (along with local and state government) in the growth of Melbourne's housing. Therefore, we have expedited the assessment of development applications, with over 90 per cent of applications processed within the newly established standards for approving new applications.

Previous application backlogs have also now been cleared, and our increased in-house capacity is more efficiently addressing the urban planning priorities of developers, customers and the government. We are now meeting service standards for all development applications and continue to provide critical support.

Stretch Reconciliation Action Plan

This year marked a significant milestone for Melbourne Water as we launched our newly developed Stretch Reconciliation Action Plan (RAP). This fourth RAP underlines our ongoing commitment to reconciliation, emphasising self-determined outcomes, truth-telling, and accountability.

Throughout the year, we have focused on strengthening our relationships with Traditional Owners and Aboriginal and Torres Strait Islander communities. Our collaborative approach involved extensive discussions with Traditional Owner organisations, businesses and our employees, ensuring their input shaped our RAP's direction.

Over the past three years, we have made considerable progress in enhancing cultural understanding across our organisation. We have developed key strategies in procurement, employee wellbeing, and organisational capability, moving closer to embedding reconciliation into our everyday operations.

Listening to our partners has been crucial. This has allowed us to define partnership, responsibility, and respect together.

Preparing for a changing climate

We are committed to ensuring Greater Melbourne remains liveable in the face of climate change and population growth. This means expanding our understanding of the physical impacts of climate change and the transition risks of moving to a low-carbon economy and building long-term resilience in our systems.

We recognise the impacts of climate change, including hotter and wetter weather, more severe bushfires, and unpredictable storms and floods, and know we cannot operate in isolation to tackle them. Together with our customers, councils, developers, Traditional Owners, the community and government agencies, we continue to engage and collaborate to secure a sustainable future for Melburnians.

In alignment with our commitment to the Victorian Government's *Statement of Obligations (Emission Reduction)*, Melbourne Water continues to advance Our Path to Net Zero strategy aimed at achieving net zero scope 1 and 2 emissions by 2029-30.

Our new Resource Recovery & Re-use Complex (RRRC) at the Western Treatment Plant will be key to reducing greenhouse gas emissions from our treatment process. The RRRC will incorporate new treatment processes to generate renewable energy.

Community engagement and flood mitigation

Responding to the needs of our community is central to the work we do. This year, we continued to implement the 15 recommendations handed down by the Pagone Panel; the independent review following the October 2022 Maribyrnong River flooding.

Four of the remaining recommendations will be addressed by the transition of riverine flood forecasting services from Melbourne Water to the Bureau of Meteorology, which is anticipated to be completed by July 2026.

We are progressing the Maribyrnong River Flood Mitigation Study and associated engagement programs. We are also progressing our five-year target to update maps and models for every catchment in Greater Melbourne. This aims to help inform communities of their flood risk and support better decision-making on new housing and infrastructure so that Melbourne can be more flood resilient over the next 70 years. See page 23 for more information on our flood modelling program.

Supporting the Victorian economy

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

Our capital investment expenditure during the year was $963.1 million, which was required to meet the growth in demand and renew the existing infrastructure that deliver's the essential services our customers expect and rely on.

We continue to remain focused on ensuring we have the financial strength to meet the dual challenges of climate change and population growth in a changing economic landscape. We are also focusing on enhancing transparency in our costs, particularly considering the increase in infrastructure investment required in the future.

We aim to deliver valued services at the lowest possible cost and to secure a commercial return for our shareholders, and to support the Victorian state budget. See page 140 for more information about Melbourne Water's financial commitments.

Investing in our people

Our people remain our greatest asset. Supported by Melbourne Water's values (see page 80) and through our investment in capability, our people bring their diverse skills to find innovative solutions that support a thriving, livable city for generations to come.

We continue our commitment to ongoing professional development and support, ensuring our workforce is equipped to meet future challenges.

Looking ahead

As we move forward, we remain dedicated to creating a cost effective, sustainable, resilient future for Greater Melbourne and its communities. The actions we take today will set the foundation for generations to come, and we are proud to walk this path alongside Traditional Owners and our community partners, focusing on respect, responsibility and resilience.

Greg Wilson
Chair

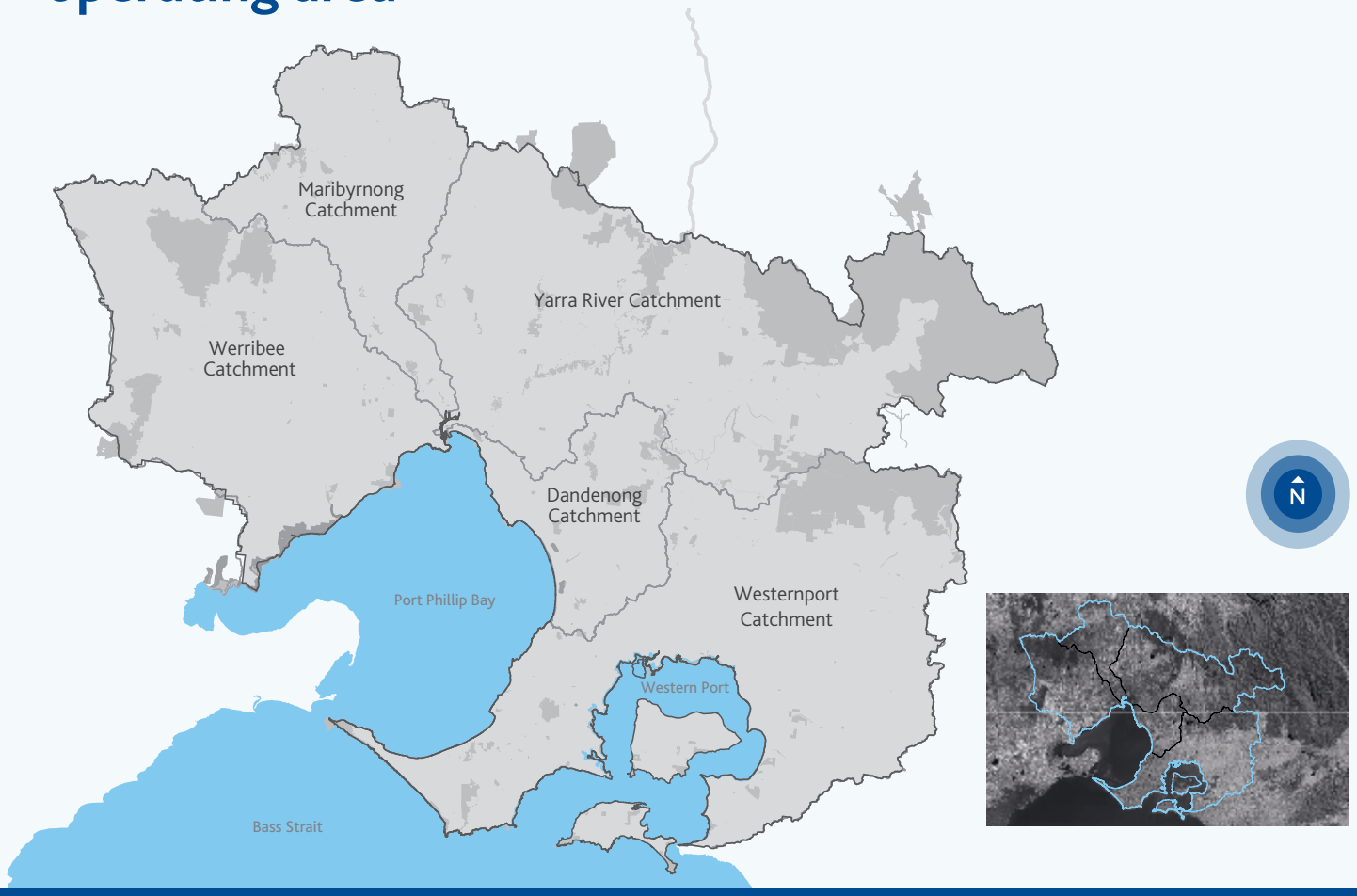
29 August 2025

Nerina Di Lorenzo
Managing Director

29 August 2025

Melbourne Water's operating area

Figure 1: Melbourne Water's operating area



2024-25 Performance snapshot

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

As approved by the ESC, our 2021 Price Determination is underpinned by six customer outcomes, which were defined in collaboration with our customers and communities. These outcomes represent what our customers value and expect from our services. Our performance snapshot shows our outcome areas and relevant performance highlights for 2024-25.

Our full Customer Outcomes Report details our annual performance for 2024-25 against these outcomes and is available on Melbourne Water's website[2].

Customer outcome	2024-25 Performance highlight
 Access to safe and reliable water and sewerage services	• **509 billion litres** of water supplied • **366,976 million litres** of sewage treated at the Eastern and Western Treatment Plants
 Melbourne's environment, rivers, creeks and bays are protected and Melbourne Water's greenhouse gas emissions are minimised	• **30,273 tonnes** of biosolids reused and delivered to farms • **15 billion litres** of water delivered for the environment
 Melbourne remains liveable as it deals with the impacts of climate change and population growth	• **39,935 megalitres** of recycled water produced
 Melburnians are empowered to support the design and delivery of service outcomes	• **1254 projects** funded within the waterways and drainage incentives program • **4000 customers and community members** engaged to understand priorities and investment expectations to develop the *2026 Price Submission*
 Easy, respectful, responsive and transparent customer service	• **Ranked first out of 54 organisations** in the utilities sector by Customer Service Benchmarking Australia for call quality and customer experience for six consecutive quarters
 Bills kept as low as possible	• **$856,000 of net savings** in operating expenditure identified through new efficiency projects

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

About us

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

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

Under the *Water Act 1989* (Vic), we hold multiple roles, including as floodplain manager, waterway manager and drainage authority. In these capacities, our responsibilities include the management of water supply catchments, the treatment and distribution of drinking and recycled water, sewage treatment and removal and the oversight of catchments, waterways and major drainage systems in the Port Phillip and Westernport regions.

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

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

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

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

Authorising environment

Melbourne Water is a statutory authority and a body corporate established under the *Water Act 1989* (Vic). Melbourne Water derives its authority to act from the *Water Act 1989* (Vic), the *Catchment and Land Protection Act 1994* (Vic), for its functions relating to its role as a Catchment Management Authority (CMA), and the *Planning and Environment Act 1987* (Vic) (P&E Act) for its functions relating to its role as a Referral Authority.

Melbourne Water has one by-law established under the *Water Act 1989*: Extension By-law No. 1: Water Supply Protection (2018).

Portfolio Minister

The Honourable Gayle Tierney MP is the responsible Minister for Water (Portfolio Minister). She was appointed into this role on 19 December 2024, following on from the former responsible Minister, the Honourable Harriet Shing MP.

Melbourne Water operates in accordance with three Statements of Obligations issued by the Minister for Water under section 41 of the *Water Industry Act 1994* (Vic) and the *Statement of Obligations* issued by the Minister under section 19 of the *Catchment and Land Protection Act 1994* (Vic). The statements provide direction to Melbourne Water and specify obligations in relation to the performance of our functions and exercise of our powers, providing a transparent means for government to give force to government policy. Melbourne Water is required to monitor compliance with the obligations set out in the three Statements of Obligations, report on non-compliance and take remedial actions, as required.

Melbourne Water also operates under a Letter of Expectations issued by the Minister for Water, which outlines the performance expectations and priorities for Melbourne Water in the 2024-25 financial year (see page 10 for more information).

The Minister for Water has the power to delegate any power, discretion, function, authority or duty of the minister under section 306 of the *Water Act 1989* (Vic). The Minister for Water has delegated functions to Melbourne Water in relation to the allocation of water, take and use licences, works licences, the duty to maintain levees on Crown Land, and to enter details relating to works licences into the Victorian Water Register. The current Instrument of Delegation was issued on 10 May 2024, replacing the previous Instrument, which was dated 29 May 2023.

Other ministers

The Minister for Water, the Minister for Environment and the Minister for Climate Action are jointly responsible for the *Catchment and Land Protection Act 1994* (Vic), while the Minister for Water is the lead minister relating to Melbourne Water's role as a CMA. The Honourable Steve Dimopoulos MP was the Minister for Environment, and the Honourable Lily D'Ambrosio MP was the Minister for Climate Action, for the 2024-25 financial year.

Shareholding Minister

The Honourable Jaclyn Symes MP was the responsible Treasurer (Shareholding Minister) from 19 December 2024 to 30 June 2025. From 1 July 2024 to 18 December 2024, this role was held by the former Treasurer, the Honourable Tim Pallas MP.

Regulatory agencies

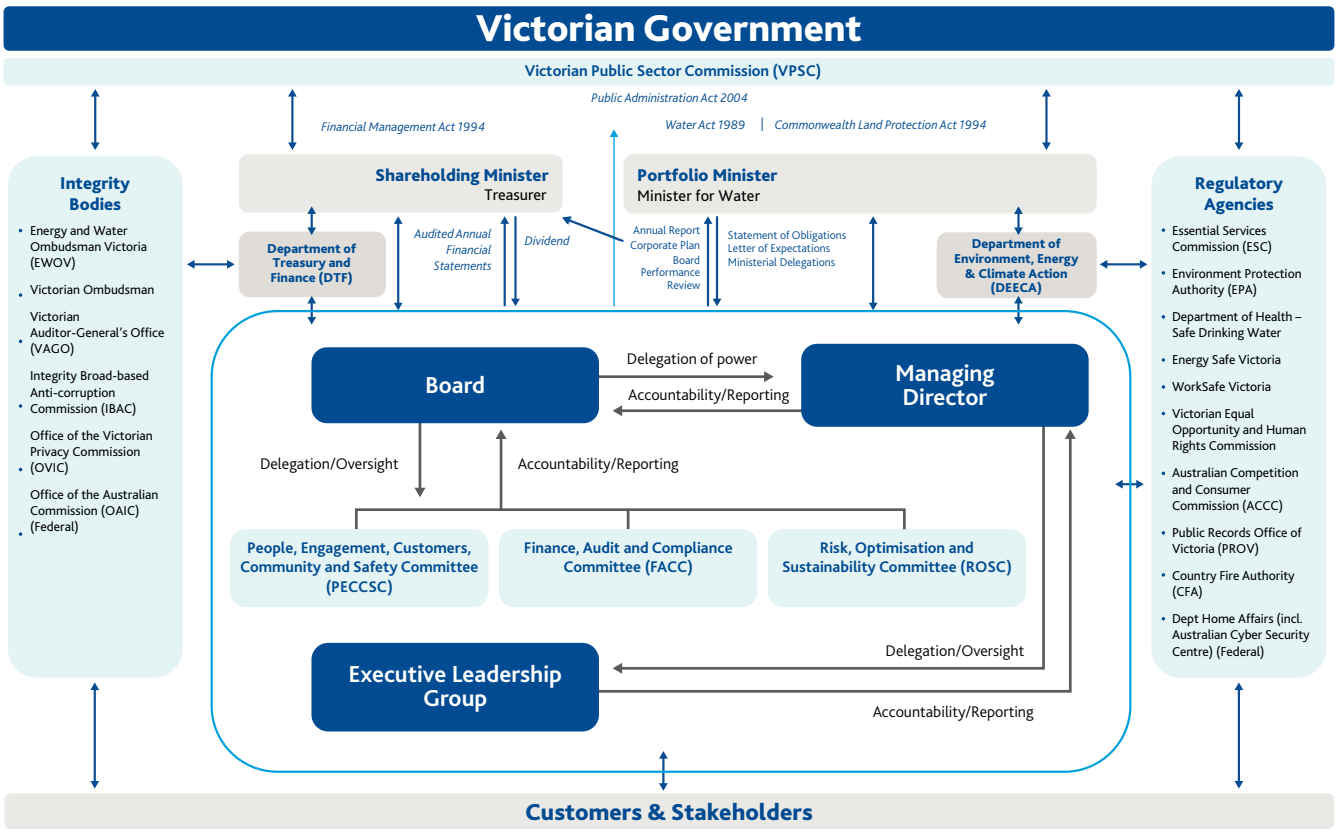
The ESC is Melbourne Water's economic regulator. It approves the prices we charge customers and regulates the standards of service we deliver. We are required to submit a Price Submission to the ESC every five years and to report annually on our performance. Our next *2026 Price Submission* is currently in development, and we have undertaken extensive community and stakeholder consultation that will continue into the 2025-26 financial year.

The Department of Health is a regulator of drinking water quality under the *Safe Drinking Water Act 2003* (Vic).

The Environment Protection Authority Victoria (EPA Victoria) is the environmental regulator, protecting human health and the environment from pollution and waste. EPA Victoria plays an important role in the regulation of the discharge of wastewater, recycled water quality and the operation of sewage treatment plants under the *Environment Protection Act 2017* (Vic).

Melbourne Water's broad governance model is illustrated in Figure 2, below, and shows the relationships between government, Melbourne Water's Board and Melbourne Water management.

Figure 2: Governance relationships between the Victorian Government, Board and Melbourne Water management.



Yarra River, Melbourne city skyline

Our vision and strategic direction

Enhancing life and liveability

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

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

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

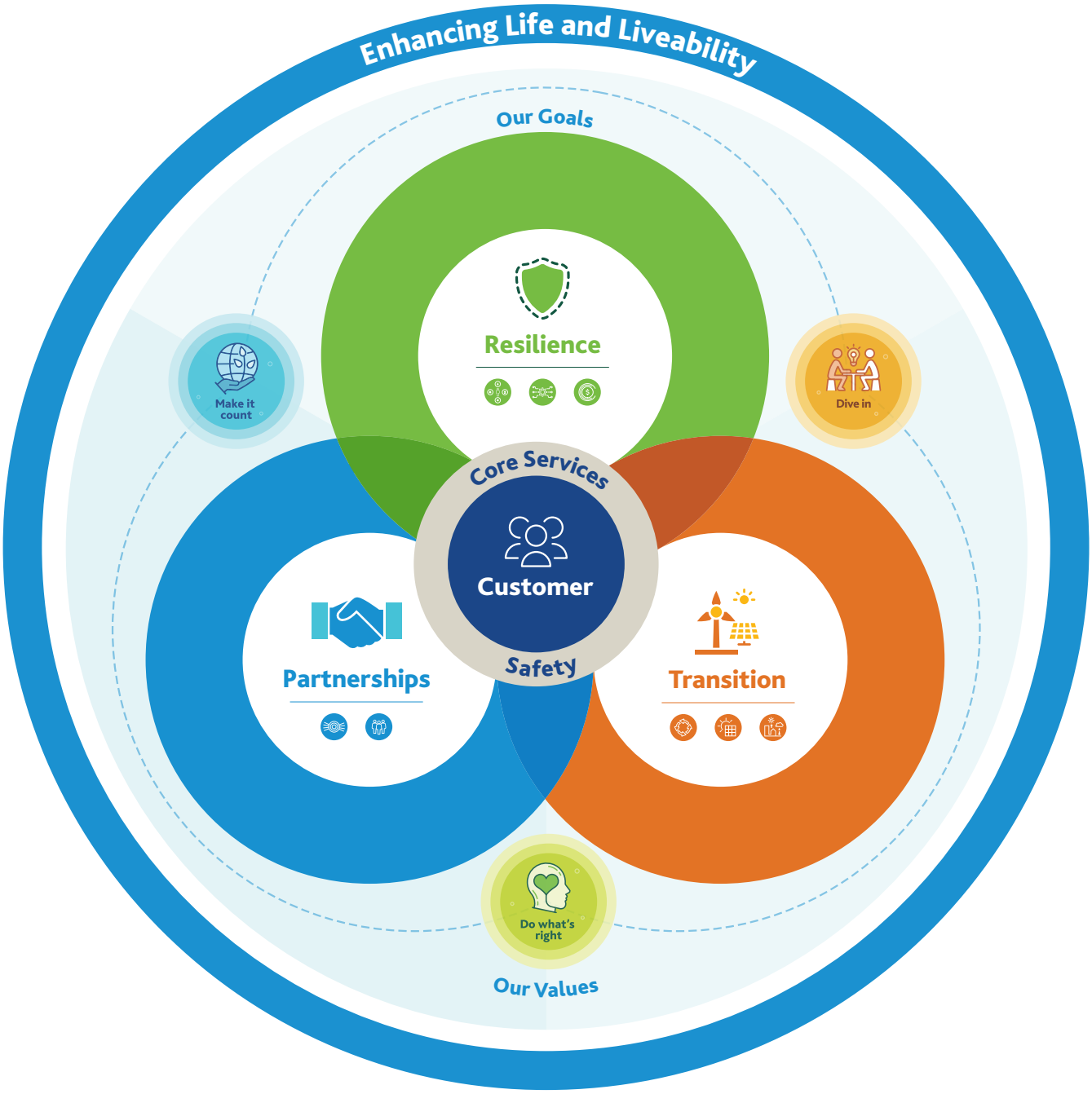
Melbourne Water is working towards achieving a set of aspirational strategic goals by 2027 (as shown in Figure 3) that aim to catalyse the change needed to capture opportunities and respond to the challenges of the next decade.

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

Make every drop count

Our strategy

Figure 3: Melbourne Water's Strategic Direction and Goals to 2027.



Our Vision:
Enhancing Life and Liveability

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

Our Core Services

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

- Water
- Sewerage
- Drainage
- Waterways
- Catchment management

Our Strategic Goals

Resilience

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

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

Transition

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

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

Partnerships

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

- We will walk Country together
- Building influential relationships

Our strategic context

Delivering the Victorian Government's plan for water

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

We work closely with the Victorian Government to deliver our services, which have been crucial in supporting Melbourne to grow into the city it is today. This Annual Report outlines our achievements in 2024-25 to meet the changing needs of the Greater Melbourne region and addresses priorities detailed in *Water for Victoria*.

Letter of Expectations

In addition to the *Water Act 1989* (Vic), we are further guided by the Minister for Water's Letter of Expectations and the Ministerial Reporting Directions (MRDs) administered by the Department of Energy, Environment and Climate Action (DEECA), which focus on:

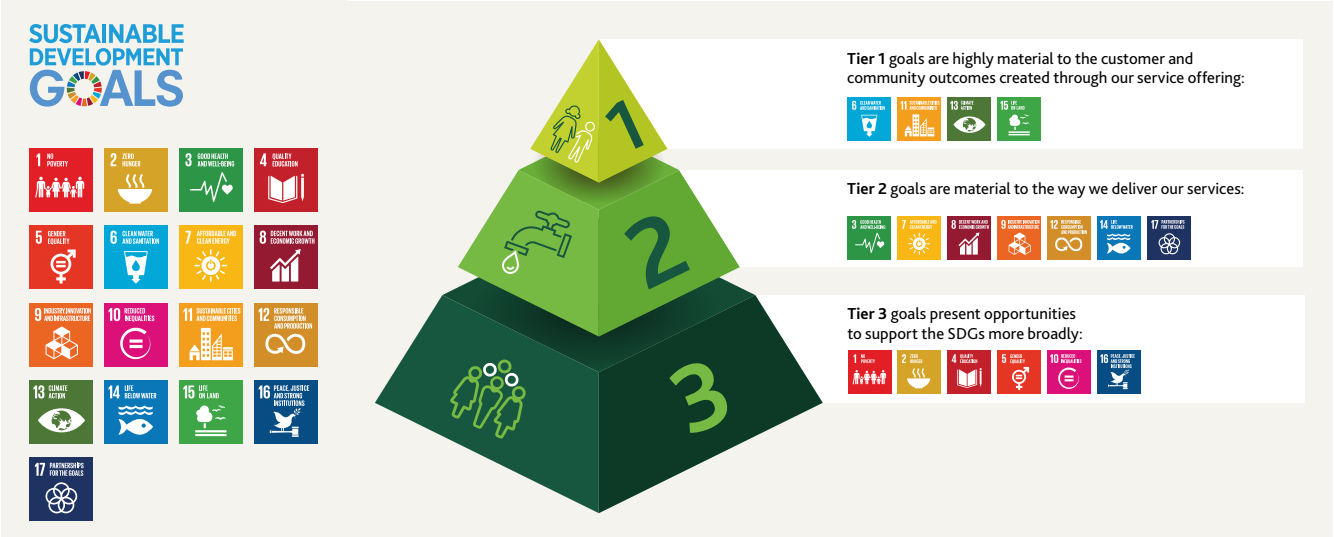
- climate change and energy
- customer, community and engagement
- recognise Aboriginal values
- recognise recreational values
- resilient and liveable cities and towns
- leadership, diversity and culture
- performance and financial management
- compliance and enforcement.

Sustainable Development Goals

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

The SDGs provide a broad lens for planning and a common framework for communicating with partners, enabling shared value outcomes and fostering innovation. We recognise our ability to contribute to advancing each of the goals, both directly through our own work and indirectly through partnerships with customers, stakeholders and suppliers.

Yarra River, South Yarra



Our operating environment

Melbourne Water is operating in a globally volatile and technologically transformative environment, shaped by intensifying geopolitical conflict, supply chain instability, climate change and technological change.

Use of artificial intelligence (AI) and automation is expanding across industries, including water utilities. While our adoption of these technologies is growing, some barriers remain, such as data security. Meanwhile the global AI regulatory landscape for utilities is moving toward a more considered AI governance approach, emphasising preventive governance, security, mandatory compliance and ethical adoption.

Geopolitical tensions and conflict continue to disrupt global trade and supply chains, compounding already precarious economic conditions. Disruptions and domestic freight constraints are driving up costs and threatening the timely delivery of essential infrastructure materials. Rising insurance costs, labour shortages, and increasing construction expenses are amplifying these pressures, demanding more resilient planning and procurement strategies.

The energy transition remains essential. Although investment in renewable energy has slowed due to infrastructure constraints and policy uncertainties, storage infrastructure is evolving rapidly, enhancing grid resilience and accelerating renewable integration.

Climate change continues to intensify water security and biodiversity challenges across Australia. Extreme weather, diminished rainfall, and emerging environmental obligations, including climate-related financial disclosure standards, are increasing pressure on resources and increasing the importance of community preparedness for incidents such as floods, while also opening avenues for innovation and leadership in sustainable water and waste resource management.

Social and economic conditions remain fragile. Cost-of-living pressures are driving greater community sensitivity to pricing, reinforcing the importance of balancing affordability with investment. Simultaneously, workforce disruptions driven by AI, generational shifts, and a tight labour market underscore the need for investment in upskilling, workforce transition and adaptive service delivery.

Amid these intersecting challenges, Melbourne Water has a strategic opportunity to lead through innovation, resilience, and trusted stewardship of Greater Melbourne's water, land and ecosystems.

2026 Price Submission

Melbourne Water's *2026 Price Submission* will set out our expenditures and the prices we need to charge our customers to deliver the services they expect now and into the future. Our prices are subject to approval by the ESC and will be prepared in line with its guidance.

Our 2026 Price Submission will describe how Melbourne Water has engaged with customers to understand their priorities for our services (water, sewerage, waterways and drainage), our commitments to our customers and the corresponding expenditures and prices to deliver on those commitments. For more information on the engagement process, refer to page 65.

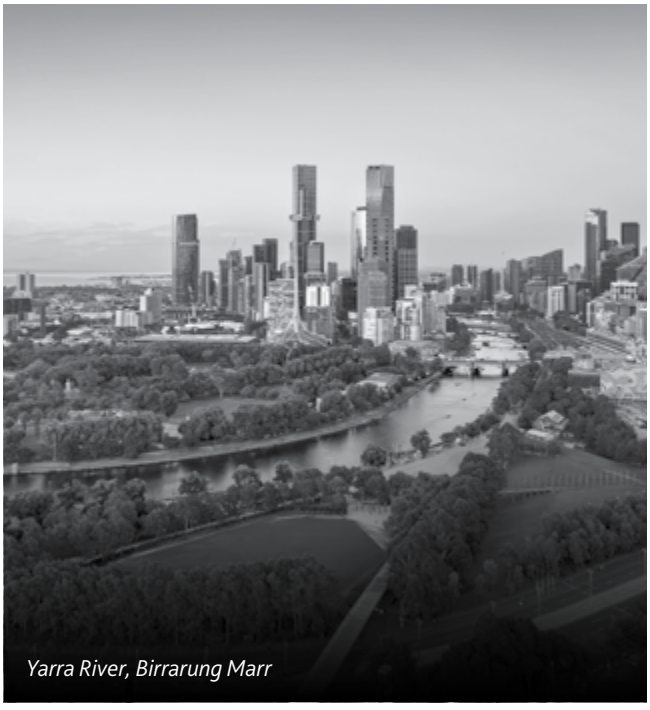
Our 2026 Price Submission will be prepared in the context of transition required to stay ahead of population growth and a changing climate, while making the best use of advancements in technology. To navigate these critical risks, we are focused on planning future by:

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

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

A key area has been to ensure we improve our focus on the priorities of the water corporation customers that take our bulk services.

The 2026 Price Submission is due to the ESC in September 2025. Following its review, new prices will apply from 1 July 2026.



Yarra River, Birrarung Marr

The Accord

The Accord is a collaborative partnership between Barwon Water, Greater Western Water, Melbourne Water, South East Water and Yarra Valley Water. Collectively, we understand that we are more effective when we work together and share a common purpose to deliver the best social, economic, cultural and environmental outcomes for our customers, community and stakeholders.

The Accord's vision for the sector and agreed principles govern how we work together to deliver on key focus areas, including water security, the economic sustainability of the sector, partnering with and delivering for Traditional Owners, building water literacy and efficiency, and addressing the challenges posed by climate change resilience and transition.

The Accord commits us to collaboratively act in the best overall interests of our communities, supporting cost-effective, equitable outcomes for today and for future generations.

This year, we continued to focus on ensuring Melbourne's water supplies are secure now and into the future. In February 2025, we ordered additional water supplies from the Victorian Desalination Plant and continued to make progress on our collaborative planning for long-term water security. We have also continued to make progress on bulk supply reform and are collectively committed to supporting the Victorian Treaty process.

Dights Falls

Our commitment to sustainability

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

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

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

'Our Path to Net Zero' is Melbourne Water's strategy for meeting its obligations for emissions reduction. Refer to page 52 for more details.

We are working toward expanded disclosures that align with emerging best practice. A focus both globally and locally is on disclosures associated with climate change, such as the ongoing development of the Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information. We will continue to work towards broader sustainability disclosures as new guidance in this area is developed. This year, we continued to mature our approach to climate transition through work to better integrate complex climate risk into our processes, including investigations into efficient investment for our services to increase climate resilience.

We are acutely aware that the scale of challenges facing our services related to the interacting risks of climate change, rapid urbanisation and population growth, and biodiversity loss will test our existing ways of operating and require us to adapt our approach over the next decade.

Solar Farm, Eastern Treatment Plant

Cardinia Reservoir

Our services

Overview

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

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

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

Water

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

Make every drop count

Our approach

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

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

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

On average over the past 10 years, about a quarter of Melbourne's drinking water has come from open catchments, which incorporate mixed land uses, such as houses and farms, instead of being used exclusively to harvest water. Water from open catchments undergoes additional treatment processes to ensure it meets the same quality standards as water from protected catchments.

Greater Melbourne's water system also includes the Victorian Desalination Plant, which complements our catchments by providing a secure source of high-quality water that does not rely on rainfall. The Victorian Desalination Plant can provide up to 150 billion litres of drinking water each year and is a key component in ensuring long-term water security, building a buffer in our storages and taking pressure off our reservoirs during drier periods and droughts.

In 2024-25, we invested $193.4 million to safely manage the water production and supply for Greater Melbourne. Significant investments included the completion of a $140 million project to supply water to the north and north-west growth areas and the $90 million renewal of key water transfer assets from Olinda to Mitcham.

Figure 4: Greater Melbourne water storage levels (June 1996 – June 2025)

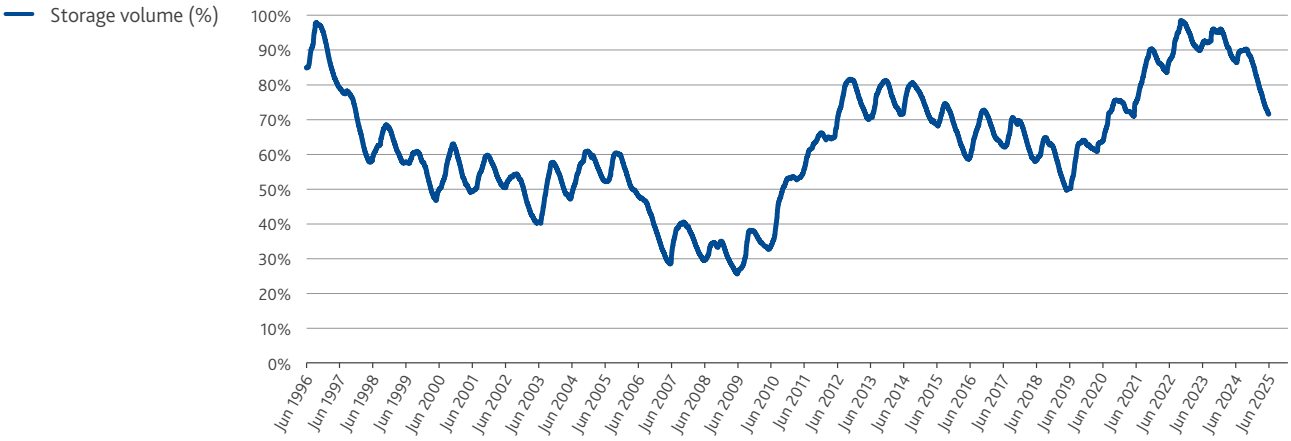


Figure 5: Long-term inflow to Melbourne's major harvesting storages (Thomson, Upper Yarra, Maroondah and O'Shannassy reservoirs)

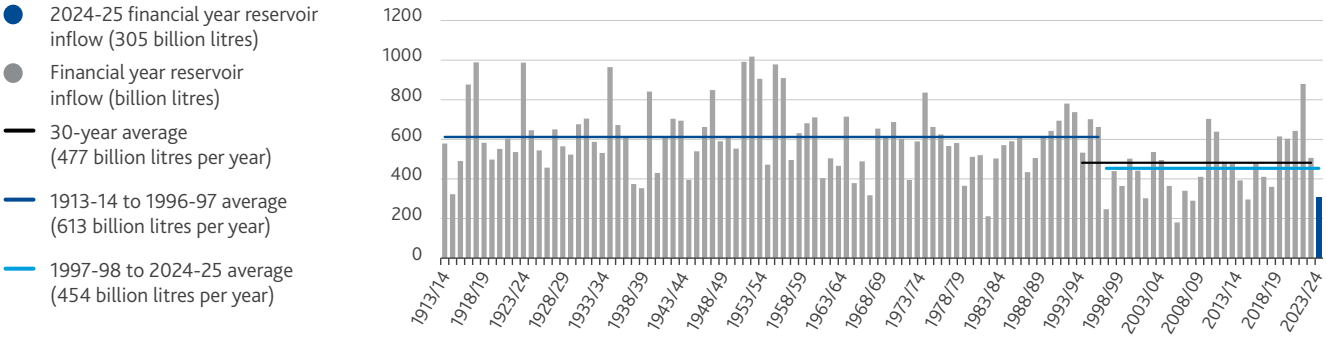


Figure 6: Monthly average rainfall at Melbourne's major harvesting reservoirs

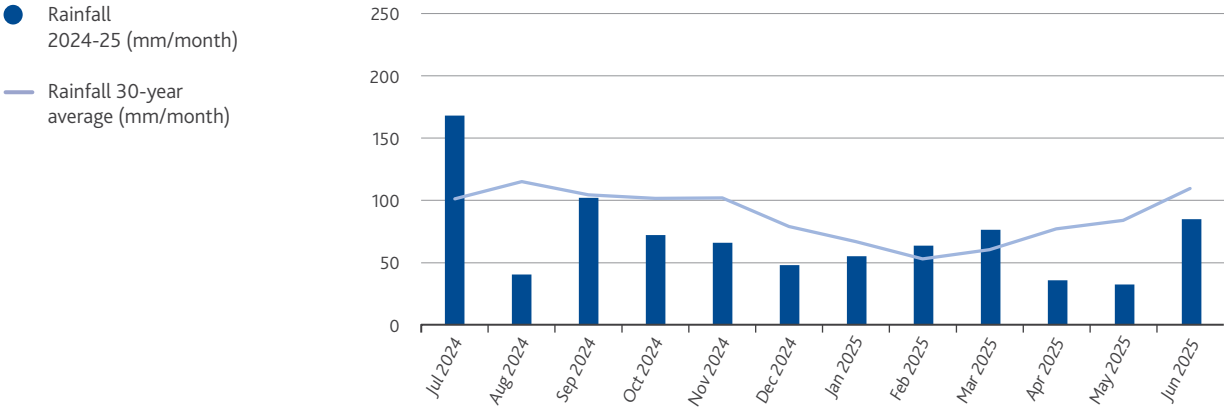
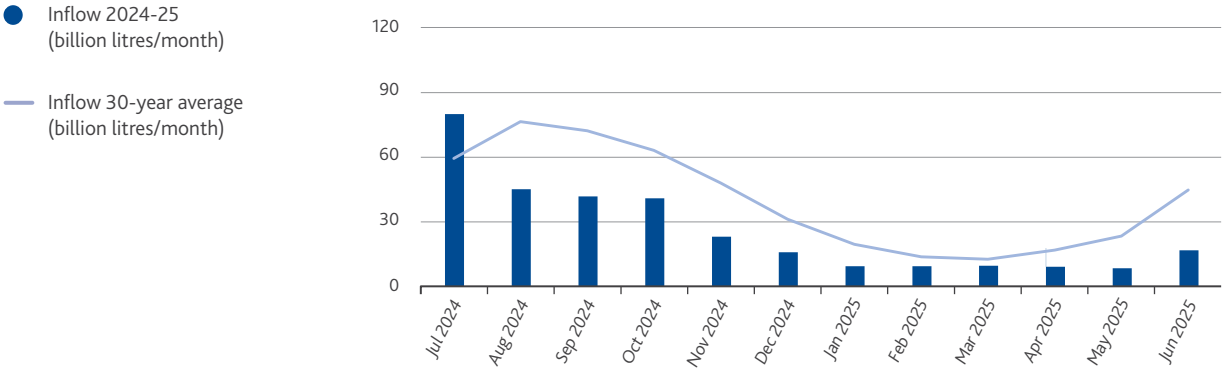


Figure 7: Monthly average inflow at Melbourne's major harvesting reservoirs



Managing water supply

At the beginning of 2024-25, Melbourne's 10 water storages were 86.5 per cent full (1567 billion litres). Storages increased to 90.2 per cent by October 2024. However, by 30 June 2025, they had reduced to 71.5 per cent (1.295 billion litres).

In 2024-25, Melbourne's water supply catchments received 839 millimetres of rainfall - 19.9 per cent below the 30-year average and the driest year since 2002-03 (801 millimetres). The monthly average rainfall across Melbourne's catchments varied from 32 millimetres in May 2025 to 167 millimetres in July 2024 (see Figure 6).

The 2024-25 total inflow to Melbourne's four major harvesting storages (Thomson, Upper Yarra, Maroondah and O'Shannassy) of 305 billion litres was 36 per cent below the 477 billion litres average of the last 30 years. This was 33 per cent below average for the period since 1997, which is a DEECA scenario for future water resources planning to represent recent streamflow conditions. It was also 50 per cent below the long-term average of 613 billion litres for the pre-Millennium Drought period (1913-14 to 1996-97). See Figure 7 for more details.

Yan Yean Reservoir

Supplying our customers

To meet customer demand, Melbourne Water supplied 509 billion litres of water in 2024-25, which is 8 per cent more than the previous year.

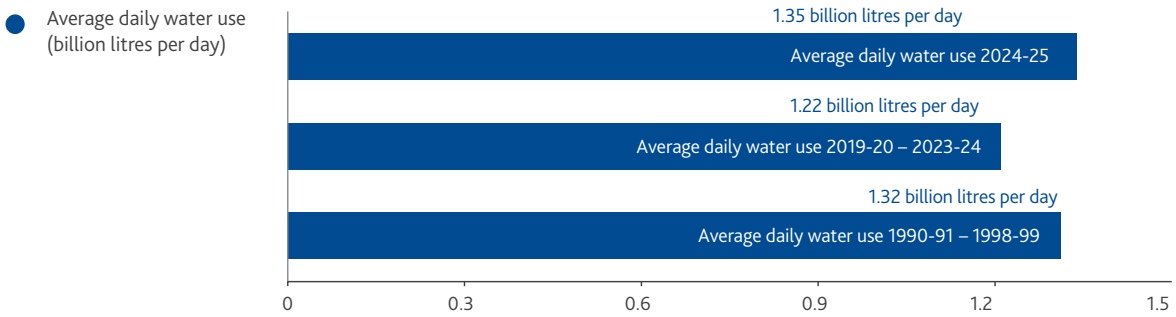
509 BILLION LITRES DELIVERED

Water consumption

Permanent water saving rules still apply across Victoria to ensure we use water wisely. Melbourne's residential water use in 2024-25 was 167 litres per person per day, which is 17 litres more than the Victorian Government's target of 150 litres. Note this figure is preliminary only based on an estimate for Quarter 4 (April-June 2025) as actuals were not yet available at the time of preparing this report.

Melburnians averaged total use of 1.35 billion litres of water per day this year for all purposes (residential, non-residential and non-revenue water) – 10 per cent more than the last five-year average, which was influenced by wet conditions from three consecutive wet La Niña years and the coronavirus (COVID-19) pandemic. With Melbourne's growing population, water consumption has generally increased over the past 10 years and is 2 per cent higher than during the 1990s.

Figure 8: Average daily total water use for Melbourne, including non-residential



Water supply catchment management

Melbourne's water supply catchments comprise 158,000 hectares and generate 80 per cent of the region's drinking water. Our water supply catchments are serviced by 1500 kilometres of unsealed access roads, which are constantly maintained or upgraded. This year, upgrades were completed on several bridges damaged by previous years' storm events, with the remaining upgrades to be completed next year.

The 2024-25 Season Works Program is implemented under the Catchment Management Optimisation Program (CMOP) and funded by the 2021 Price Determination.

Bushfires

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

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

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

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

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

Bushfire risk is captured within our enterprise risk register.

2024-25 fire season

The season began with neutral El Nino-Southern Oscillation (ENSO) and Indian Ocean Dipole (IOD) conditions. Climate models had suggested a possibility of La Niña conditions developing in October 2024. La Niña conditions are typified by increased rainfall and flooding, resulting in wetter catchments, which can reduce fire risk. The 24-25 fire season unfolded normally but extended slightly longer than usual, into April and May, which provided good conditions for planned burns.

Bushfire agency arrangements

DEECA and Parks Victoria are the agencies responsible for land management in the catchments, which are classified as either State Forest or National Park. Melbourne Water manages risks to drinking water and water supply infrastructure in the catchments.

FFMVic, Fire Rescue Victoria (FRV) and the Country Fire Authority (CFA) are the statutory firefighting agencies in Victoria. If a fire within protected water supply catchments or on land owned or managed by Melbourne Water is not controlled at first attack by Melbourne Water resources, FFMVic or the CFA takes control and responsibility for fighting the fire. For major fires, the Emergency Management Commissioner is responsible and appoints a State Response Controller.

The CFA is the agency responsible for fire response on private land in the catchments.

Deer management

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

In 2024-25, deer control programs continued in Cardinia, Silvan and Upper Yarra catchments. Program planning is underway with DEECA for an expanded program in the Armstrong Creek catchment.

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

Security

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

Thomson Reservoir

Sewerage

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


Eastern Treatment Plant

Our approach

Since its establishment in the 1890s, the system has expanded and adapted with Melbourne for the ongoing protection of public health, wellbeing and the environment.

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

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

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

In 2024-25, we invested $398.6 million to safely manage the sewage generated across Greater Melbourne. Significant investments included the continued construction of a $206 million project to duplicate the Hobsons Bay Main Sewer Yarra River crossing and $1037 million for treatment capacity upgrade projects at the Western Treatment Plant.

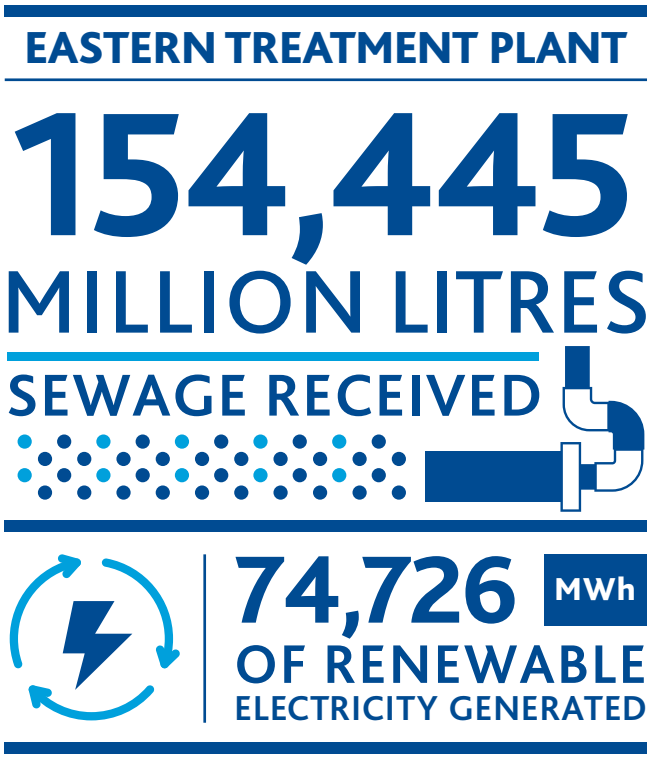
Resource Recovery & Re-use Complex

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

The Resource Recovery & Re-use Complex will include:

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

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



Eastern Treatment Plant

In 2024-25, the Eastern Treatment Plant received 154,445 megalitres of sewage, generated 74,726 megawatt hours of electricity from renewable sources from its power station and solar farm (49.2 per cent of the plant's total electricity consumption) and produced 51,037 tonnes of biosolids for future reuse. The Eastern Treatment Plant also supplied 9365 megalitres of recycled water to residential third pipe, industry and agriculture users in the south-eastern suburbs.

The Eastern Treatment Plant hosts two power stations, harvesting power from renewable energy sources:

- a 19.38-megawatt solar farm comprised of 36,960 photovoltaic panels producing upwards of 32,000 megawatt-hours per annum
- a 9.31-megawatt cogeneration biogas power station producing both heat utilised for wastewater treatment and electricity, with approximately 43,000 megawatt-hours per annum generated from biogas methane blended with a small amount of natural gas (less than 5 per cent) to optimise generator utilisation.

In 2024-25, the sewage load entering the Eastern Treatment Plant stabilised compared to the previous year, with impacted treatment processes recovering to stable operation. Melbourne Water continues to engage with South East Water and other water corporations through the Integrated Sewage Quality Management System to manage sewage load growth. Planned capital works are currently underway to support future load growth at the Eastern Treatment Plant over the next decade.

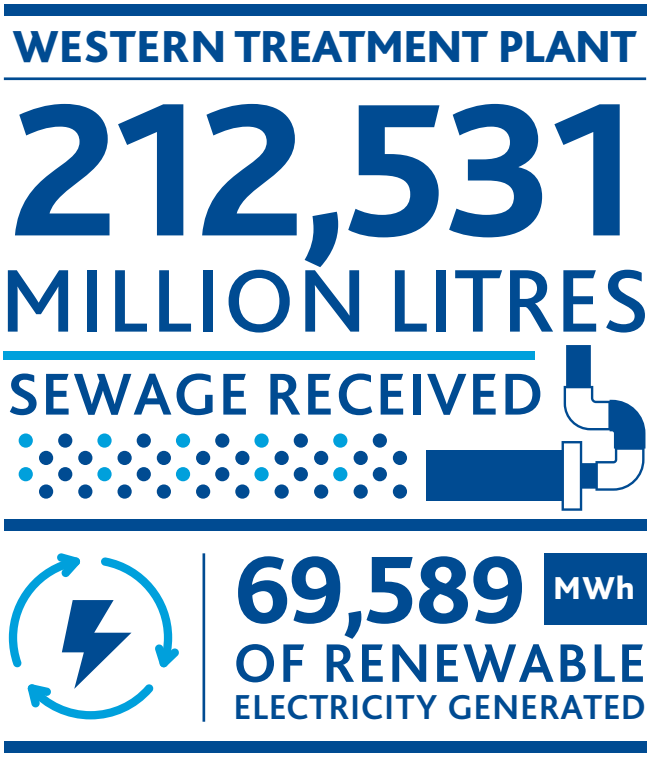
Western Treatment Plant

The Western Treatment Plant received 212,531 megalitres of sewage in 2024-25, which was 1 per cent higher than the amount received in 2023-24. In addition, the Western Treatment Plant generated 69,589 megawatt-hours of electricity from renewable biogas sources harvested from the anaerobic lagoons. This represents 76.7 per cent of the plant's total energy consumption. The electricity production during 2024-25 was seriously impacted by an extended outage from Power Station A at the plant, which shut down in February 2025 for significant maintenance and remained shut down until the end of the financial year.

As part of the Port Phillip Bay Environmental Management Plan (2017-2027) and EPA Victoria nitrogen load target to Port Philip Bay under the Environmental Reference Standard (2021), the Western Treatment Plant has a three-year rolling average limit of 3100 tonnes per annum of total nitrogen (TN) that can be discharged to Port Phillip Bay.

At 30 June 2025, Melbourne Water's three-year rolling average TN discharge was 4080 tonnes. This is higher than the 3100-tonne limit and is mostly attributable to higher nitrogen loads into the plant above treatment capacity and growth in the sewerage catchment. In 2024-25, the individual TN discharge was 3895 tonnes.

Planned capital works are underway to support reducing nitrogen loads discharged from the Western Treatment Plant over the next decade. A new nutrient removal plant (5W NRP) commenced commissioning during January 2025 and was handed over to operations on 30 June 2025. The further nutrient removal benefits from this plant will be seen in financial year 2025-26. As the population grows and climate changes, further investment will be required to build additional resilience and continue to manage increased nitrogen loads to the Western Treatment Plant.



Flood and Drainage

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

Our approach

As the region's floodplain manager, in accordance with its functions under the *Water Act 1989* (Vic), Melbourne Water plays a critical role in managing flood risk through:

- coordinating the development and delivery of the *Flood Management Strategy* for the Port Phillip and Westernport regions and drainage services in conjunction with local and state government agencies, emergency services, the insurance and private sectors, and the community
- understanding the nature and extent of flooding within the region to support emergency planning, appropriate development, community awareness, and the investigation of infrastructure solutions
- supporting land use planning and establishment of criteria for building and renovations that minimise flooding risk and drive water-oriented urban design
- constructing, maintaining and upgrading drainage assets, including flood management infrastructure and multifunctional assets.

We also plan for and respond to flooding that may impact our waterways, drainage, water supply and sewerage systems and services. This includes using flood models and real-time monitoring to inform the design, operation and emergency response of critical infrastructure. Our work is guided by the *Flood Management Strategy – Port Phillip and Westernport 2021–2031*, the *Healthy Waterways Strategy*, *Drinking Water Quality Strategy*, *Sewerage Strategy* and asset risk assessments.

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

During 2024-25, $51 million was allocated to renewing and enhancing our drainage and flood protection assets. In addition, $218.9 million was allocated to create new drainage and stormwater quality assets (such as wetlands) to support the development of new land.

Review of October 2022 Maribyrnong River Flood and Parliamentary Inquiry

After the October 2022 Maribrynong River flooding, Melbourne Water supported an independent review (the Pagone Review) and participated in the Legislative Council Environment and Planning Committee Inquiry into the 2022 Victorian flood event.

Over the last year, Melbourne Water has been working to implement the 15 recommendations of the Pagone Panel, which concluded in early 2024. Nine of the Pagone Panel's 15 recommendations have been implemented. Four of the remaining recommendations will be addressed by the transition of riverine flood forecasting services from Melbourne Water to the Bureau of Meteorology, which is anticipated to be completed by July 2026.

The whole-of-government response to the Parliamentary Committee's final report was tabled in Parliament on 6 February 2025. Melbourne Water continues to work with government to support related implementation activities, including delivery of our flood modelling program.

We have now shifted our focus to progressing the Maribyrnong River Flood Mitigation Study and associated stakeholder and community engagement program (recommendation #15 of the Pagone Review).

Flood modelling program

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

This year, we continued our five-year target to update maps and models for every catchment in Greater Melbourne and Westernport region. Scheduled for completion in 2026, the fast-tracked program aims to provide updated flood information to inform communities about their flood risk and support decision making for new housing and infrastructure over the next 70 years. The program also includes climate change estimates to 2100.

In 2024-25, Melbourne Water finalised modelling of the drainage networks across Yarra City Council, Darebin City Council, Merri-Bek City Council, Moonee Valley City Council and Glen Eira City Council, a milestone in our program delivery. Melbourne Water has delivered these complex studies in close collaboration with the local government agencies involved. These studies will be released in late 2025 for further consultation with affected communities and final development of flood information, with the exception of Moonee Valley which will be released in 2026. They will also be used to update Local Flood Guides prepared by VICSES.

Additionally, this year, Melbourne Water initiated all remaining flood modelling studies for Greater Melbourne. The current program of modelling remains one of the largest flood information studies initiated by Melbourne Water. Further information is available on our website[3].

Aberfeldie Park , Maribyrnong

[3] https://www.melbournewater.com.au/water-and-environment/flooding-and-drainage/greater-melbourne-flood-information-program/flood

Waterways

The waterways of the Port Phillip and Westernport region form a complex network of interconnected and interdependent rivers, wetlands and estuaries, which collectively gather water from the landscape and carry this water to the bays and ocean. Across a network of more than 25,000 kilometres, the region's waterways provide habitat for over 1800 species of native plants and 600 species of native animals, as well as supporting the liveability of Greater Melbourne, providing water to homes and farms and special places to visit and recreate for recreation.

Our approach

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

Melbourne Water is the prescribed waterway manager under the *Water Act 1989* (Vic) for over 25,000 kilometres of waterways, wetlands and estuaries and undertakes work to protect and improve conditions to support environmental and social values (as outlined in this section). We undertake maintenance and improvement of vegetation and habitat along waterways. We also build and maintain fishways and more than 2000 stormwater treatment systems, including constructed wetlands.

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

The *Port Phillip and Westernport Healthy Waterways Strategy*[4] is a shared strategy across Melbourne Water, state and local government, water corporations, Traditional Owners and land management councils, non-government organisations and the community. The strategy provides a shared regional and catchment-specific vision for the health of rivers, estuaries and wetlands in the Port Phillip and Westernport regions and contributes to delivery of the The strategy provides a shared regional and catchment-specific vision for the health of rivers, estuaries and wetlands in the Port Phillip and Westernport regions and contributes to delivery of the Port Phillip and Westernport Regional Catchment Strategy (2021–2027)[5] (Regional Catchment Strategy) and Victorian Waterway Management Strategy[6].

Our community engagement has highlighted the value of waterways for people in Greater Melbourne, through their contribution to environmental health and overall quality of life. In 2024-25, Melbourne Water invested $34.5 million to repair and protect our waterways from a variety of threats.

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

Waterways and Drainage Investment Plan

Our *Waterways and Drainage Investment Plan* (WDIP) has been prepared having regard to our *Water Act 1989* functions. This plan details our statutory responsibilities goals and service levels for our waterway management and drainage services over the five-year period from 2021 to 2026. The WDIP aligns with our commitment to enhancing life and liveability across the region and supports our responsibilities to protect and improve waterway health, provide regional drainage services, work with partner organisations to reduce flooding impacts, and manage river diversions.

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

In 2024-25, we continued to deliver on the KPIs relating to community engagement, education and capacity building. This included the delivery of stormwater capacity building initiatives through our Clearwater program community education and engagement events (see page 35 for more information).

We also continued to identify ways to improve our performance against any unmet targets over the past three years, including our target to increase stormwater harvesting and infiltration capacity.

More detailed information, including our annual performance against individual KPIs, can be found on our website[7].

K Road Cliffs, Werribee

Waterways research

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

Initiatives included:

- partnering with the University of Melbourne in the Melbourne Waterway Research-Practice Partnership to conduct research into:
  - improved methods for monitoring waterway health
  - prioritisation tools for stream and wetland works
  - risks and opportunities for protecting waterways, including headwater streams, from stormwater in urbanising areas
  - management of deer impacts on vegetation and water quality
  - the relationship between stream channel form and ecological health, including instream vegetation
  - application of real-time-control technology to the management of stormwater
  - approaches to increase the resilience of vegetation in a changing climate
  - understanding and improving the social value of waterways.
- collaborating with RMIT University in the Aquatic Pollution Prevention Partnership (A3P) to conduct research into pollution management in waterways to:
  - develop a decision support framework to prioritise water quality management actions
  - identify cost-effective solutions for pollutants from industrial catchments
  - identify and manage emerging contaminants
  - understand the ecological impacts of sewage inputs in waterways
  - assess risks of contaminants to environmentally significant sites
  - understand climate change impacts on water quality
  - identify continuous improvement opportunities for vegetation management near waterways
  - manage pollution in estuaries and bays.
- undertaking work with Deakin University to explore enhanced methods for propagation and planting of seagrass to restore critical habitats in Westernport.
- continuing collaborative research with Traditional Owners on billabong watering, deer management and vegetation assessments along the lower Birrarung (Yarra) River (with Wurundjeri Woi-wurrung), seagrass restoration in Westernport (with Bunurong), and Port Phillip biodiversity assessments with environmental DNA (eDNA) (with Wadawurrung and Bunurong).

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

Catchment management

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

Our approach

As the region's Catchment Management Authority (CMA), Melbourne Water has specific roles, responsibilities and obligations, enabling us to adopt a more comprehensive and integrated approach to catchment management. Melbourne Water's statutory functions, powers and responsibilities as a CMA are set out in the *Catchment and Land Protection Act 1994* (Vic).

As a CMA, we are responsible for the integrated planning and coordination of land, water, biodiversity, coasts and marine environments throughout the region. This also involves extensive collaboration with diverse stakeholders and communities.

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

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

Through our CMA service, we deliver a wide range of natural resource management programs and projects across the Port Phillip and Westernport region, including working with farmers and industry to implement sustainable agriculture programs, providing strategic support to Landcare and community groups, supporting place-based collaborations, such as Grow West, Living Links and Yarra4Life, and delivering biodiversity conservation projects.

For the full Catchment Condition Report, see Appendix E (page 198).

Sustainable agriculture

In 2024–25, we continued delivering the Sustainable Agriculture Facilitator role as part of our Regional Delivery Services, supported by the Australian Government through the Natural Heritage Trust under the Climate-Smart Agriculture Program. The role pilots innovative, best-practice approaches to sustainable agriculture with a focus on climate resilience, productivity, and environmental outcomes.

After three years of trials, two major programs concluded this year with seven demonstration sites testing cover crops, functional biodiversity, and under vine groundcovers. Resources developed to support adoption, including carbon farming presentations, farm biodiversity and natural capital accounting fact sheets, and a Mulch Calculator App, are now available online and via the Ag-Resilience Hub[8], our digital platform supporting climate-smart farming across the region.

We also co-designed a new Climate-Smart Agriculture project with stakeholders from industry, Landcare and local government. A proposal has been submitted for delivery from 2025-26, focusing on six priority areas to help farmers adapt to climate change, build resilience, and protect biodiversity.

With dry seasonal conditions emerging and drought support beginning in May 2025, we also partnered with Agriculture Victoria and others to deliver five workshops for affected farmers, which were attended by more than 100 participants.

[8] https://letstalk.melbournewater.com.au/ag-resilience

Landcare support

Melbourne Water's Regional Landcare Coordination program provides support to 14 Landcare Facilitators, 87 Landcare groups, 14 Landcare networks and approximately 500 other community environmental groups across Port Phillip and Westernport through the delivery or project and support grants, capacity building and celebrating the work of Landcare.

In July 2024, we ran the inaugural 'From the Ground Up' film festival, hosted by Costa Georgiadis at Nova Cinemas Carlton. With more than 220 people in attendance, the 10 films premiered told the rich and purposeful story of community conservation efforts on the environment and Country and the value of this work for volunteers.

Four regional capacity building forums were held across the year, including in Shoreham, the Yarra Valley and Queenscliff, partnering with Corangamite and Coastcare Victoria to assemble volunteer managers to find synergies across program delivery. Traditional Owners were highlights of the events and case studies were delivered by Landcare partners.

The 2024 Victorian Landcare Grants rolled out $514,750 in funding with 30 Project Grant recipients and 78 Support Grants awarded. This included a grant to Whittlesea Community Connections' grant to support a Nugal Biik Junior Ranger program, engaging primary school children to connect with and learn about Country.

The Regional Landcare Coordinator role delivered six Cultural Heritage sessions delivered by Traditional Owners to over 100 Landcare participants, improving their understanding of culture and Country.

Catchment collaborations and on-ground action

Through our long-standing catchment collaborations, we continue to deliver impactful outcomes for the Port Phillip and Westernport region, made possible through the following collective efforts:

- **Restoring Westernport program:** As the Westernport Ramsar Coordinator, Melbourne Water worked with Coordinating Partners to deliver the first year of the Restoring Western Port program, supported by the Victorian Government. In collaboration with councils, Landcare groups, Traditional Owners, and researchers, over 1100 hectares were treated for pest control to protect native habitats. Outcomes included mangrove revegetation, private land restoration, and planning for future initiatives like seagrass restoration and a cultural values assessment.
- **Habitat restoration projects:** Supported by the Victorian Government through the Our Catchments Our Communities and Faunal Emblems programs, significant habitat restoration projects were launched in the Upper Yarra catchment and a climate plots trial commenced to study species resilience to climate change. This resulted in the Yarra4Life program expanding from 88,000 to 110,000 hectares in threatened species habitat restoration for the Helmeted honeyeater and Lowland Leadbeater's Possum. Community engagement was also strengthened through citizen science events, including Birds on Farms and the Frog Census.
- **Living Links:** As it approaches its 20th year, the Living Links collaboration has made significant progress. Supported by the Victorian Government through the Our Catchments Our Communities program, partners began to deliver over $500,000 in funding to restore key landscapes along the Dandenong Creek and co-design a renewed strategic direction for the next decade. The program also strengthened local involvement in biodiversity initiatives and biolinks planning.
- **Rehabilitation of Grey Box woodland:** Supported by the Victorian Government through the Our Catchments Our Communities program, Melbourne Water in collaboration with the Wadawurrung Traditional Owners Aboriginal Corporation and Eynesbury Environment Group, commenced a project to rehabilitate the endangered Grey Box woodland ecosystem.

Regional Delivery Partners Program

Melbourne Water continued its role as the Regional Delivery Partner for the Port Phillip and Westernport region under the Regional Delivery Partners Program — an initiative supported by the Australian Government to advance environmental, biodiversity and sustainable agricultural outcomes.

In 2024–25, this role included a partnership with Wadawurrung Traditional Owners Aboriginal Corporation, landholders and the Corangamite CMA, to restore the endangered Natural Temperate Grasslands of the Victorian Volcanic Plains and support habitat restoration for the Victorian Earless Dragon.

On French Island, efforts to create a wildlife safe haven progressed through community engagement, responsible pet ownership and native species recovery. Melbourne Water leads a multi-agency initiative to establish French Island as one of Australia's few predator-free wildlife sanctuaries. The past year of the project has been focused on the planning required for the final stages of feral cat eradication, while continuing to protect and restore habitat for threatened species such as the Eastern Barred Bandicoot and Long-nosed Potoroo.

Photo: Doug Gimesy

Photo: Doug Gimesy

Our environment

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

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

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

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

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

In alignment with our strategic goals and direction, Melbourne Water aims to reduce the impact of our operations on the environment and contribute to a secure water future for Greater Melbourne[9].

[9] https://healthywaterways.com.au/resources/mid-term-review

Our strategies

Central and Gippsland Region Sustainable Water Strategy

Melbourne Water contributed to the development of the *Central and Gippsland Region Sustainable Water Strategy*[10] (CGRSWS), released by DEECA in 2022. The CGRSWS established the path towards greater use of manufactured water, the delivery of more water for the environment, an increased uptake of IWM and the creation of water entitlements for Traditional Owners.

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

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

Greater Melbourne Urban Water and System Strategy – Water for Life

To prepare for our needs over the next 50 years, Melbourne Water and the three metropolitan water corporations launched the *Greater Melbourne Urban and Water and System Strategy - Water for Life (Water for Life)*[11] in 2023.

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

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

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

Regional Catchment Strategy

The Regional Catchment Strategy is a guide to conserving our region's land, waters and biodiversity so they continue to sustain and enrich life, economies, health and social wellbeing for this and future generations.

Under the *Catchment and Land Protection Act 1994*, CMAs are required to prepare a *Regional Catchment Strategy* for the region and to co-ordinate and monitor its implementation. Developed with over 120 organisations, the *Regional Catchment Strategy* builds on 25 years of collaboration, since its first iteration in 1995, and highlights the interconnectedness of land, water and biodiversity in the region.

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

Over the last year, we commenced the mid-term review of the *Regional Catchment Strategy* - a qualitative review that focuses on the strategy itself, rather than an evaluation against the thematic or local area outcomes, which will be more appropriate at the end of the *Regional Catchment Strategy* cycle.

The results from the mid-term review provide an opportunity to establish a consolidated statewide story about the value of the strategy for state-level stakeholders and ministers. This review is an important step in preparation for the final review and development and approval of the next round of the Regional Catchment Strategy.

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

Photo: Doug Gimesy

[10] https://www.water.vic.gov.au/our-programs/long-term-water-resource-assessments-and-strategies/sustainable-water-strategies/central-and-gipps-sws
[11] https://www.melbournewater.com.au/media/23686/download

Burndap Birrarung burndap umarkoo (Yarra Strategic Plan)

Burndap Birrarung burndap umarkoo (Yarra Strategic Plan) 2022-2032 puts the interests of the Birrarung (Yarra River) and its lands at the heart of future land use planning and decision-making. It promotes a shift to collaborative governance between government agencies and Traditional Owner corporations, with a central goal of protecting the river and its lands as one living and integrated natural entity.

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

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

Over the past year, we have progressed the following collaborative projects developed by the Yarra Collaboration Committee and funded by the Victorian Government:

- **Greening the Birrarung:** Seeks to support and align vegetation investment and activities for greater collective impact. Delivery of the project will contribute to all four of the plan's 10-year performance objectives. The project is guided by a working group comprising representatives from all public entities listed in the Act.
- **Birrarung Parklands:** Will define what it means to care for the river and its parklands as a single living and integrated natural entity. It will also enable Traditional Owners to engage as decision makers on their Country.

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

Port Phillip Bay Environmental Management Plan

The Port Philip Bay Environmental Management Plan 2017-2027 (EMP) operates under the *Marine and Coastal Act 2018* (Vic) and sets out priority goals and actions for taking care of Port Phillip Bay.

The EMP is the result of a coordinated effort by DEECA in partnership with Melbourne Water and EPA Victoria. Melbourne Water contributes to the EMP through its annual maintenance program of stormwater wetlands, which includes over 225 stormwater quality treatment systems across the Port Phillip and Westernport region. We also have a capital rectification program to remediate these stormwater assets to improve effectiveness and sustain their ongoing contribution towards pollutant load targets for the bay.

Melbourne Water has maintained its ongoing partnership with RMIT University to support collaborative research on pollution impacts to waterways from emerging contaminants, pesticides and other toxicants in the Port Phillip and Westernport region. The Aquatic Pollution Prevention Partnership (A3P) aims to investigate sources of pollution in both urban and rural environments and translate these findings into priority actions for protecting the health of waterway and bay ecosystems.

In 2024-25, an A3P project improved our knowledge of contaminants in estuaries and bays through comprehensive chemical screens conducted on samples from 34 sites across the region.

Melbourne Water's Liveable Communities Liveable Waterways program invests in education and extension programs and grants for implementing improved urban and rural land use practices. These grants are available to councils and landholders to support a range of on-ground works and strategic projects. In 2024-25, 110 stormwater and rural land management projects were funded by the program.

Resilient and liveable cities and towns

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


Melbourne skyline

Our approach

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

As Melbourne's population is set to increase to 8 million by 2051[12], the combined pressures of growth and climate change will affect the entire water cycle, including increased demand for water, generation of more stormwater in the urban environment and reduction in water captured by our water supply catchments.

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

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

With over 32,000 hectares held by Melbourne Water within our service area, land is one of Melbourne Water's most significant assets. Optimising our use and management of land can deliver a significant benefit to our communities' quality of life. As part of our WDIP, we have committed to investing $73 million in community access, involvement and recreation across our five-year price period[13].

[12] https://www.planning.vic.gov.au/__data/assets/pdf_file/0022/703453/DTP0552-Victori-in-Future-2023-report.PDF
[13] https://healthywaterways.com.au/resources/mid-term-review

Urban water efficiency

Melbourne Water, together with the urban water retail companies, runs water efficiency programs, including the refreshed Target 150, which encourages Melburnians to limit their water use to 150 litres per person per day. Melbourne's water use, compared against this target, is reported each week on Melbourne Water's website. The new target links to the industry's long-term plan outlined in *Water for Life* and the CGRSWS (see page 31 for more details on these strategies).

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

In 2023-24, the campaign was put on hold due to continuing high water storages following three successive years of La Niña events. However, Melburnians are continuing to use less water per person than approximately 25 years ago; residential use is down from 247 litres per person per day in 2000-01 to 167 litres per person per day in 2024-25.

Recycled water and reliability

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

Recycled water production at the Western Treatment Plant was significantly impacted during 2024-25 by two separate and unrelated incidents:

- Damage to the Chlorine Contact Basin (CCB) liner was identified in September 2024. Supply was ceased and an incident was declared to progress rectification. Supply was interrupted for 32 days while repairs were carried out to ensure supply of safe recycled water to customers.
- A blue green algal bloom in the lagoon system interrupted supply of Class A recycled water for 93 days between 2 February 2025 and 6 May 2025. (To note, the Western Treatment Plant has no current method for controlling blue green algae, so Class A supply was forced to cease while the bloom was in progress and wait for it to subside by natural processes before resuming supply.)

These two interruptions to supply at the Western Treatment Plant, during a dry summer and autumn, led to complaints from our main recycled water customer, Southern Rural Water, and consequently a failure to meet our Risk Appetite Statement metric for *Safe and reliable supply of recycled water in line with customer expectations*.

We continue to explore new opportunities to increase recycled water use and improve quality and reliability at the Western and Eastern Treatment Plants in close collaboration with our customers. Recycled water volumes used onsite and supplied to our customers in 2024-25 are shown in Table 1.

Table 1: Recycled water produced for 2024-25

Item	Volume (ML)
Western Treatment Plant	
Agricultural supply (On-site MPH use)	19,190
Non-agricultural supply	60
Subtotal	19,250
Supply to Southern Rural Water	
Werribee Irrigation District	2,312
Werribee Tourist Precinct	31
Subtotal	2,343
Supply to City West Water	
Werribee Employment Precinct	0
MacKillop College	19
Water tankers / standpipes	0
WWDS (non-residential)	0
WWDS (residential/commissioning)	658
Subtotal	677
Western Treatment Plant total	**22,270**
Eastern Treatment Plant	
Onsite recycling	8,300
Supply to Water Infrastructure Group	
Eastern Irrigation Scheme	7,265
Supply to South East Water	
South Eastern Outfall	2,100
Eastern Treatment Plant total	**17,665**
Total recycled	**39,935**
Treated wastewater available for recycling	362,800
Conservation flows at Western Treatment Plant	12,761
Total including conservation flow	**52,696**

Werribee System Reconfiguration Project

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

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

Key project activities for 2024-25 included the following:

- Southern Rural Water led ongoing engagement with Werribee Irrigation District growers on the project. Melbourne Water has also been actively involved in discussions with growers, particularly focused on the supply and quality of Class A recycled water, which is a fundamental aspect of this project.
- A joint submission was prepared with project partners, including Wurundjeri Woi-wurrung and Wadawurrung Traditional Owners, for federal funding to support the development of a Detailed Business Case in November 2024. The bid was supported by Werribee Irrigation District growers, and a decision is expected in late 2025.

Water conservation

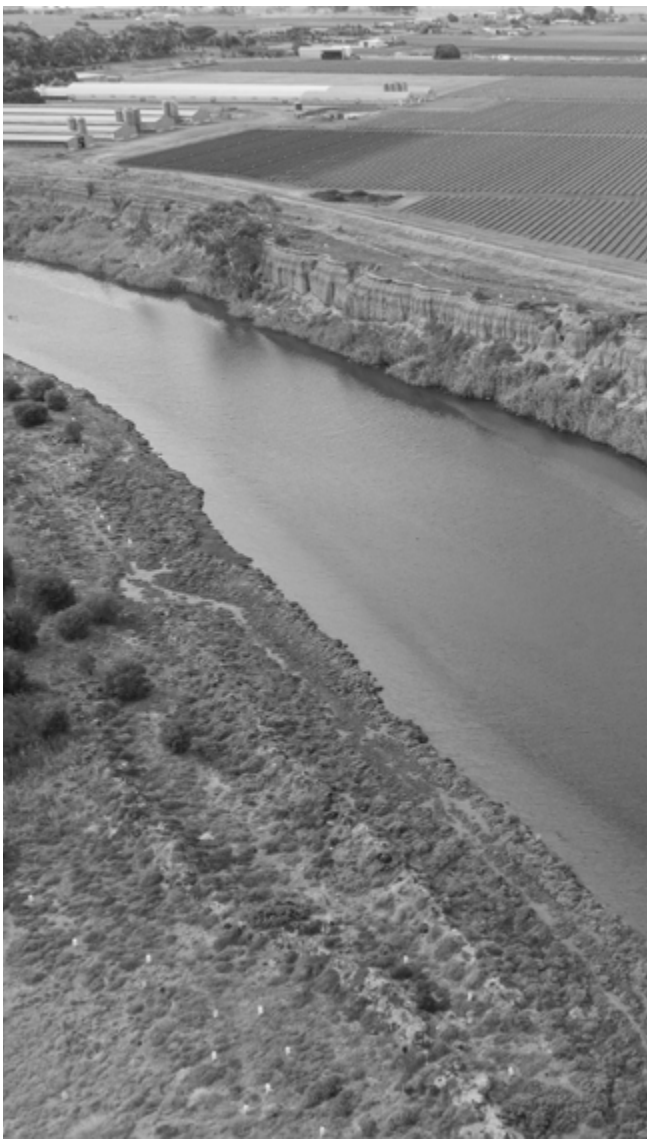
Clearwater

Clearwater is a capacity building program recognised for its customer-driven approach to equipping the water industry with the skills, knowledge and networks to implement IWM practices. Clearwater is hosted and funded by Melbourne Water, with co-funding received from DEECA. For more information on IWM, see page 39.

In 2024-25, Clearwater provided 19 dynamic capacity building initiatives and events, grew LinkedIn engagement to over 1500 followers and issued four seasonal newsletters to over 2400 subscribers.

Clearwater invested in continuing to deliver valued training and events for industry, while piloting and commencing priority projects to support a future-focussed program, including:

- development of the new Clearwater website for easier customer use that simplifies and streamlines content management and improves accessibility
- partnership with DEECA to scope and design capacity building initiatives for financial year 2025-26 that will support strategic stormwater and IWM priorities in Victoria
- piloted a public delivery of the Maintenance of Water Sensitive Urban Design Assets course that facilitated cross-industry learning with attendees from research, consulting and local government organisations
- engagement with Water Sensitive Cities Australia to commence scoping a statewide learning needs analysis to understand current and future capacity building priorities for the Victorian IWM sector.



Our strong history in delivering capacity building with our valued partners and stakeholders also continued. In 2024-25, Clearwater:

- sold out the Smarter Streetscapes: Permeable Materials & Passive Irrigation Site Tour event with Merri-bek City Council where attendees learned about the latest innovations in permeable paving technology
- launched a new Bioretention course at the 2025 Stormwater Victoria Conference
- continued delivery of our Understanding and Applying Victoria's Stormwater Planning Requirements training for local government professionals, in partnership with DEECA
- partnered with the Institute of Public Works Engineering Australasia to deliver the foundational-level stormwater training package to public sector professionals
- delivered of two local government information sharing and networking events in partnership with Melbourne Water's stormwater incentives team, focussed on IWM strategies and large-scale stormwater treatment and harvesting assets.

Delivering water for the environment

Rainfall totals were below average across the region in 2024-25, with above average temperatures, soil moisture deficits, and elevated evaporative stress experienced across all catchments. As a result, a change to operations under the dry scenario in the Seasonal Watering Plan 2024-25[14] was formally adopted for summer/autumn 2024-25 to align with the protracted dry and warmer than average conditions experienced.

Adoption of the 'dry' scenario resulted in changed deliverables compared to operations under the previous 'average' scenario. Protracted dry and warm conditions also led to a reduction in the contribution of unregulated flows towards watering targets, compared to the preceding three wetter years. In the Yarra system, a lack of inflows into Maroondah and low storage levels in Sugarloaf Reservoir limited delivery options across the network.

Environmental water was used to deliver 31 environmental watering actions using 15 gigalitres of environmental water as shown in Table 2.

See the Victorian Environmental Water Holder website[15] for more information on the terminology used to describe the types of flows in environmental watering.

Table 2: Environmental water delivered for 2024-25

River	Volume delivered (ML)	Outcomes
Yarra *(Birrarung)*	11,602	Water for the environment was actively delivered to achieve one winter/spring fresh and two summer/autumn freshes. Two periods of low flow supplementation were also delivered during summer/autumn to support Reach 6. This was necessary to support the health of the reach considering declining water quality and the need to mitigate flow stress impacts on aquatic fauna. Low flow achievement would have been significantly lower in the absence of these deliveries. The environmental water release for the winter/spring fresh and summer/autumn freshes aimed to improve aquatic habitat and channel form, maintain bank vegetation and provide opportunities for fish movement. Water for the environment was delivered to Yering Backswamp over July to November to support wetland vegetation and provide habitat for frogs and birds. Catchment rainfall and unregulated flows helped to achieve some watering actions, including one winter/spring fresh.
Tarago and Bunyip	2062	Water for the environment was actively delivered to achieve three summer/autumn freshes and one autumn high. These releases helped to enhance habitats, maintain vegetation communities and facilitate movement and spawning of various fish species, including the endangered Australian Grayling. Two periods of low flow supplementation were delivered during summer/autumn. This was necessary to support the health of Reach 2 considering declining water quality and the need to mitigate flow stress impacts on aquatic fauna (specifically, the Australian Grayling). Low flow achievement would have been significantly lower in the absence of these deliveries. Catchment rainfall and unregulated flows helped to achieve some watering actions, including two winter/spring freshes and three spring high events.
Werribee *(Wirribi Yaluk)*	618.3ML EE 485ML Shares Total released: 1103.3ML	Water for the environment was actively delivered to Pyrites Creek (Reach 6) to achieve a spring continuous low flow, four spring/summer freshes and one spring high flow event. These flows maintain channel form, habitat and vegetation, and allow for fish movement between pools. In the lower Werribee River, below Melton Reservoir (Reach 8 and 9) and into the estuary, water for the environment was actively delivered to achieve four summer/autumn freshes. Delivery of these freshes improves habitat, maintains vegetation, mitigates blue-green algal bloom, and supports fish and frog populations. The lower Werribee also benefited from enhanced releases through Southern Rural Water's bulk entitlement – 10 megalitres per day from Werribee Diversion Weir (January to June 2025). Catchment rainfall and unregulated flows helped to achieve some watering actions, including one summer/autumn fresh for the lower Werribee, and some limited achievement of low flow targets.
Maribyrnong *(Mirrangbamurn)*	305	The Victorian Environmental Water Holder secured 305 megalitres of environmental water through temporary trade of unused irrigation allocations. Water for the environment was actively delivered from Rosslynne reservoir to Jacksons Creek (Reach 6 and 7) to achieve five summer/autumn freshes and summer/autumn low flows targeting improved water quality and connectivity between in-stream habitats. Available water volumes and operational constraints limiting the maximum release from the reservoir meant full achievement of all targets (other than summer/autumn freshes) was not possible.

As storage operator and delivery partner, Melbourne Water delivered 18,503 megalitres from Thomson Reservoir to the Thomson River as water for the environment in 2024-25. This was achieved in partnership with the West Gippsland CMA and on behalf of the Victorian Environmental Water Holder.

[14] https://www.vewh.vic.gov.au/annual-planning-and-reporting/seasonal-watering-plan
[15] https://www.vewh.vic.gov.au/water-for-the-environment/what-is-water-for-the-environment

Sustainable and resilient water services systems

Securing Melbourne's drinking water supply during extreme weather

Melbourne Water has commenced construction of a new $29 million disinfection treatment plant at Mount Evelyn. The new plant aims to work in tandem with the existing Silvan Reservoir Water Treatment Plant, treating water sourced from Silvan and feeding into three major underground mains that supply metropolitan Melbourne via Greenvale Reservoir.

The new Mount Evelyn facility aims to provide critical backup activity during planned maintenance or emergencies to support the wider network. Construction commenced in 2025 on a Melbourne Water pipetrack site. Water quality testing and commissioning activities will begin in advance of the targeted completion date in March 2027.

Olinda Mitcham water main renewable program

The renewal of ageing water mains through the installation of 4.5 kilometres of dual pipeline as part of the Olinda Mitcham water main renewal program was completed in early 2025. The $93 million project upgraded the century-old asset to provide water to up to 365,000 water corporation customers, in compliance with Melbourne Water's commitment from the Bulk Water Supply Agreement with Yarra Valley Water.

In addition, Melbourne Water also collaborated with the community to reshape open community parkland and reinstate a shared user path along the 4.5-kilometre pipe track pathway, which is now open to the public.

Water from the Victorian Desalination Plant

In April 2025, with the onset of dry conditions, the Victorian Government announced a 50 billion litre desalinated water order for the 2025-26 period.

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

Despite recent wet years, an increasing population, expanded supply area and changing climate means desalinated water is required to help deliver water needs now and to prepare for future dry periods. As indicated in the CGRSWS, desalinated water is part of our strategy to ensure that the water supply system is more resilient to climate change and increased demand. The Victorian Desalination Plant also provides a critical element of operational flexibility during significant events, such as storms or bushfires, when parts of the system may be taken offline to manage water quality and protect the delivery of essential services.

Cardinia Reservoir

Non-revenue water attributable to leakage

Melbourne Water annually reviews the rate of leakage and water loss from its water supply system in line with our retailer Bulk Water Supply Agreements, our corporate strategic goals and the ESC's requirements[16].

The scope of this review includes:

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

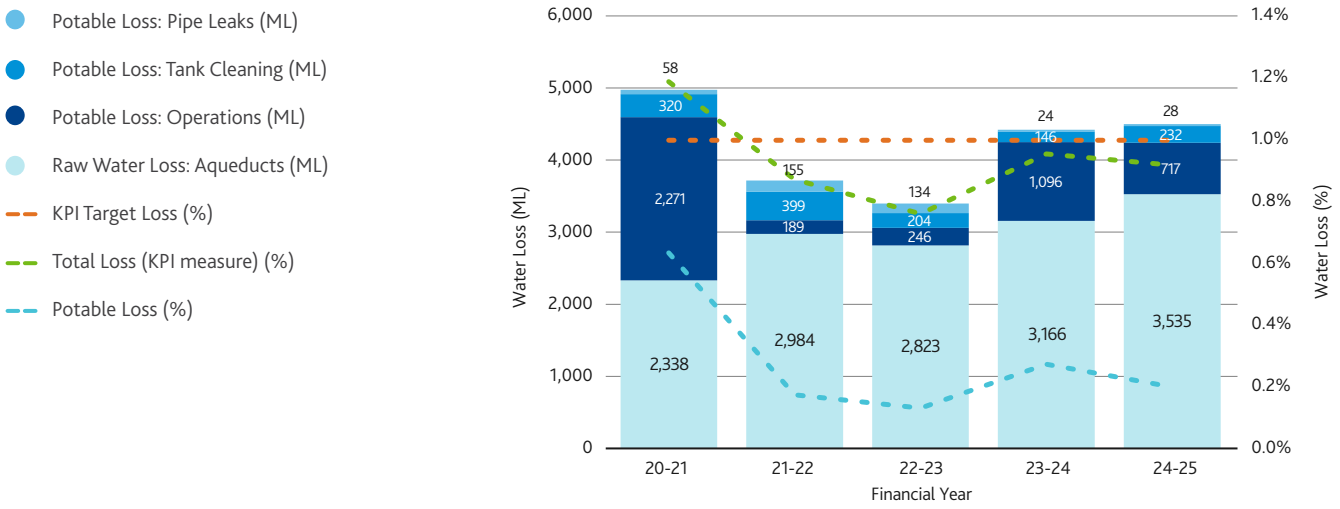
Several other losses are not included, such as reservoir evaporation, dam seepage and environmental flows.

Melbourne Water has met its KPI target of maintaining transfer losses to less than 1 per cent of water delivered to metropolitan retail water companies during 2024-25. Melbourne Water recorded 4512 megalitres of total water loss that represents 0.92 per cent of water supplied to metropolitan water retailers. The losses from potable and raw water systems were 977 megalitres (0.2 per cent) and 3535 megalitres (0.72 per cent) respectively. Figure 9 summarises Melbourne Water's transfer losses and performance to achieve this KPI over the past five years.

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

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

Figure 9: Melbourne Water's water loss KPI performance over the past five years



[16] The ESC sets KPIs around Water Network Reliability and Efficiency. REW14 requires Melbourne Water to report on losses from water transfer.

Integrated Water Management

IWM is a planning approach where government, the water sector and community work together to plan and manage the water cycle. IWM considers how the delivery of water, wastewater, stormwater services, land and waterway management contribute to water security, community and environment health, urban amenity and delivers greater community value.

Since 2017, the Victorian Government, through the IWM Framework for Victoria, has been working collaboratively with the water sector (water corporations, local government, CMAs and Traditional Owner groups) and multiple government departments to implement IWM in water and land use planning.

Integrated Water Management Forums

The DEECA-led IWM Forums facilitate collaborative water planning and management to maintain and enhance liveability, prosperity and resilience. The IWM Forums have collectively developed a shared vision, strategic outcomes, measures of success and IWM plans for each catchment. More information is provided on the IWM Forums[17] website.

In 2024, the Catchment Scale Integrated Water Management (CSIWM) action plans for Melbourne's five catchments (Werribee, Maribyrnong, Yarra, Dandenong and Westernport) were released, representing over six years of work by Melbourne Water and partner agencies, including local governments, water corporations, the Victorian Planning Authority, DEECA and Traditional Owner groups.

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

In 2025, we marked 12 months since the CSWIM action plans were implemented - with the first MERI progress report expected later in the year.

Melbourne Water is the delivery lead for 14 structural actions and a partner on the delivery of another 51 actions led by other organisations. All 14 of the actions led by Melbourne Water have progressed, including those relating to the following programs:

- **Re-imagining Blind Creek:** Construction has been completed, transforming a 650-metre concrete pipe into a natural creek and providing treated stormwater to create open space for community recreation and improved waterway health.
- **Living Links program in the Dandenong Catchment:** Living Links is a collaborative urban nature program creating a web of green spaces to improve habitat for wildlife, waterway health and community connection. The program is being delivered by Melbourne Water, 10 councils, Bunurong Group, South East Water, the Department of Transport and Planning (DTP), Parks Victoria, universities and the community. From 2021 to 2024, the program delivered 60 hectares of revegetation and 282 hectares of weed control, rehabilitated landfill sites, and planted urban micro forests, nature strips, trees for urban cooling and wildlife habitat.

Melbourne Water is also contributing to the implementation of placed based and systemic actions, which aim to facilitate and embed water-oriented outcomes in urban development and asset planning.

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

[17] https://www.water.vic.gov.au/our-programs/integrated-water-management/iwm-forums

Circular economy outcomes

Recycling in construction projects

Melbourne Water has continued driving and implementing sustainability initiatives across major capital projects. These initiatives include using recycled crushed concrete and excavated spoil as backfill material (rather than virgin aggregates), significantly lowering embodied carbon, as well as using non-quarried items such as pipes, pipe spacers, access manholes liners with high recycled content and reclaimed steel for structural supports.

On the recently completed 5 West Nutrient Removal Plant Western Treatment Plant project, we have also increased recycled content in panels by using approximately 30 per cent sustainable construction material, saving an estimated 78 tonnes CO_2-e.

Biosolids reuse program

In 2024-25, Melbourne Water safely applied biosolids from the Western Treatment Plant to suitable broad-acre farmland in Victoria's west. These biosolids are applied as a soil supplement and can contribute nutrients, carbon and trace elements, often scarce in Australian soils.

The 2025 biosolids reuse program delivered 30,273 tonnes of biosolids to seven farms. This is approximately 68 per cent of the annual solids production at the Western Treatment Plant. The three-year rolling average for biosolids reuse for Melbourne Water is 61 per cent.

Melbourne Water worked with LOOP Organics and its partner, Mahonys Transport, to deliver biosolids to farmland from January to March 2025. No incidents or complaints were reported during the transport period. Farm machinery was used to spread and incorporate the biosolids into the land to maximise nutrient improvement.

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

Drinking water quality

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

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

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

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

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

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

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

This year, we finalised a series of water safety assessments that systematically reviewed the performance of our water supply catchments and the adequacy of existing water treatment processes to maintain the level of microbial risk in the water we supply below 1 microDALY per person, per year – the health outcome target specified in the *Australian Drinking Water Guidelines*.

Opportunities to further improve the performance of our water supply catchments were also identified; these are now being implemented, and coordinated and tracked through our Drinking Water Quality Improvement Program.

Melbourne Water also proactively monitors per and polyfluoroalkyl substances (PFAS) in our water supply catchments, ensuring the production of safe and secure high-quality drinking water for our customers and communities. In 2024-25, Melbourne Water undertook a comprehensive monitoring program for our water supply catchments, which have not detected PFAS. The testing protocols can detect PFAS at levels as low as 2 nanograms per litre. Monitoring results show water from our catchments meets the *Australian Drinking Water Guidelines*.

Housing Statement

In February 2025, the Victorian Government released Plan for Victoria, which articulates actions that will support the delivery of its *Housing Statement*. These actions include finalisation of housing targets for every municipality, a suite of new planning controls to streamline planning in Activity Centres, and confirmation of the locations of 15 Priority Precincts and 60 Activity Centres.

Under the *Planning and Environment Act 1987 (Vic)*, Melbourne Water has a significant role to play as a referral authority in unlocking Melbourne's housing potential in growth and urban areas. To ensure our work program meets the expectations of our stakeholders, we engage with state agencies, local government, the development sector and decision-makers through a range of forums.

Under the five pillars of our *Housing Statement Roadmap*, we have delivered or progressed several key actions, including:

- development and implementation of a self-certification quality management system to manage asset design and delivery utilising an accreditation approach
- a flood model deployment program designed and ready for execution in accordance with finalisation of each tranche of flood models
- development and implementation of new service standards for our urban planning applications, with our performance exceeding the target for all application types
- development and implementation of a risk-based approach to assessing flood risks associated with urban development through a new Floodplain Development Impact Assessment Practice Note. This work aims to balance maintaining strong flood protection outcomes with housing supply and urban development.

Development applications performance

Table 3 below outlines statutory and non-statutory Urban Planning and Development applications for the 2024-25. In line with Melbourne Water's commitment to continuous improvement, a major transformation program was initiated in October 2024, focusing on enhancing systems, data and processes to improve customer service standards.

This program was completed in March 2025. Table 3 presents a breakdown of application data, pre and post project, reflecting the implementation of new performance standards and measures introduced.

Table 3: Development applications performance

		July 2024 - March 2025				April 2025 - June 2025			
Application type	**Activity**	**No. new applications**	**Applications processed**	**Service standard (calendar days)**	**Completion within service standard (%)**	**No. new applications**	**Applications processed**	**Service standard (calendar days)**	**Completion within service standard**
Statutory: Planning Permit – Subdivision Proposal	Referrals from Council or a Responsible Authority. Melbourne Water assess drainage works requirements and may consent, consent with conditions or object.	4610	4725	28	83	1406	1576	28	99
Statutory: Planning Permit – Development Proposal	Referrals from Council or Responsible Authority Melbourne Water assess flood risk / drainage works requirements and may consent, consent with conditions, or object.	2016	2009	28	67	395	627	28	96
Non Statutory: Stormwater Management Strategy	The proposed approach to drainage is submitted directly to Melbourne Water for the proposed subdivision /development. Melbourne Water ensures drainage and flood risk manage associated risks appropriately.	202	238	28	20	67	26	Simple 45 Complex 90	100
Non-Statutory: Engineering Requirements	Developer submits a request directly to Melbourne Water for advice regarding required drainage / flooding works to enable the subdivision/ development to proceed.	715	758	(NWOs) 28 (WOs) 60	40	286	218	Simple (NWOs) 28 Simple (WOs) 60 Complex (NWOs) 120	95
Non-statutory: Design Approval	Developer submits any designs requiring Melbourne Water endorsement directly to Melbourne Water. Melbourne Water approval enables construction of assets to commence.	119	154	21	16	31	23	Simple 28 Complex 90	96
Non-statutory:Works Complete	Developer submits confirmation that works are complete directly to Melbourne Water. Outcome is agreement that a Statement of Compliance can be issued to enable lot titles to be issued, and sale of lots finalised.	669	535	7	61	240	195	7	99
Non-statutory: Applciation Information Requests	Externally driven applications that provide required information associated with Melbourne water scheme and drainage information	5993	6472	Varied timelines	82	2367	2516	Varied timelines	95

Note: Melbourne Water annual KPI is that 90 per cent of applications are completed within the service standard.

Enhancing biodiversity

Melbourne Water's unique dual role as the water resource manager and PPWCMA means we have an obligation to protect and improve native biodiversity. While managing Melbourne Water's own land is key to this role, as a CMA, we also have an important leadership role in biodiversity enhancement across the region.

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

- *Corporate Biodiversity Conservation Action Plan 2024*
- *Port Phillip and Westernport Regional Catchment Strategy*
- *Healthy Waterways Strategy*
- *Port Phillip and Westernport Emergency Response Plan (2024)*
- Sites of Biodiversity Significance program.

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

Photo: Doug Gimesy

During 2024-25, Melbourne Water contributed to the following activities to enhance biodiversity across our region:

- completed the review and update of the Corporate Biodiversity Conservation Action Plan and spatial prioritisation for biodiversity conservation
- continued our Sites of Biodiversity Significance program, which identifies properties supporting listed threatened species or vegetation communities (currently 44 sites) and ensures a higher level of management at these sites to protect their biodiversity values
- delivered the following projects and regional services funded by the Federal Department of Climate Change, Energy, the Environment and Water (DCCEEW):
    - creating a safe haven for native wildlife on French Island through introduced predator control
    - working in partnership with Wadawurrung Traditional Owners Aboriginal Corporation to improve the condition of grasslands of the Victorian Volcanic Plains
    - supporting management of the Victorian Grassland Earless Dragon re-discovery site
- delivered the following projects and regional services funded by the Department of Agriculture, Fisheries and Forestry:
    - ongoing employment of our Sustainable Agriculture Facilitator who supports farmers in our region to drive agricultural growth while adopting sustainable on-farm practices
    - a Climate Smart Agriculture project to be delivered in partnership with Landcare and industry partners across the region.
- continued to implement the Growling Grass Frog Masterplan Program in Melbourne's urban growth areas.
- convened a *Pseudophryne* Toadlet working group of experts to stimulate coordinated regional action to enhance the understanding and protection of these threatened amphibians with much of the on-ground work funded by money received from the sale of vegetation credits.

Ramsar Wetlands

Melbourne Water is the Ramsar site co-ordinator for both the Edithvale-Seaford Wetlands and Westernport Ramsar sites, as well as a key land manager at the Western Treatment Plant (which forms roughly half of the Port Phillip Bay Ramsar site extent). All three Ramsar wetlands within our region fall under our Sites of Biodiversity Significance Program, ensuring appropriate planning, management and monitoring.

Following extensive consultation with stakeholders and experts, Melbourne Water, in collaboration with the Westernport Ramsar Site Coordinating Committee, is in the final stages of drafting the renewal of the Westernport Ramsar Site Management Plan.

We have also been collaborating with the Westernport Ramsar Site Coordinating Committee to deliver the DEECA-funded EC6 program, 'Restoring Westernport'.

On behalf of Melbourne Water, our partners (Phillip Island Nature Parks, Bass Coast Landcare Network, French Island Landcare, City of Casey, Mornington Peninsula Shire, Parks Victoria, Bunurong Land Council Aboriginal Corporation and Deakin University) have delivered works that support the ecological values of the site including:

- 39 hectares of rabbit control (herbivores) to reduce grazing pressure on sensitive coastal saltmarsh vegetation communities
- 1386 hectares of fox control (predators) to reduce predation on shorebirds and waterbirds
- 249 hectares of feral cat control (predators) to reduce predation on shorebirds and waterbirds
- 0.5 hectares of revegetation to increase mangrove extent
- private land restoration
- securing partnership contracts for seagrass restoration and a cultural values assessment to begin in 2025-26.

The Edithvale-Seaford Wetlands are the largest remaining part of the former Carrum Carrum Swamp and home to many bird species, including the endangered Australasian Bittern. Works at the site in 2024-25 included:

- continuing research with RMIT University into water and sediment quality at both Edithvale and Seaford wetlands, aimed at improving our understanding of water quality and flow-on effects to prey populations for shorebirds, with a recent focus on pollution sources
- on-ground works, including management of tall reeds to maintain migratory shorebird foraging and roosting habitat
- commissioning the annual bird report assessing our bird monitoring results against the Ramsar Limits of Acceptable Change and evaluating our wetland management.

Western Treatment Plant

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

In alignment with an *Environment Protection and Biodiversity Conservation Act 1999* controlled action, we report annually to the Commonwealth Department on the delivery of environmental flows and monitoring of waterbirds, Growling Grass Frogs and Straw-necked Ibis populations, as well as our research and on-ground management actions. This includes installing water level loggers in conservation ponds and planning improved water delivery infrastructure to improve water level management over summer months.

Melbourne Water continued management and monitoring of important grassland habitat, with the threatened Fat-tailed Dunnart recorded on site for the first time since 2012.

We also undertook contingency planning in coordination with other agencies for an outbreak of highly pathogenic Avian Influenza at this critically important waterbird site.

Western Treatment Plant

Climate change and energy

Our approach

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

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

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

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

2 source 100 per cent of our consumed electricity from renewable sources by 2025, and in all years following the target year of 2025

3 reduce our annual reportable scope 1 and scope 2 emissions to net zero by 2029-30.

Under the *Statement of Obligations (Emission Reduction)* Melbourne Water is required to source 100 per cent of our consumed electricity from renewable sources from any date before 31 December 2025. Meaning all electricity utilised must be supplied from renewable sources either via onsite generation or renewable energy output under our electricity supply agreement. This includes retirement of any Renewable Energy Certificates (RECs) associated with renewable electricity we use. We have adjusted our approach to meeting our financial year 2024-25 emissions target and our electricity emissions projection to align with this updated advice.

To ensure consistency with the language used in the *Statement of Obligations (Emission Reduction)*, Melbourne Water currently uses the words 'net zero' rather than 'carbon neutral' to describe the planned achievement of an annual reportable scope 1 and scope 2 emissions total of 'net zero' primarily through carbon credits and where possible, emissions reduction activities. It should also be noted that supply chain emissions (scope 3) are not currently included in our emissions targets. For transparency, carbon credits will be required to meet emissions targets from 2024-25 to allow time to transform our treatment plants to lower emissions alternatives. This is discussed further on page 59.

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

Governance

Our approach to climate governance and reporting significant risks and opportunities is informed by Ministerial and Financial Reporting Directions.

Climate risk governance within Melbourne Water

The Melbourne Water Board approved the current business strategic goals, including our decarbonisation goal, which has been established in alignment with the requirements of the *Statement of Obligations (Emission Reduction)* issued by the Minister for Water. The Board also approves the capital plan through which major investments are made to deliver on, amongst other drivers, actions to address our most material climate risks and opportunities. The Board also notes service strategies, which guide long term planning for core functions, and identify the most critical climate risks and opportunities. Management develop, execute and publish these strategies for sharing with stakeholders.

Melbourne Water's Board Committee structure consists of the following:

- **A Risk, Optimisation and Sustainability Committee (ROSC),** which has oversight of the Enterprise Risk System, Strategic Risk Profile, and corporate governance frameworks, this committee has carriage of urbanisation, sustainability and climate-related risks and opportunities.
- **Finance, Audit and Compliance Committee (FACC),** which has oversight of the Public and Environmental Health Framework and has oversight of Melbourne Water's 10 year Capital Plan.
- **People, Engagement, Customers, Community and Safety Committee (PECCSC),** which has oversight of safety and customer and community engagement.

The Board and committees provide overarching governance of the overall Enterprise Risk Universe, including climate-related risks. The Executive Leadership Group validates, and monitors risks and controls included in the Enterprise Risk Universe and reports the status of risks to the Board and committees. Each risk is allocated to a member of the Executive Leadership Group as accountable and to a member of their Senior Leadership Group as the individual risk owner responsible for overseeing the approach to implementing controls and regular reporting. Strategic oversight and ownership of climate risk falls to the Head of Sustainable Futures.

Adapting to climate change

Strategy, material risks and opportunities

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

Climate change, extreme weather, and changes in the economic and regulatory environment have the potential to create unanticipated costs or impacts on Melbourne Water's revenue and asset values. While climate scenarios are used to explore a wide range of potential future conditions that Melbourne Water and our services may be exposed to, there is a risk that assumptions are made based on what is currently known or understood and may not reflect the actual impact of emerging risks in the future, particularly over the long term. As of 30 June 2025, Melbourne Water considered climate-related risk in the preparation of the annual financial statements as summarised in Note 1 - Financial reporting impacts of climate related matters in the Financial Statements of this report (page 110).

Melbourne Water and the services we provide are also strongly dependent on nature. Often costs to infrastructure are a large focus of the financial impacts of climate change; the loss of environmental, social, economic and intrinsic value from nature are more difficult to quantify. The outcome is an imbalance, with many values unable to be consistently expressed and, adaptation or protection of those values justified against the cost. Melbourne Water is currently working on improving its understanding of how to value nature, including through the exploration of standard accounts, to help record economic value and demonstrate the return on investment from waterways management.

Climate risks and opportunities

Melbourne Water's approach to climate resilience builds our ability to identify and manage climate-related risks to our services, people, financial sustainability and operations over the short, medium and long term. We are working to understand and prepare for physical hazards arising from the physical impacts of climate change, and transition risks arising from the regulatory, economic, financial, technological and social changes that could arise from transition to a low-carbon economy (noting that we expect there would be greater environmental, economic, financial and social risks if the economy does not transition to a lower-emissions state). These risks affect the entire organisation as the timing and severity of climate impacts are potentially far-reaching, complex and uncertain, creating challenges to our ability to adapt.

Pages 47 to 49 summarise some of the risks and opportunities associated with climate change which inform how Melbourne Water plans for delivering our services in the future. Further information in relation to our functions and the services we deliver is contained throughout this report.

Physical risks

Declining rainfall and increasing heat creating risks for water security and transfer systems

Description	Projected long-term decline in rainfall and the potential for increased variability, such as longer, more severe droughts and more severe storms, will decrease the drinking water supply available from existing natural sources. Increasing hot weather and other extremes may drive changes in peak demand or other stresses on supply systems. In addition, warmer temperatures in water storages may increase the risk of algae or other risks to drinking water quality.
Potential financial impacts	• Costs associated with the need to manage and augment water supply systems to provide sufficient water for a growing population if supply from rain-dependent sources declines. • Costs associated with managing treatment and transfer systems to meet higher water demands. • Increasing reliance on water treatment processes and new water sources may increase the overall energy consumption of water services and the costs associated with this.
Management responses	• Melbourne Water is actively planning for current and future water security, including participation in water sector working groups focused on water security, water resource and supply system modelling, system augmentation and strategy/regulation. In addition, we are exploring the potential for rainfall independent water sources, such as desalination, while also managing potential greenhouse gas emissions, particularly from higher grid electricity use. We are also supporting state and local government to explore statewide and local adaptations, such as increased water transfer between Victoria's supply regions, more rainwater tanks and water sensitive urban design. • In 2024-25, Melbourne Water commissioned a study to establish current 1 in 20-year peak day water demand, which is a key metric for the planning of water supply networks to measure water transfer capacity to supply our customers under high and extreme conditions. The study also estimated recent historical climate-corrected annual demand growth and assessed the potential future influence of climate change on peak day water demands across Melbourne. A key finding was that population growth is likely to be a much stronger driver of growth in the peak day water demands than climate change. The study found that the differences in peak day water demand associated with the different climate change scenarios considered may be less than 5 per cent in the longer term. The study outcomes were shared with our water corporation customers and will be used to inform future water network planning activities. It should be noted that because this study related only to short term peak day demands the findings should not be applied to the expected impacts of climate change on overall whole of water supply system longer term demands.

Declining rainfall and increasing heat creating bushfire risks

Description	Rising temperatures and extreme weather events have the potential to increase the frequency and scale of bushfires. If bushfires occur in catchment areas, they may increase the risk of debris-flow contamination of water supplies. In other locations, bushfire may affect the operation or lifespan of water, sewerage or other assets.
Potential financial impacts	• Costs associated with additional water treatment and transfer activities to address water quality impacts from extreme fire events. • Costs associated with making assets more resilient or repairing damage from extreme fire events.
Management responses	• Recognising that fire hazards are a significant driver of water supply and quality risk, and may already be amplified by climate change, we operate ongoing catchment fire risk management programs in partnership with DEECA, Parks Victoria and the CFA. Refer to the 'Water supply catchment management' section of this report on page 18 for more details on how we prepare and plan.

Increasingly severe rainfalls creating risks of flooding and discharge of sewage	
Description	Climate change may already be contributing to more frequent and intense rainfall events, increasing the likelihood of flooding across the region. These events place growing pressure on existing drainage and sewerage systems, some of which were not designed for current or future intensities, leading to potential overflows in networks, treatment plants, and waterways. Existing development in flood-prone areas further amplifies these risks. The resulting impacts can include property damage, disruption to communities, public health risks and environmental harm.
Potential financial impacts	• Increasing costs associated with emergency management, response and repairs from extreme flooding events. • Costs associated with managing and cleaning up sewage spills.
Management responses	• We work with the DTP, Victorian Planning Authority (VPA), the Bureau of Meteorology and councils to understand changing flood hazard as flood models are updated. Flood maps and related information are being developed collaboratively with relevant government stakeholders and, when complete, will be used to inform decisions. • In accordance with the Flood Management Strategy Implementation Plan, we have prepared the *Climate change in flood information and land use planning guideline* to confirm the climate settings to be applied through flood modelling and flood hazard planning scheme amendments. • A new Strategic Urban Planning Climate Risk Assessment Framework has also been prepared to help us assess climate (flood) risk as part of land use and infrastructure decision making, using both existing and updated flood information. We are now working with the VPA on land use planning for the Housing Statement precincts to understand flood hazard and guide development to safer locations. • Melbourne Water's sewer network performance assessments in 2024-25 applied the methodologies described in the Guidelines for the Adaptive Management of Wastewater Systems Under Climate Change in Victoria (2022) and the Australian Rainfall and Runoff: A Guide to Flood Estimation (2019) to inform hydraulic investigations and capital investments. Modelling of rare observed storm events, sea level rise scenarios and the impact of the submergence of emergency relief structure outlets was undertaken. Long-term permanent flow and level monitoring and routine asset condition inspections continue to contribute to the management of sewerage assets and flow containment in dry and wet weather.

Sea level rise and changing coastal process affect assets and ecosystems	
Description	Sea level rise, changing coastal storm and wind patterns, storm surges and the movement of salt water in estuaries may damage coastal communities, public assets and ecosystems.
Potential financial impacts	• Increased costs for emergency repairs. • Costs associated with the potential relocation of treatment assets from coastal areas.
Management responses	• A detailed coastal hazard assessment for the Western Treatment Plant has commenced and Melbourne Water are producing a Western Treatment Plant Coastal Hazard Adaptation and Resilience Plan in collaboration with DEECA. We are also partnering with DEECA and others on 'Adapt West', a Port Phillip Bay Western Shoreline Regional and Strategic Partnership to develop a coordinated regional approach to managing coastal hazards from Geelong North to Williamstown. In addition, we are updating our regional Sea Level Rise Guidelines, which are incorporated into the Planning Scheme and support land use and development decisions as part of our role as a referral authority for land use and development.

Increasingly extreme weather may cause asset and operational damage or disruption	
Description	More extreme weather may damage assets, create disruption to power and other essential supplies and affect the safety of operations. This could lead to the interruption of services.
Potential financial impacts	• Costs associated with making assets more resilient or repairing damage from extreme events.
Management Responses	• Current knowledge on climate risk is captured in strategic asset planning • Melbourne Water is participating in a Victorian Water Sector working group exploring best-practice approaches to using future climate scenarios for asset strategy and planning

Transition risks

Regulatory and stakeholder expectations	
Description	New and developing regulations may impose requirements associated with transitioning to a lower carbon economy or limiting the impacts of climate change, which affect our business. Community expectations for services may change as climate impacts are experienced, but willingness and ability to pay for adaptation and recovery from extreme weather may be limited.
Potential financial impacts	• Introduction of carbon prices or stronger emissions regulations may impact the costs associated with using carbon credits to manage emissions. • Additional and increased operating costs associated with changing requirements.
Management Responses	• We expect ongoing adjustment to regulations in response to community expectations and climate change. We are engaged in ongoing dialogue with regulators and regional stakeholders to understand potential changes and provide data and technical contributions to the evidence base that informs regulatory change. Transparency on climate risks enables all stakeholders to participate in determining a pathway forward.

Climate risk management

Melbourne Water's Risk Management Framework

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

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

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

Assessing risk

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

- Melbourne Water's Risk Management Framework aligns with ISO 31000 and the Victorian Government Risk Management Framework requirements and articulates the governance structure for effective risk management at Melbourne Water. A board-approved annual compliance attestation is undertaken, with strategic and state significant risks, inclusive of climate, reported to DEECA.
- Melbourne Water undertakes ongoing research and modelling programs to explore and evaluate potential climate impacts for different areas of our business under a range of Representative Concentration Pathways (RCPs). Where appropriate, we apply RCP 8.5 emissions scenario (worst case) in the following cases to interrogate severe climate changes, alongside other climate scenarios, where recommended by guidelines or for sensitivity testing:
    - water supply - water flows in our region and capacity of key systems to meet performance standards under changing conditions
    - sewage treatment - flows and spill risks for sewer transfer networks and treatment plants
    - flooding and drainage - changes to rainfall, run-off and sea-level, which will change the frequency and severity of flood events as models are updated.
    - waterways and catchments - ecological changes that may affect catchments and waterways and key environmental values.
- Melbourne Water undertakes sea level rise and coastal hazard impact investigations using a range of sea level rise benchmarks provided by state government regulations or recommended by research institutions, such as the CSIRO.
- We continue to strengthen the use of strategic foresight in decision-making through horizon scanning, trend analysis and scenario planning. This includes improving processes to identify, track and deliberate issues marked by deep uncertainty, long timeframes or limited control.

Planning for supply and demand challenges

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

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

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

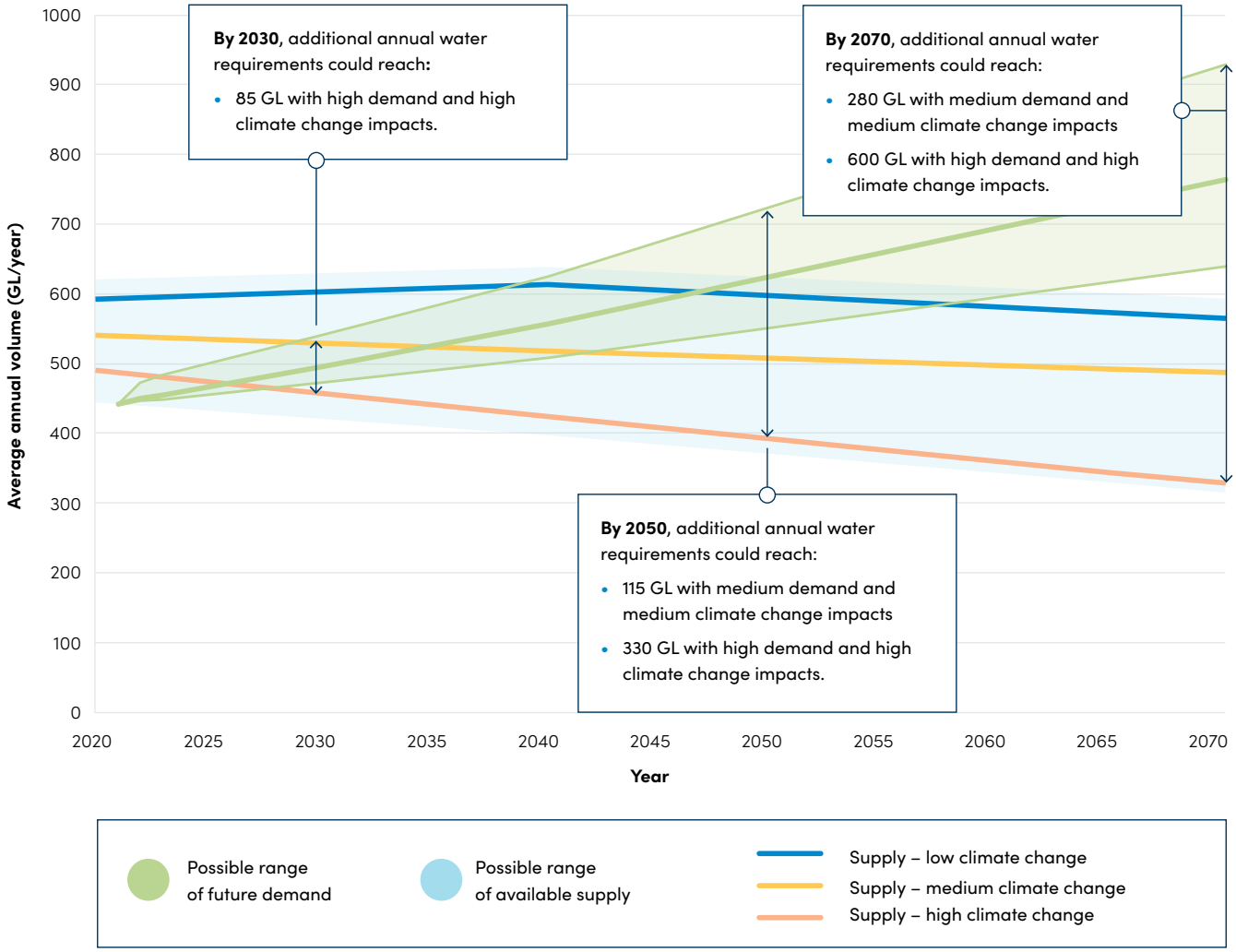
The three climate projection scenarios have been combined with the three demand growth projection scenarios as the basis for projecting the potential range of emerging water supply-demand deficits to address:

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

Figure 10 shows these projections in our modelling. We have also assessed the impact of climate variability, which shows a possible range of available supply. In this figure, we have selected and shown the median water availability for each of the three supply scenarios modelled.

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

Figure 10: High, medium and low demand growth and climate change scenarios for 2020–2070



Case study: Integrating transition and risk management

An Eastern Treatment Plant Solids Adaptive Plan and a Western Treatment Plant Adaptive Plan have recently been developed. These plans outline the investments in infrastructure required to sustain and improve performance at these facilities now and into the future, demonstrating how we could respond to population growth and meet our General Environmental Duty. The delivery of changes is subject to engagement with stakeholders and funding approval. Additionally, a detailed coastal hazard assessment for the Western Treatment Plant has commenced and Melbourne Water is developing a Western Treatment Plant Coastal Hazard Adaptation and Resilience Plan.

These plans outline how Melbourne Water's systems must physically adapt in response to climate risks, such as sea level rise and coastal erosion, and in its handling and treatment of wet weather flows to support a future that may be increasingly reliant on recycled water.

The adaptive plans map out the potential pathways and the scale of investment required to transform our currently high scope 1 greenhouse gas emission sewage treatment plants to lower emission alternatives (where mature technologies exist). Importantly, the plans consider lower emissions alternatives in conjunction with other strategic and operational drivers, such as increasing resource recovery, managing land and groundwater contamination, odour and emerging contaminants, and ongoing compliance with our General Environmental Duty.

Emissions reporting

Melbourne Water is responsible for greenhouse gas emissions, primarily through our use of energy and sewage treatment processes. We are progressing Our Path to Net Zero by 1 July 2030 in line with the *Statement of Obligations (Emission Reduction)* and the Victorian Government's long-term target of net zero greenhouse gas emissions by 2050.

Our Eastern and Western Treatment Plants are also subject to the Federal Safeguard Mechanism. Melbourne Water's greenhouse gas emission reduction requirements under the *Statement of Obligations (Emission Reduction)* and Safeguard Mechanism obligations are complementary.

Scope 1 and 2 emissions

A breakdown of our greenhouse gas emissions by service delivery and electricity consumption from different sources for 2024-25 is provided in Table 4. All figures are calculated using NGERS carbon accounting methodologies. For additional breakdowns of our energy and emissions metrics, refer to Appendix F – Environmental disclosures.

In 2024-25, the overall total net scope 1 and 2 emissions were slightly lower than 2023-24. This was mostly due to lower reported fugitive wastewater emissions at the Eastern Treatment Plant. In accordance with the *Victorian Statement of Obligations (Emission Reduction)*, the annual reportable net (after carbon credit retirement) scope 1 and 2 emissions were reduced to 204,379 tonnes CO_2-e for 2024-25 (which represents a 50 per cent reduction from our 408,760 tonnes CO_2-e baseline).

Melbourne Water's major sources of self-generated electricity are solar and biogas, with an aggregated 53.36 megawatts of installed generation across three of our largest sites (Eastern Treatment Plant, Western Treatment Plant and Winneke Water Treatment Plant). During 2024-25, these assets have contributed to greater or sustained proportions of behind-the-meter energy production and lower dependency on grid imports, despite major production outages incurred due to urgent servicing at our Western Treatment Plant biogas power station.

Production from our existing hydro generation portfolio has been impacted across this period due to concurrent major servicing incidents for several hydro assets, along with localised voltage issues limiting the output from our 7.45-megawatt Thomson Hydro Power Station. This has partially been offset by the re-acquisition of the 3.5-megawatt Cardinia Hydro Power Station in late 2023, which returned to full service at the start of this financial year after an upgrade to supporting monitoring and communication infrastructure. Notably, production of predominantly exported electricity from these assets has no impact on our reportable emissions but does contribute to the volume of self-generated RECs available to the business.

Table 4: Total scope 1 and 2 emissions reporting

Service delivery category	Scope 1 and 2 Emissions (t CO_2-e)				Variance (%) between previous and current financial years	Commentary
	2023-24 Total Scope 1 and 2 emissions	2024-25 Year Scope 1 and 2 Emissions				
		Scope 1 emissions	Scope 2 emissions	Total emissions		
Water treatment and supply	39,942	73	47,541	47.613	19.21	Reported emission variance from increased water harvesting due to low rainfall in catchments.
Sewage collection, treatment, and recycling	367,010	234,629	110,404	345,033	-5.99	Emissions variance due to lower reported fugitive emissions at the Eastern Treatment Plant.
Transport	1,876	2,104	0	2,104	12.16	Reported emissions variance due to higher fuel consumption.
Waterways	956	84	742	826	-13.56	Reported emission variance due to operational variance.
Other (e.g. offices, depots, etc.)	271	27	311	339	24.95	Reported emission variance due to operational variance.
Total emissions (after REC retirement)	410,055	236,917	158,999	395,916	24.95	
Carbon credits (self-generated) retired	0	0	NA	NA	0	
Carbon credits (non-self-generated) retired	8,854	191,537	NA	NA	2063	
Total carbon credits retired	8,854	191,537	NA	NA	2063	8854 credits were retired for National Safeguard obligations for 2023-24. These were confirmed after publication of the 2023-24 Annual Report. Carbon credit use has increased for 2024-25 as a state emissions target now also applies.
Net emissions (after offset retirement)	401,201	45,380	158,999	204,379	49	Total reportable emissions netted to below 204,380 t CO2-e for 2024-25 using carbon credits. Total emissions for 2023-24 shown here include effect of carbon credits retired after 2024 Annual Report publication.

Scope 3 emissions

Melbourne Water is in the early stages of scoping a strategic approach to understanding and managing our entire scope 3 emissions profile across the 15 categories prescribed by the Greenhouse Gas Protocol[18]. This includes working with the Water Services Association of Australian to identify potential approaches at an industry-wide level.

We currently track and report certain contributors to our larger scope 3 emissions profile, as required under the Ministerial Reporting Directives. As outlined in Table 5, this year, our total scope 3 emissions relating to waste disposal and commercial air travel increased, which can be attributed to an increase in emissions from waste disposal due to more staff working at our head office site. A slight increase in commercial air travel emissions was also seen due to an increase in the number of flights taken in 2024-25. These were calculated through travel data from our travel agent, waste figures from our building manager and published emissions factors.

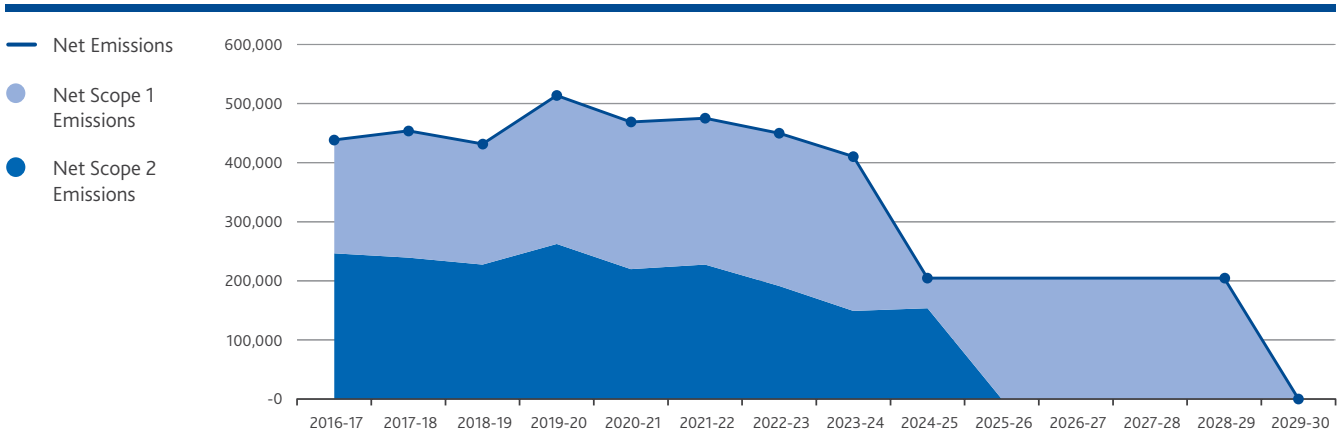
Table 5: Reporting scope 3 emissions

Scope 3 emissions source	Scope 3 emissions (t CO_2-e)	Commentary (including calculation methodology and inclusions)
Commercial air travel	55.5	
Waste disposal	51.9	
Total reported Scope 3 emissions	107.4	

Emissions reduction

Figure 11 shows the trajectory of net emissions from Melbourne Water's emissions baseline (408,760 tonnes CO2-e, defined as annual average for the five-year period between 1 July 2011 and 30 June 2016) to the achievement of net zero in 2029-30.

Figure 11: Trajectory of net emissions from baseline year (2016-17) to achievement of 'net zero' in 2029-30 (based on NGERS carbon accounting methodology)



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

Projects to reduce scope 1 and 2 emissions

Improving our understanding of our greenhouse gas emissions

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

Through the development and validation of monitoring protocols targeting major emission sources of nitrous oxide and methane, we aim to contribute to the development of new standards for measurement accuracy and predictive modelling in sewage treatment facilities. A major focus has been in nitrous oxide emissions from nutrient removal processes, which represents the most significant gap in global knowledge of wastewater treatment-related emissions.

Nitrous oxide emissions monitoring program

Melbourne Water's industry-leading nitrous oxide monitoring program, developed in partnership with the University of Queensland (UQ), has generated fundamental knowledge into nitrous oxide emissions from biological nitrogen removal systems.

Modelling by UQ, using data gathered over two years as part of the nitrous oxide monitoring program at the Western Treatment Plant, suggests that nitrous oxide emissions could be reduced by up to 40 per cent through a combination of process control optimisation and retrofitting to modify feed sewage source. These results indicate that the current low-carbon feed sewage was limiting process efficiency and leading to higher emissions.

As current infrastructure does not allow for feed modification, Melbourne Water is currently undertaking full-scale trials focused on operational changes alone, targeting emissions reductions of 15 to 20 per cent, based on the modelled scenarios. Results to date have been inconsistent, reflecting both the dynamic complexity of the biological system and the early stage of model development, which is still evolving in accuracy and maturity. Further investigation is planned to refine and validate the models to support the next phase of emissions reduction trials.

Melbourne Water's nitrous oxide program now forms a core part of a multi-utility initiative led by UQ and supported by the Australian Research Council. The project brings together 15 industry partners from across the Australian and New Zealand public and private water sectors, including 12 water utilities participating in direct nitrous oxide monitoring across 20 full-scale biological nitrogen removal plants.

This world-first cohort of monitored plants was selected to represent a broad spectrum of process designs and operating conditions. By applying consistent monitoring, analytical, and modelling methods across all sites, the project aims to benchmark emissions performance, compare the impact of different nitrogen removal configurations, and identify both high-emission systems and the conditions that support low-emission outcomes. Project outcomes and insights will be used to inform national reporting improvements through more accurate estimation methods and support the development of a standardised protocol for full-scale nitrous oxide emissions monitoring.

Aerobic lagoon methane emissions monitoring

In 2024, Melbourne Water conducted two methane emission monitoring campaigns at one of the two large surface-aerated lagoons at the Western Treatment Plant. Conducted in partnership with the University of Melbourne, the study aimed to quantify seasonal and spatial variations in methane emissions from the aerobic lagoon identified as a potential high-emission risk.

Advanced direct measurement and wind-based atmospheric modelling were used to capture continuous methane fluxes. Results showed significant spatial and temporal variability, with strong correlations to dissolved methane concentrations in the wastewater and flow rates from the upstream covered anaerobic lagoon. Annual emissions were estimated at approximately 80,000 tonnes CO_2-equivalent, which is two to three times higher than current estimates reported under the NGERS. These findings further highlight the need for standardised measurement and improved reporting methods. Melbourne Water is now evaluating mitigation options.

Collaborative emissions projects

Sewer Methane Methods for Everyone

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

Leveraging data from over 40 sewer sheds of varying climates and sizes, the project aims to enhance our understanding of sewer methane emissions, which are presently unaccounted for in national reporting guidance and, therefore, currently not included in Melbourne Water's NGERS emissions estimates. Melbourne Water has begun a detailed data collection campaign on a well-defined section of our sewer network, which may be used to improve the state of knowledge of estimate emissions and develop modelling tools utilities can use for estimating sewer emissions and inform mitigation strategies.

Methane technology trial

Melbourne Water undertook a six-week trial, in partnership with UK company QLM Technology, to assess the potential of Quantum Gas Light Detection and Ranging technology for detecting and quantifying fugitive methane emissions at the Eastern Treatment Plant.

The technology was deployed across key biogas handling infrastructure, with fluctuating emissions detected from the anaerobic digester floating roof seals. While based on a limited monitoring period, preliminary data suggests the equivalent of the emissions released over the monitoring period may amount to approximately 15,000 tonnes of CO_2-e equivalent per year, and compromise 3 to 5 per cent of total annual methane production from the digesters. The outcome of this trial contributes to Melbourne Water's knowledge of actual fugitive emissions from our sewage treatment plants and provides a basis for Melbourne Water to investigate and develop future emission reduction initiatives.

International partnership to reduce wastewater emissions

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

Projects and research currently underway within the partnership include sharing of data and insights from nitrous oxide emission measurements at wastewater treatment plants across Europe and Australia to inform the development of standardised measurement techniques, future planning of nitrogen removal plants and mitigation of fugitive emissions.

A research paper evaluating methane emissions from wastewater treatment plants has been submitted for publication to support utilities in selecting appropriate monitoring methods and help bridge the gap between measured and reported emissions. This paper provides a comprehensive review of available methane monitoring technologies and quantification techniques, supported by real-world application case studies across Europe and Australia.

Net Zero Acceleration Hub

Melbourne Water is progressing plans to establish a Net Zero Acceleration Hub at the Eastern Treatment Plant. In collaboration with Aarhus Vand (Denmark) and Severn Trent (UK), as members of the alliance, Melbourne Water's Net Zero Acceleration Hub will serve as a platform for developing and demonstrating next-generation wastewater treatment technologies that may significantly reduce scope 1 and scope 2 emissions, especially the hard to abate nitrous oxide emissions from conventional wastewater treatment processes.

In its initial phase, the hub will focus on piloting a transformative treatment process designed to significantly reduce emissions while exploring new opportunities for resource recovery. This facility will foster collaboration with the industry, research institutions, and technology partners, and play a key role in accelerating our transition to a low-emissions, sustainable water future.

Increasing renewable energy

Melbourne Water has a portfolio of onsite energy generation facilities throughout our water system and wastewater treatment plants. This onsite generation contributes renewable energy to Melbourne's grid and reduces our dependency on electricity imported from the grid.

Melbourne Water is obliged to satisfy the Large Renewable Energy Target (LRET) for all electricity purchases. The LRET is a federal target requiring all electricity retailers to ensure a nominated percentage of electricity sold to customers is sourced from renewable sources (18.48 per cent for 2024, 17.91 per cent for 2025). These obligations are satisfied via both a mandatory surrender of RECs against a quarterly volume of electricity purchased for those sites aligned to our long-term electricity sale agreement, along with on-billed LRET charges where these obligations are satisfied on our behalf by the supplying retailer.

At this time, the Renewable Energy Certificates (RECs) created from our onsite renewable energy generation are sold to keep costs to customers down and remain within funding allowances set for the 2021-2026 price period. This means that while we used electricity produced 'behind the meter', we also sold the renewable energy certificates connected to that energy. For 2024-25, we reported this behind-the-meter energy as 'renewable', and assume it produced no scope 2 emissions, in accordance with emissions-target reporting allowances in section 6-1.1 of the 2022 *Statement of Obligations (Emission Reductions)*.

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

Renewable electricity consumption categories	2023-24 renewable electricity consumption (MWh)	2024-25 renewable electricity consumption (MWh)	2024-25 renewable electricity consumption (% of total consumption)	Variance (%) between current and previous financial years	Commentary
Total renewable electricity consumption from grid-sourced electricity reported against LRET					
Total grid-sourced:	35,361	37,607	10.76	6.35%	Based on Renewable Energy Target (RET) percentage volumes, calculated monthly and independently for large (LRET) and small (SRET) sites
Total renewable electricity consumption from Melbourne Water led/self-sourced activities and initiatives					
Biogas	18,755	18,755	5.37	0	
Hydroelectric					
Solar					
Wind					
Total renewable electricity consumption	**54,116**	**56,362**	**16.12**	**4.15**	

Renewable Energy Certificates

All large renewable electricity generation sites built after the year 2000 are eligible to be accredited for the creation of Renewable Energy Certificates (RECs), each of which represents one megawatt-hour of electricity produced from a renewable source. These RECs can be surrendered or 'retired' to the Clean Energy Regulator by or on behalf of an entity, which then allows the reporting of an equivalent volume of consumed megawatt-hours as renewable. Alternatively, RECs can be on-sold to any other entity enabling them to undertake similar surrender and reporting outcomes.

Melbourne Water has regular transactions of incoming and outgoing RECs, with our large market sites serviced under a long-term electricity sale agreement providing a calculated volume of quarterly RECs, a mandatory obligation to surrender a portion of these to meet federal LRET obligations, and self-generated RECs created from our accredited renewable sites.

To date, Melbourne Water has predominantly been selling any surplus RECs to reduce the cost of electricity incurred by the business.

Table 7: Total REC retirement reporting to reduce scope 2 emissions

REC retirement method	2024-25 RECs retired: (1 REC = 1 MWh renewable electricity	Commentary
Voluntarily retired by Melbourne Water		
GreenPower		
Certified carbon neutral electricity purchased		
Voluntarily retired on Melbourne Water's behalf		
Mandatorily retired or conveyed to Melbourne Water's electricity retailer for mandatory retirement (if applicable)	37,607	Mandatory surrender of RECs against large market electricity purchases
Total RECs retired to reduce scope 2 emissions	**37,607**	

Carbon Credits

Carbon credits, sometimes known as 'offsets', are a formal, tradeable instrument that represents 1 tonne CO_2-e gasses reduced, avoided or removed, through an activity that has been independently reviewed and certified.

To meet carbon targets in the near term, Melbourne Water anticipates a quantity of market-sourced carbon credits will be required each year, as this will be the main mechanism through which reduction in scope 1 emissions can be achieved while we develop technology and investment proposals to overhaul existing treatment plants for lower emissions and greater resilience. A strategic approach to understanding and assessing the integrity, effectiveness and credibility of carbon credits has been developed, with reference to:

- the Climate Active 'integrity principles' for carbon credits, which address 'additionality' (creating emission reductions that would not otherwise occur), permanence, measurable reductions, 'leakage' (if the project creating the credit drives up emissions elsewhere this must be taken into account), and independent audits and registration.
- the Oxford Principles for Net Zero Aligned Carbon Offsetting, which includes a focus on shifting from emissions 'avoidance' credits toward 'removals' based credits for activities that take carbon out of the atmosphere and sequester it in a durable way, and a focus on understanding the project that underpins any carbon credits used.

Melbourne Water is developing a series of small-scale pilot carbon forests within our region to generate carbon credits, build sector capacity and test the value and co-benefits of biodiverse, native-species carbon plantings to offset emissions from operating wastewater treatment. Two new forest plantings are in progress on Melbourne Water land that once hosted native forests but were cleared for farming many decades ago. Planting is nearly completed, and watering, weed control and monitoring will take place while the seedlings become established.

In addition, a third biodiverse forest-planting area is being planned for a privately owned landholding, in partnership with a community member seeking to contribute to regional biodiversity by revegetating a cleared parcel that historically supported forest cover. Known as the Growing Carbon Project, this partnership forest planting is jointly funded by Melbourne Water, Yarra Valley Water and Greater Western Water. This project will support metropolitan water businesses to achieve carbon targets, enhance the natural environment and develop technical carbon project skills that can be shared with the wider water industry.

This project has been registered as a carbon forest project by the landholder, and a contract to protect the trees and investing water corporation's interests in the re-forestation area has been developed. This represents a new legal template that other Victorian Government agencies can use to pursue similar arrangements on private land in future. Weed control and other site preparation are in progress to prepare for planting soon.

As it takes time for trees to grow and store carbon, credits generated from these plantings will be available for use against targets in approximately five or six years; no self-generated carbon credits are yet available to retire.

We are working with VicWater and other Victorian water authorities to develop a collaborative approach to sourcing carbon credits from other parts of Victoria in line with policy that encourages local investment and catchment health.

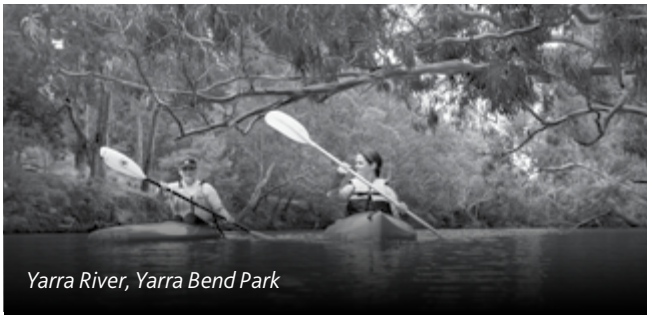
For more details, including Climate Active eligible carbon credits used to meet our target see Appendix F – Environmental disclosures, Table 33.

Solar Farm, Eastern Treatment Plant

Our community

Customer, community and engagement

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



Yarra River, Yarra Bend Park

Our approach

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

At Melbourne Water, we prioritise the current and future needs of our customers and community when delivering essential services, ensuring that our strategies, plans and projects incorporate outcomes that are most valued. We achieve this through a culture of dialogue, providing great experiences for customers that transact with us, and we continue to build stronger relationships with our community, partners and stakeholders every day. We measure this through our reputation survey, customer satisfaction surveys, specific engagement for our strategies and for our upcoming *2026 Price Submission*, and engagement with water retailers through the Accord.

Customer segments

Our customer segments are:

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

Interacting with our customers

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

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

Our customer performance

As a customer-centric organisation, Melbourne Water continues to evolve alongside shifting customer expectations and a dynamic operating environment. This year, we continued to deliver our Customer Program to enhance our customers' experience. This program seeks to address known pain points based on customer data and has increased our customer capability and operational performance. Ongoing enhancement to our customer satisfaction (CSAT) program enables our people to better identify areas for improvement and reinforce successful customer-centric outcomes.

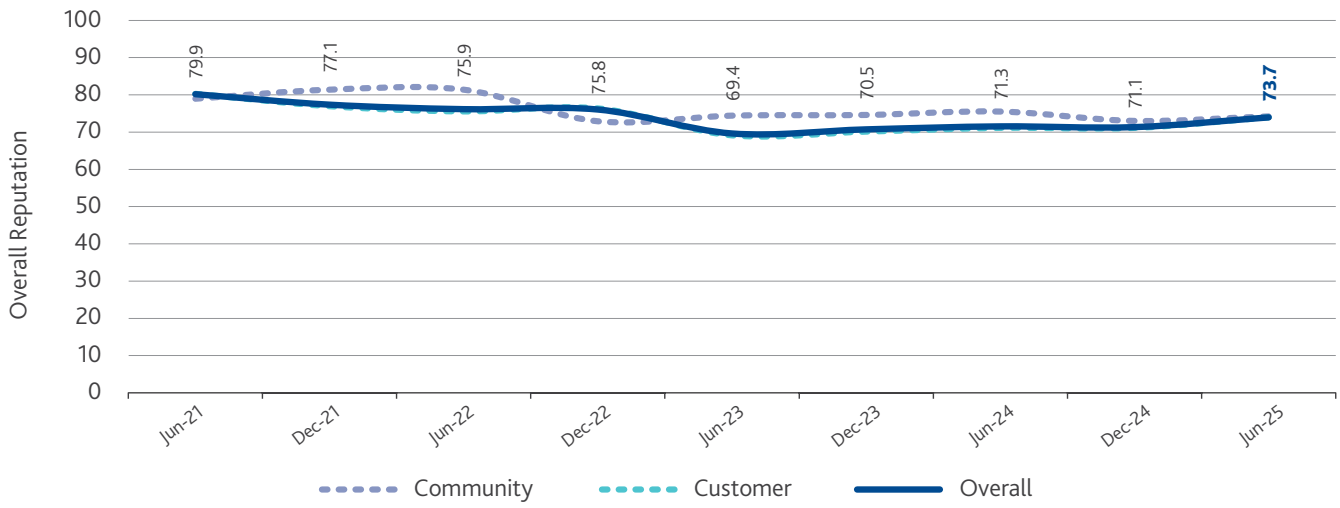
Reputation and customer satisfaction by service

Melbourne Water's Customer reputation score was 73.7 in June 2025, improving from 70.9 in December 2024, and is our highest score since the start of 2023.

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

Our customer experience framework continues to focus on delivering enhanced service via key programs and initiatives, while balancing the needs of our role as a regulator and bulk water supplier.

Figure 12: Customer reputation and satisfaction scores



Easy, respectful, responsive and transparent customer service' is one of our six performance outcomes under our 2021 Price Determination. This is measured through our customer satisfaction metric. Across our customers, our customer satisfaction performance in the past year has improved.

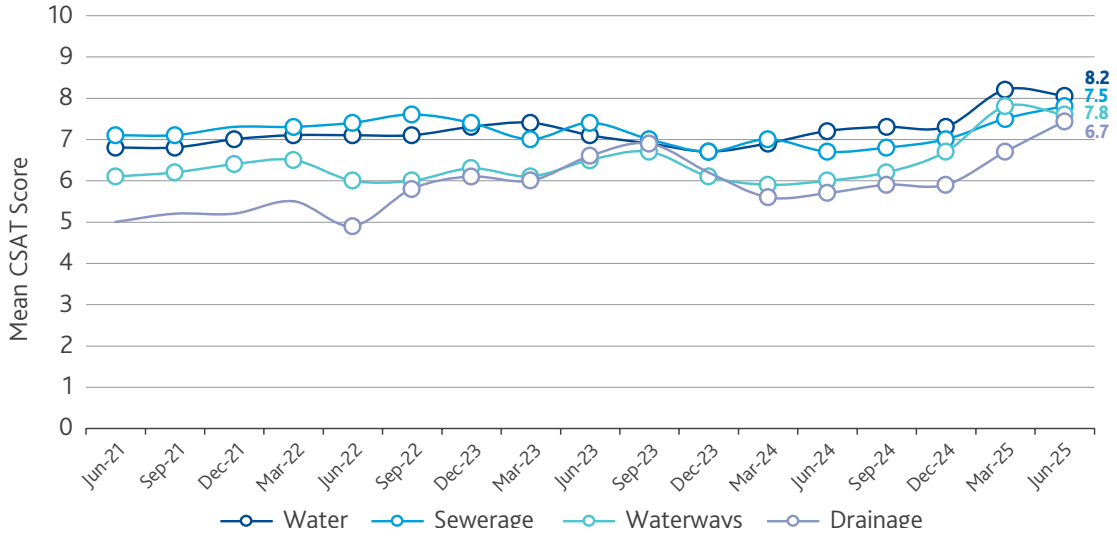
We are utilising data from our Reputation and Customer Satisfaction surveys to ensure there is a clear path to address customer pain points and opportunities to improve the way we deliver our services. We have also implemented enhancements to our existing programs over the past year to align with our *2026 Price Submission*. In line with our customers' responses, we are continuing to focus on customer experience and customer outcomes across all our services. Collaboration and timely response are key focus areas for improving our service.

Customer Service Centre satisfaction

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

- ranked first out of 54 in the utilities sector for call quality and customer experience, for the sixth consecutive quarter
- ranked fifth nationally out of 203 participants across all sectors in the last 12 months
- received the award for 'Best in Sector' for the utilities industry four times in a row in the last 12 months.

Figure 13: Customer satisfaction scores – services



Water and sewerage services – Customer responsiveness

Table 8: Reporting on operational performance

Operational Performance					
Water and Sewerage Services Indicators	**2023-24 Year Result**	**2024-25 Year Result**	**Variance to previous financialYear**	**2024-25 Target (set in Corporate Plan)**	**Variance to target**
Customer Responsiveness					
Complaints referred to EWOV responded to within EWOV established time	100%	100%	0%	100%	0%

Efforts to manage pricing

Through the development of the *2026 Pricing Submission*, Melbourne Water has a strong focus on productivity and efficiency to ensure we provide the best value possible to customers.

We are taking the following actions to help manage our pricing:

- focussing our efforts on what customers value most, identified through deep customer and community engagement
- only 'pricing in' project development costs where we know we will need to invest in major projects or programs, however, are not yet certain of the preferred option and or timing
- developing a Resourcing and Delivery Plan to optimise the delivery of our capital program
- a clear focus on operating in a productive and efficient way
- working in close partnership with water corporations, to provide Melbourne Water resourcing support to assist water bill payers who are experiencing financial vulnerability and are in most need of assistance.

Customer and community engagement

Bringing trust and transparency to our work

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

- transparent
- timely
- meaningful
- considered
- inclusive
- reflective.

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

Tailored and multi-staged engagement programs continue to support several significant, strategic activities, including:

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

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

We apply an evidence-based understanding of our target audiences, informed by our customer insights research program, in addition to the IAP2 (International Association for Public Participation) levels of engagement to tailor the right types of engagement at the right times to reach a broad and diverse audience.

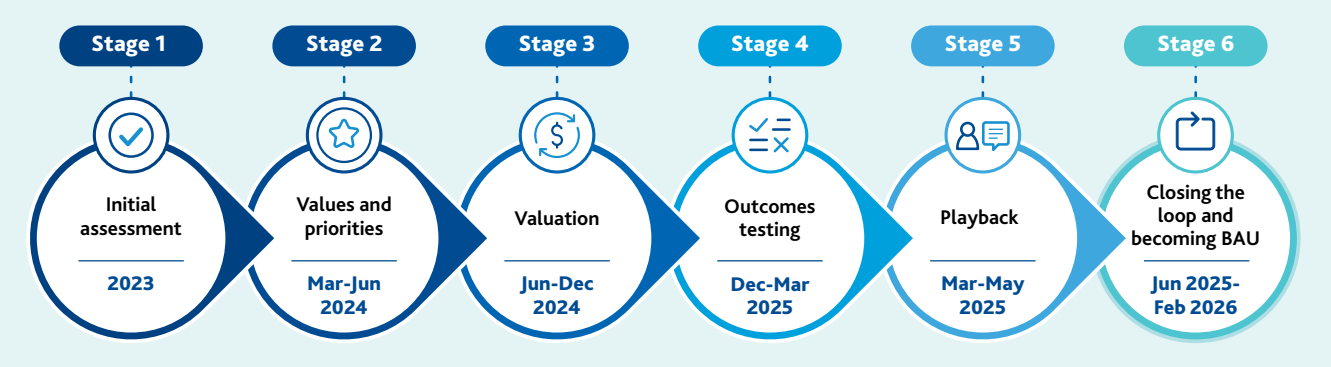
We also continue to expand our digital engagement tools and focus on improving the evolution of our Let's Talk engagement platform to maximise two-way engagement and accessible language translation features.

Engaging our customers and community in the *2026 Price Submission*

Building on Melbourne Water's ongoing engagement and insights programs, and to support Melbourne Water's *2026 Price Submission*, we have delivered a multi-faceted engagement program to seek to ensure the voice of our partners, customers, Traditional Owners, government and the community is embedded within our key plans and decisions for 2026 to 2031, where practicable.

Over the past year, we extended our engagement program to ensure we provided adequate time and feedback loops to inform all our decision-making (see Figure 14).

Figure 14: 2026 Price Submission engagement program



As our core customer group for bulk water and sewerage services, engagement with water corporations was crucial to the development of our submission. Corporations were asked how they preferred to be involved in the process, which resulted in the following:

- a Water Corporation Forum - held monthly to discuss key elements of Melbourne Water's 2026 Price Submission.
- a Regulation and Tariff Forum - provided opportunities for regulatory discussion and decisions.
- direct engagement through one-to-one meetings with water corporations.

Led by our Traditional Owner partners, we also customised our collaboration with each Traditional Owner corporation to identify key areas of interest and develop work programs for 2026 to 2031.

Additionally, throughout our engagement process, we heard from more than 6,000 end-use customers across the following community engagement activities:

- a Deliberative Community Panel (50 participants) that met 13 times, with some participants taking a tour of the Western Treatment Plant
- two community values and priorities surveys (whole service proposal, and waterways and drainage) that captured feedback from over 2000 respondents
- a willingness to pay survey of over 1300 respondents.
- seven waterways and drainage focus groups with a total of 70 participants
- three waterways and drainage customer forums with a total of 35 participants
- a community survey of over 2000 respondents and 13 focus groups on the proposed program of work outlined in our Playback proposal
- three in-person pop-up events to promote and discuss our proposals at each of the metro water corporation service areas, included over 600 touchpoints
- surveys and drop-in sessions with our direct service customers with a total of 400 respondents.

This engagement has built our understanding of our customers', partners' and community's priorities, as they relate to investment trade-offs, and ensures we incorporate their collective views into the draft submission.

Our submission is due to the ESC on 1 October 2025, with prices coming into effect from 1 July 2026.

Enhancing Water literacy

Melbourne Water uses an evidence-based approach and behaviour change framework to connect and engage with customers to improve the water literacy of all Melburnians.

In a water-literate community, customers are well-informed about water cycle management and actively participate in shaping the future of Melbourne's water services through engagement in our projects. Enhanced water literacy also promotes behaviour change, embedding water-saving habits into everyday actions and helping to secure Melbourne's water future.

This year, our Water Literacy Program engaged with over 8000 people through a range of in person tours and educational programs delivered to a wide range of audiences, including school groups and Culturally and Linguistically Diverse (CALD) community audiences.

In partnership with teachers and students, we created a digital learning platform aligned with curriculum. This immersive, interactive 3D map is now helping people discover more about water – our city's most valuable resource.

Our expanded education platform now attracts over 29,000 users across the year, with engagement continuing to grow. To further support educators, we also developed a Teacher Toolbox, comprising 41 curriculum-aligned resources designed to enhance in-classroom learning and make water education more accessible and impactful.

This year we launched *The Future Water Story* - an innovative and immersive educational experience at the Western Treatment Plant. This new initiative empowers visitors to envision a sustainable future for their city through hands-on learning and interactive challenges by participating in:

- a Circular Cities Digital Challenge where they explore water management scenarios within a hypothetical city environment and visualise the impacts of their choices over three decades
- a tour of Melbourne's largest sewage treatment plant where they learn about sustainable water management.

The experience was co-designed with teachers, students and Traditional Owners of the land, Wadawurrung. The space reflects a shared commitment to inclusive and place-based learning.

Waterwatch community involvement

Melbourne Water'sWaterwatch program has continued working closely with community, agencies and volunteers to develop and deliver innovative community capacity-building programs and projects to engage diverse audiences.

Waterwatch provides engaging resources, practical and innovative activities and fosters collaboration and connections across community and industry. It also increases awareness and extends knowledge of local environments, delivering sustainable outcomes for waterways, biodiversity and environmental health.

This year, the program delivered 108 engagement activities, bringing 4014 community and stakeholders together to learn and connect, and engage in practical activities, demonstrations, biodiversity monitoring and expert webinars. The program also engaged 929 volunteers and captured 3152 Frog Census reports and 90 platypus records.

We have also continued to strengthen key partnerships with community groups, including the Werribee Riverkeeper, Maribyrnong River and Waterways Association, Yarra Riverkeeper Association, Port Phillip EcoCentre, Merri Creek Management Committee and Darebin Creek Management Committee. Through these partnerships we have also partnered on the Birrarung Riverfest and engaged volunteers in citizen science events.

- Other projects we have completed with our partners this year include:
- **Cultural Immersion Trail:** This is a collaborative project led by Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation (WWCHAC), and in partnership with the Chain of Ponds Collaboration, Merri-bek City Council and Moonee Valley City Council, and supported by the Victorian Government's Port Phillip Bay Fund. The trail was created by Wurundjeri Elders to share their living culture using Woi-wurrung language, artwork and stories from Elders and knowledge holders to connect visitors to Country.
- **Litter Prevention Toolkit:** Based on behavioural science and community insights, we worked with key partners to co-design and develop a Litter Prevention Toolkit to provide resources that encourage anti-littering behaviour for councils, community groups and organisations.
- **Citizen science programs:** These programs continue to contribute to conservation management decisions. In particular, Waterwatch continued investing in the Frog Census program and further development of the Frog Census App.
- **Frog Month Victoria:** In collaboration with Victorian CMAs and the University of Melbourne, Frog Month Victoria encouraged citizen scientists to record frogs using the Frog Census App. Focusing on the threatened Growling Grass Frog (*Litoria raniformis*) and the introduced Eastern Dwarf Tree Frog (*Litoria fallax*), around 300 participants contributed over 1000 new frog recordings, significantly increasing biodiversity data for the Port Phillip and Westernport region.
- **Stream health assessments:** With freshwater ecologist John Gooderham we ran a series of stream health assessments across the region to collect biodiversity data at Melbourne Water project sites. These sessions increased skills and knowledge for volunteers and partner organisations. Findings included stoneflies in an urban stretch of Moonee Ponds Creek and the newly found endangered *Austrogammarus* amphipods in eastern upland streams.
- **Platypus monitoring:** A new platypus monitoring method was piloted with the University of Melbourne and community groups to streamline detection of platypus in waterways. Using time-lapse cameras and a new AI model, approximately 250,000 images were analysed down to 1000 images that citizen scientists sorted through to identify platypus. This innovation in platypus monitoring will assist Melbourne Water, researchers and the community to care for platypus in urban waterways.

Recognise recreational values

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


Maribyrnong River

Our approach

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

In addition, Melbourne Water has obligations under the *Water Act 1989* (Vic) to:

- provide and maintain facilities for the recreational use of water storages and surrounding areas where this use is compatible with the protection of a water storage and the other uses to which the water in the water storage may be put (S.171B)
- identify and plan for; and consider opportunities to provide for; social and recreational uses and values (s.92(2A), 93(c), 189 (1A, 2).

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

Melbourne Water's website[19] provides information for numerous recreational activities, such as locations of barbecue areas, walking tracks and bike paths, and advice for fishing and bird watching. We also assess opportunities to release environmental water over long weekends to support canoeing, fishing and camping along waterways.

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

Projects

Tarago Reservoir

Melbourne Water has continued to work with DEECA and other relevant stakeholders to deliver drinking water treatment upgrades as part of the project to increase community access to Tarago Reservoir.

Design for the water treatment plant upgrade is complete, and construction works are scheduled for completion by the end of 2025. Melbourne Water's priority is to maintain high quality drinking water from Tarago Reservoir.

To support community access to Tarago Reservoir, Melbourne Water is developing a Recreational Area Management Plan. The Plan will identify how the reservoir will be managed. This includes the rules required to protect drinking water quality, while enabling limited recreational activity.

Revitalising Yan Yean Reservoir

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

Following intensive engagement with residents and locals, and completion of several on-site investigations, including flora and fauna, traffic and parking, and environmental and cultural values assessments, we are continuing to work with project partners (WWCHAC, Parks Victoria and City of Whittlesea) to develop a Future Directions Plan.

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

Reimagining Your Creek

Reimagining Your Creek is a collaborative program that revitalises concrete channels into natural spaces for community enjoyment, resulting in enhanced liveability and environmental benefits.

This initiative holds particular significance for suburbs where opportunities for exercise, recreation and relaxation in natural or open spaces are limited.

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

Blind Creek

Blind Creek at Lewis Park is now complete and open to the public. The new waterways and wetlands are fully constructed. Overall, the project has:

- naturalised 1.7 kilometres of underground drain
- created three new wetlands
- created 6.3 kilometres of new shared pathways for community recreation and access along the creek
- provided 677,000 plants for improved biodiversity outcomes and 1700 trees for improved shade and cooling
- developed community infrastructure assets, such as viewing platforms, a pedestrian bridge, steppingstone crossings and seating.

Moonee Ponds Creek

Stage One for Moonee Ponds Creek is now fully constructed and open to the public. The project has converted a 360-metre section of the concrete-lined channel into a more natural and enjoyable community space. This transformation involved the planting of 43,000 native trees and shrubs, the establishment of new shared paths and a bridge, and the creation of a pond and terracing near Oak Park Reserve.

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

Moonee Ponds Creek Stage 2 has now commenced and will deliver another 375 metres of new water for improved community access. Melbourne Water will lead the delivery of the project on behalf of the Chain of Ponds Collaboration Group and in partnership with Merri-bek City Council, Moonee Valley City Council, DEECA, DCCEEW and WWCHAC. To support the delivery of this project, Melbourne Water successfully secured $5 million in federal funding through the Urban Rivers and Catchments Program.

Eumemmerring Creek

This project will reimagine an approximately 2-kilometre section of underground drain and concrete channels into a natural waterway from Doveton Avenue, Doveton, through to the southern end of Power Road, Eumemmerring. It aims to revitalise 2.4 hectares of open space, increasing shade and cooling to create a more resilient environment, enhance biodiversity and habitat for birds, frogs, insects and other local wildlife, expand public open space and provide new recreational opportunities for the Doveton and Eumemmerring communities, reduce flood risk with sustainable natural drainage solutions, and deliver new community infrastructure to strengthen connectivity and promote liveable spaces. To support the delivery of this project, Melbourne Water successfully secured $10 million in Federal funding through the Urban Rivers and Catchments Program.

Tarralla Creek Stage 2

After a successful Stage 1, the next stage consists of naturalising 886 metres of the underground drain to create a new waterway for improved access, amenity and urban cooling outcomes for the community. This project will be delivered in partnership between Melbourne Water, GHD, Maroondah City Council, Wurundjeri, DEECA, Yarra Valley Water and the Friends of Eastfield Park. The project will support the creation of a 'health and wellness heart' for the Croydon town centre by providing a series of paths and crossing points that connect the community to other open spaces nearby, and aims to create a healthy, functioning meandering waterway to manage flooding issues and improve biodiversity through habitat creation.

To support the delivery of this project, Melbourne Water successfully secured $10 million in federal funding through the Urban Rivers and Catchments Program.

Enhancing Our Dandenong Creek – Phase Two

This program has now evolved into the Better Environment Plan (BEP), developed in partnerships with EPA Victoria. This BEP, only the second of its kind approved by EPA Victoria, addresses sewer spill impacts and aims to enhance the creek's environmental, public health and social values. The BEP aligns with Melbourne Water's 2021 to 2026 pricing

cycle with future actions potentially extending into the 2026 to 2031 pricing cycle.

Reopening Greenvale Reservoir Park

Melbourne Water is working with the Victorian Government and Parks Victoria to reopen the southern section of the park. We aim to connect the northern and southern sections of Greenvale Reservoir Park to open over 37 hectares of green space for the community to enjoy.

Greenvale Reservoir plays a critical role in supplying water to Melbourne's northern and western suburbs. In November 2024, the Victorian Government committed to reopening the southern section of the park that borders the reservoir. We are working in partnership with Parks Victoria to deliver this commitment. Since April 2025 we have undertaken work to make the area safe for the public, while also protecting Melbourne's water supplies.

Since 2018, the southern parkland has been closed to the public while we delivered critical water supply and safety upgrades to the dam. Now these works are complete, we aim to make necessary improvements, in partnership with others, to reopen the park for public use, including:

- new entry points for pedestrians and vehicles
- toilets
- barbecues
- critical vegetation clean-up and tree safety works.

Cars will be able to access the park via Somerton Road.

Recognise Aboriginal values

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

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

Our approach

Melbourne Water considers Traditional Owner organisations as sovereign partners in land and water management, not customers or stakeholders to be consulted in relation to these matters. This respects inherent rights and responsibilities of Traditional Owners to care for Country,

In 2024-25, we continued to develop as a culturally competent organisation by partnering with Traditional Owners on a range of current activities and projects; developing long-term plans to increase support to Traditional Owners by implementing our *Innovate III Reconciliation Action Plan* and moving to our new *Stretch Reconciliation Action Plan* (RAP), which was endorsed in May 2025.

Traditional Owner partnership agreements

Melbourne Water is guided by Water is Life: Traditional Owner Access to Water Roadmap[20] and Victorian Government policy direction, which place a high priority on working with Traditional Owners (particularly those registered with Aboriginal Party status) in recognition of the right people for Country.

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

We are committed to formalising a partnership with WWCHAC and have started active discussion towards a formal agreement.

[20] https://www.water.vic.gov.au/our-programs/aboriginal-water-program/water-is-life-roadmap

Traditional Owner relationships

Our strategic goal of 'We will walk Country together' aims to empower to Traditional Owners to self-determine their path, instead of making decisions for or speaking on their behalf. The following sections have been developed with our Traditional Owner partners for inclusion within this report to share their stories and their relationship with Melbourne Water over 2024-25.

Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation

Summary of outcomes

Over the past year, Wurundjeri Woi-wurrung Corporation's Narrap Unit has delivered on several waterway initiatives. These initiatives align to long-standing community interests and responsibilities to Country. This work is informed by cultural knowledge, guided by community priorities, and delivered through strong leadership.

Birrarung Ranger Program

The Birrarung Ranger program focuses on empowering Wurundjeri Woi-wurrung Traditional Owners and Narrap Rangers to make informed cultural and culturally appropriate decisions regarding water and management. The program is providing a pathway for training rangers in undertaking and reporting on self-determined Wurundjeri Woi-wurrung healthy water assessments. The Birrarung Rangers operate alongside the Water Program vision to centre Wurundjeri Woi-wurrung people as leaders, decision makers and delivery agents on Country. The project supports the established Narrap Unit Ranger program to expand capacity and skillset (capability) in waterway monitoring, planning, management and decision-making.

The Birrarung Ranger team has completed a series of site visits to selected project pilot sites: Yering Billabong and Biik Wurrdha. Bird and vegetation surveys have been undertaken to understand ecological values at both locations. Working with other teams at Wurundjeri, the Birrarung Rangers are gathering information around the cultural values of selected sites on Wurundjeri Woi-wurrung Country. The team has also completed a workshop exploring different waterway assessment methodologies available to inform the development of a Wurundjeri waterway assessment methodology.

Birrarung's Billabongs – ARC Linkage project[21]

The Narrap Unit continued to work in collaboration with Melbourne Water and The University of Melbourne to assess vegetation and fauna responses to natural and managed flooding at billabongs along the lower Birrarung to inform their adaptive management.

Narrap Unit staff, alongside University of Melbourne researchers, have conducted surveys twice a year for the past six years at seven billabongs (Annulus, Banyule, Bolin Bolin, Burke Rd, Horseshoe, Montpellier and Willsmere) that are variably connected to the river. The project monitors understorey vegetation, tree condition and fauna responses to flooding.

The strength of the collaboration between project partners is highlighted by robust discussion during annual On Country knowledge sharing days, where the Narrap Unit, University of Melbourne researchers, Melbourne Water staff and other land managers (Parks Victoria and Banyule Council) share findings from the project and broader knowledge on the lower Birrarung's cultural and ecological significance.

These On Country gatherings also aim to identify further research needs, and to strengthen Narrap participation and leadership in collaborative project development and management of Country. This ongoing collaboration has led to the development of a successful ARC Linkage grant application to further investigate past management by Wurundjeri people, and to enhance future Wurundjeri-led management of Birrarung's billabongs.

Influencing environmental watering

Wurundjeri's Water Program partners with Melbourne Water's Environmental Water Team to plan environmental watering actions in the Birrarung, Werribee River and Maribrynong Rover. Wurundjeri's Water Program prioritises building knowledge at the lower Birrarung billabongs and remains committed to this work.

To protect cultural and ecological values during the 2024-25 watering year, Wurundjeri's Water Program recommended watering at Bolin Bolin in all planning scenarios - dry, average and wet. This advice builds on findings from the ARC Linkage project, regular flora and fauna surveys and maintenance undertaken by the Narrap Unit and ongoing engagement during the seasonal watering proposal process at Bolin Bolin.

In previous years the Water Program has recommended including an eel exit watering action in planning for Bolin Bolin.

In March 2025, the Water Program and Melbourne Water's Environmental Planning Team held an on-Country tour of the Upper Birrarung. The group visited the Upper Yarra Dam, Millgrove Gauging Station, Maroondah Reservoir Park, and Warrandyte. Key project discussions included:

- environmental water planning
- banking passing flows project and its role in improving environmental flow compliance at Millgrove
- the Maroondah outlet tower and aqueduct replacement project and its impacts to Watts River

The day strengthened ongoing engagement and connection between the two teams and provided an opportunity for two-way knowledge exchange. Both teams are now exploring opportunities for future catchment tours.

[21] Greet J and Narrap Rangers (2025) Caring for Birrarung's Billabongs: vegetation and fauna responses to wetting and drying 2020–25. Melbourne Waterway Research-Practice Partnership. Technical Report 25.3. The University of Melbourne and Wurundjeri Woi-Wurrung Cultural Heritage Aboriginal Corporation.

Maribyrnong FLOWS study input

Wurundjeri's Water Program was invited to participate in the Maribrynong FLOWS review process. Wurundjeri's Water Program and Melbourne Water's Environmental Water Team identified three key points of engagement in the initial project planning process:

- Narrap Ranger observations and participation in field work
- Water Program participation in the Project Advisory Group
- Elder participation and knowledge sharing opportunities.

Wurundjeri Woi-wurrung Elder Perry Wandin commenced the field component of the Maribrynong FLOWS review by welcoming everyone to Wurundjeri Country. Following this the FLOWS Expert Panel, supported by the Water Program and Narrap Rangers, surveyed reaches of the Maribrynong. Narrap Rangers were able to provide knowledge around ecological and cultural values and natural resource management work that they currently deliver in the catchment area.

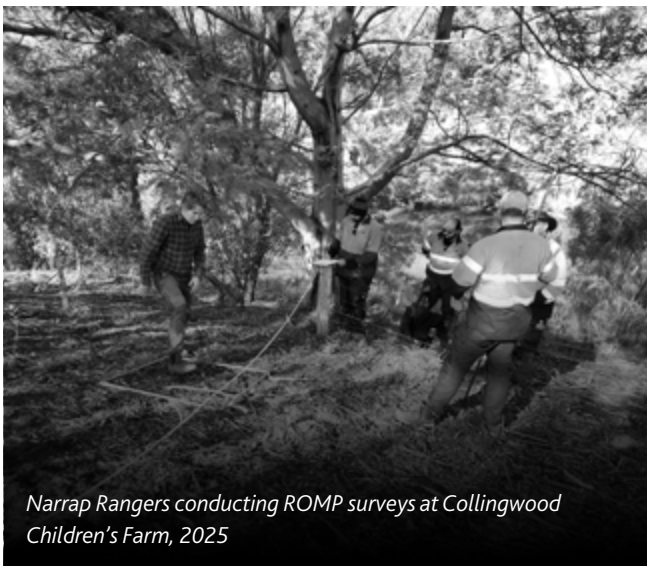
Wurundjeri's Water Program attended a series of meetings and workshops following the field visits, providing input to the Project Advisory Group meetings. Wurundjeri Water Program Elders provided verbal feedback on the environmental objectives and flow recommendations in the final stages of the project. The Water Program has asked for oversight and timelines for future FLOWS studies and FLOWS reviews undertaken on Wurundjeri Country; this will help ensure Wurundjeri can be engaged meaningfully.

Burndap Birrarung burndap umarkoo Engagement Framework

In November 2024, Wurundjeri presented the Burndap Birrarung Burndap Umarkoo Engagement Framework to Melbourne Water. This resource outlines Wurundjeri's expectations for how Melbourne Water and other Responsible Public Entities should engage with Wurundjeri on activities on Birrarung lands. The document sets out clear protocols and principles to ensure engagement is respectful, timely and aligned with community decision-making processes. It has been developed in response to a recognised need for more structured and culturally appropriate approaches to working on Country.

This year's work reflects a continued commitment to self-determined land and water management, cultural leadership, and the strengthening of governance structures. Wurundjeri remains focused on ensuring that its work is grounded in cultural authority and delivers lasting benefits for both Country and community.

Wurundjeri presenting to Melbourne Water staff, 2024.



Narrap Rangers conducting ROMP surveys at Collingwood Children's Farm, 2025

Traditional knowledge in vegetation guidelines

The Narrap team have been working with Melbourne Water and the University of Melbourne to inform and redesign vegetation restoration guidelines, commonly referred to as the Restoration Outcomes Monitoring Protocol (ROMP).

The protocol aims to assess the short-term and long-term success of revegetation projects, focussing on riparian zones. Vegetation restoration methods can include cultural burning, riparian bank restoration, seeding, and directly planting terrestrial and aquatic plants. The Narrap team assessed areas along the Birrarung where they had carried out significant weed control in preparation for revegetation, by recording species, health and height of the vegetation. These surveys were completed before revegetation and again after they had carried out revegetation works. The monitoring results will be useful in determining the impact of wider works that Narrap have been carrying out at the farm, including weed control and revegetation, watering, scorching and ongoing maintenance.

The Narrap team would like to include Bolin Bolin Billabong in future assessment sites and continue with the assessment at Collingwood Children's Farm in future years.

Revegetation and ecological restoration

Significant revegetation activities have been carried out by the Narrap Team within Lerderderg State Park. The goals for this project have been to improve, create and connect habitat for biodiversity, to heal Country and provide social and cultural benefits. The Narrap Team spent a week working on the Goodmans Creek tributaries in November 2024, followed by three weeks of work on Lerderderg River from February 2025 to April 2025. This work supports the regeneration of habitat and protection of culturally significant places.

Narrap Rangers at Lerderderg State Park, 2024

Healthy Country planning

Since July 2024, Wurundjeri have been developing a Healthy Country Plan for Yan Yean Reservoir, a site of cultural and ecological significance to Wurundjeri. The Narrap Team have been involved in looking after Country at Yan Yean for many years, and the Healthy Country Plan is heavily informed by their work. Planning has been undertaken through on-Country workshops and walks, guided by the input of leaders and knowledge-holders. Since July 2024, Wurundjeri have engaged in seven workshops. During this time they collated data, ranked threats and values, created a draft plan and established strategies for monitoring important values. The plan will detail Wurundjeri's long-term priorities and actions to ensure this Country is cared for in accordance with cultural values and community-defined outcomes. This document will become a principal strategy piece to inform Melbourne Water's activity at Yan Yean Reservoir.

Groundwater knowledge exchange

Narrap Unit's Water Program, supported by Jacobs and Melbourne Water, have been exploring how groundwater on Wurundjeri Woi-wurrung Country supports cultural values.

Through a series of workshops, an on-Country Day and the development of supporting tools, the Water Program is building understanding and confidence in groundwater management processes, and potential risks and impacts to groundwater and related cultural values on Wurundjeri Woi-wurrung Country.

Wadawurrung

Guided by Wunggurrwil Ngitj – strong together, Wadawurrung and Melbourne Water continued to strengthen their partnership with activities and outcomes aligned with their Country Plan, Paleert Tjaara Dja – Lets make Country good together.

Summary of outcomes

The past year has seen many steps and activities in *koling wada-ngal*, walking together, between Melbourne Water and Wadawurrung. Wadawurrung continue to work towards and achieve their Country plan goals in caring for Wadawurrung Dja (country) Yaluks (water) and skies, and sharing Wadawurrung culture.

'Walking on Wadawurrung Dja' together at the new Western Treatment Plant Education Centre

We began the year coming together to celebrate and launch the Western Treatment Plant Education Centre, a collaboration between Melbourne Water and Wadawurrung artist Chloe Chatterton to design the interiors of the new Education Centre.

Chloe's imagery transformed the space and was adapted from 'Walking on Wadawurrung Dja', her beautiful artwork which is part of the Wunggurrwil Ngitj – strong together, Wadawurrung and Melbourne Water partnership agreement.

Through her art, Chloe shares Wadawurrung continuing connections and culture with students. Learning about Yalkus (waterways) and Wadawurrung connections, stories and care of the cultural landscape around them through art, animation and digital story telling. Chloe's narrative is mirrored through the new Future Water Story experience, which teaches that water is valuable and is the heartbeat of all things living, and needs to be cared for, now and for generations to come.

This partnership will not only enrich the visitor experience and deepen our connection to Wadawurrung Country but will also leave a lasting legacy and provide a culturally safe space for Wadawurrung to use in future gatherings and meetings.

Karrkiyn Warbulloc (Lava Stone Plains – Wadawurrung Country)

Wadawurrung in partnership with Melbourne Water and Corangamite CMA have been leading the Karrikyn Warbolluc (Lava Stone Plains – Wadawurrung Country) project within the Port Phillip and Westernport Region to improve the condition and extent of the grassland plains by:

- reinstating cultural land management practices across Wadawurrung Inland Country to improve the condition and extent of the grassland plains
- working with both public and private land managers across the remnant grasslands, Wadawurrung's Gobata Dja (Caring for Country) and Wiyn Murrup (fire spirit) teams to deliver cultural burning, weed management and habitat restoration activities
- protecting species like the Plains wanderer (Pedionomus torquatu) and Victorian Grassland Earless Dragon (*Tympanocryptis pinguicolla*).

During recent post burn grassland monitoring at the Western Treatment Plant, the Gobata Dja team made an exciting discovery: a Fat-tailed Dunnart — a tiny marsupial recently listed as threatened. These creatures thrive in areas with plenty of bare earth — something cultural burns help create.

By restoring the land through Traditional Owner-led cultural burning, we will see big improvements in the health of our grasslands. And with ongoing monitoring, we can track this success and keep planning for an even better future for biodiversity.

Co-delivered Stretch Reconciliation Action Plan celebration at the Western Treatment Plant

In May 2025 Wadawurrung and Melbourne Water co-hosted an event to celebrate our inaugural Stretch RAP. Held at the Western Treatment Plant on Wadawurrung Country, the day featured ceremony, presentations, handover of the Wadawurrung Fire Truck and a walking cultural tour of Ryan's Swamp.

With the Wurdi Youang (You Yangs) as our backdrop, Cultural Educator and Traditional Owner Ask Skinner led us on a tour of Wadawurrung Country where we learnt about kinship systems, tool technology, geological and migration events and their links to songlines and story.

Managing Director Nerina Di Lorenzo, on behalf of Melbourne Water, was honoured to be presented with a cultural gift from the Wadawurrung Elders group to acknowledge support of their possum skin cloak project. The framed gift showcased an engraved possum skin, decorative weaving and message stick.

Our RAP is a living commitment that will shape how we walk alongside Traditional Owners and First Peoples in caring for Country and committing to self-determined reconciliation outcomes.

Mapping biodiversity with eDNA and seagrass restoration research

Wadawurrung along with Bunurong Land Council, Deakin University and Melbourne Water have been investigating biodiversity in soft sediments within the Port Phillip Bay. The project uses eDNA techniques to understand what animals are living in the sand and below.

Wadawurrung Water and Country Officers underwent training and certification in eDNA sampling. All sampling was completed at four Werribee River sites, 11 coastal sites and over 70 bay sites in Spring 2024. The four Werribee River sites were completed as part of the training program and data have been provided to Wadawurrung by EnviroDNA.

Along with building knowledge of biodiversity at sites of importance to Wadawurrung, the project provides an opportunity for Traditional Owners to lead eDNA biodiversity surveys for future projects.

In 2024 Deakin University, Melbourne Water and Wadawurrung commenced discussions and planning for Seagrass restoration research and projects on Wadawurrung Country. The proposed research will increase understanding of seagrass seed/propagule collection, propagation and planting methods and provide opportunities for Wadawurrung to build capacity in these methods to benefit future restoration projects.

Sharing and building whole-of-system water knowledge through research with Traditional Owners can better address the cultural, social and environmental needs related to water and is a key priority under Wunggurrwil Ngitj – strong together, Wadawurrung and Melbourne Water's partnership agreement.

Gunaikurnai Land and Waters Aboriginal Corporation

Melbourne Water and GLaWAC have progressed several activities over 2024-25. Key successes for the year relate to future planning. These include identifying funding support for partnership, considering review of partnership commitments, booking cultural awareness training, arranging site visits and tours and continuing research work on eel in the Thomson River.

Regular meetings and discussions for 2025-26 and 2026 Price Submission

During 2024-25 GLaWAC and Melbourne Water met several times to discuss progressing the partnership. It was evident that without funding support, GLaWAC cannot resource the time required to made real progress. In May and June 2025 discussions took place about resources required for partnership work. Details were shared regarding the next pricing period and how the funding could be structured to allow progression of partnership priorities.

Review of partnership commitments

GLaWAC and Melbourne Water have agreed to review partnership commitments in 2025. This will allow both parties to establish some focus projects for the period covered by the 2026 Price Submission. This was discussed as being a plan for the five years of pricing, to allow for larger and smaller outcomes to be scheduled appropriately.

Arranging site visits and cultural awareness training

Though there were no activities relating to on Country visits in 2024-25, we have planned together to do both Country tour and water supply tours in 2025-26, and a cultural awareness training session in November 2025. There have been active engagement and planning around this that will be delivered on over the next six months.

Continued interest in research and freshwater ecology

Previous research work has continued, with GLaWAC doing eel research and preparing for freshwater investigations. This is supported by West Gippsland CMA and Melbourne Water's environmental water team. GLaWAC have also completed eDNA sampling training and will utilise this skill in contracted survey work.

Bunurong Land Council outcomes for 2024-25

Key successes for the year include delivering contracted works for threatened species protection, delivering cultural awareness sessions, engaging with Landcare groups and providing input toward funding models for self-determination

Engaging with cost models and pricing

Bunurong have been leading the way with an innovative fund model approaching The Accord Managing Directors during 2024-25 to seek joint support. This will allow Bunurong Land Council to be a fund manager for land and waters, allowing for self-determined funding and projects. Melbourne Water have met and discussed the 2026 Price Submisison, what participation and engagement demands will be likely through the price period and what opportunities there may be for Bunurong. Discussion has been ongoing and will continue into 2025-26 around the Traditional Owner Capacity and Resources Program.

Bunurong Strong Country team provide land management expertise

Bunurong Land Council's Strong Country Team have been contracted through Melbourne Water's incentive grants to deliver significant vegetation tasks for threatened species protection at Devilbend Reservoir. The team have also been active in land management across the Western Port cultural landscape having grown their capability.

They are taking on more task each quarter and have signed management agreements for crown land parcels, with the Beaconsfield Reservoir site one of the main contracts. The team have also been involved in some major capital projects and have met with senior leaders on Country. The Cardinia Reservoir works are a project if great interest.

During 2024-25, Water Officers were also involved in regular discussions around waterway planning and the Living Links collaboration.

Environmental Water

Bunurong continue to be leaders in the region in their interactions with Melbourne Water's environmental water team. Every six weeks, the water officer meets with staff to discuss flows, seasonal watering plans and other significant projects. The Werribee River flow has been a major topic of discussion lately, also involving Wurundjeri and Wadawurrung. In November 2024, Bunurung staff also begun to explain more about their plans for Bunurong Waterways assessments, which will continue in 2025-26.

Cultural Awareness

Melbourne Water continued booking for cultural awareness training for 2025-26, after completing four sessions in 2024-25.

Water entitlements

Melbourne Water has worked with the Traditional Owners in the Port Phillip and Westernport Region to collaborate on Seasonal Watering Proposals and to ensure, as far as practicable, that opportunities for shared benefits are considered within the context of environmental water planning.

The environmental flows study update for the Maribyrnong catchment has involved detailed engagement with WWCHAC, the Narrap Rangers and Wurundjeri Water Unit meeting with technical specialists on Country to facilitate a two-way knowledge exchange and identify opportunities for Traditional Ecological Knowledge to be utilised in the setting of objectives and environmental flow recommendations. Environmental Water Program staff have also presented directly to the Wurundjeri Water sub-committee on project objectives and outcomes to provide an opportunity for shared understanding and collaboration.

Traditional Owner engagement on opportunities to access water entitlements or allocation within their Country has been led by DEECA through the Traditional Owner Partnership, developed for the CGRSWS.

The Victorian Government is delivering on its commitment to return water in the Birrarung (Yarra River) to Wurundjeri Woi-wurrung Traditional Owners to support their cultural values and ongoing connections to land, water and resources. The Victorian Government has worked in partnership with WWCHAC to submit an application to Melbourne Water to transfer the former Amcor 1405 megalitres licence, currently held by DEECA, to WWCHAC. This application was approved and the licence was handed over formally in October 2024.

Consistent with *Water is Life: Traditional Owner Access to Water Roadmap*[23] and water justice principles, the Victorian Government supports Traditional Owners to self-determine the use of water that is returned to them, within the existing water entitlement framework. This water return will support water justice for Wurundjeri Woi wurrung in line with actions in *Water is Life: Traditional Owner Access to Water Roadmap*, Burndap Birrarung burndap umarkoo (the Yarra Strategic Plan) and the CGRSWS.

Reconciliation Action Plan

During 2024-25, Melbourne Water continued to implement the *Innovate III Reconciliation Action Plan* with a focus on embedding key pillars of our journey. Through our Walking Country Together Leaders Forum we are focussed on respectful relationships and embedding protocols and procedures to ensure a culturally safe workplace, continuous growth in our cultural learning, support for self-determination and Traditional Owner aspirations, and opportunities to support Aboriginal business prosperity.

We have now completed our *Stretch Reconciliation Action Plan* (RAP), which involves embedding our reconciliation commitments for cultural safety, employment and procurement as business-as-usual activity. Guided by the *Stretch Reconciliation Action Plan*, we have also started to formally collaborate with key First Peoples community organisations, such as The Torch, Western Bulldogs, Dardi Munwurro and the Fitzroy Stars. The endorsement of the RAP was celebrated with key external partners and staff at the Western Treatment Plant on Wadawurrung Country in late May 2025.

National Reconciliation Week 2025

Highlights of National Reconciliation Week 2025 included:

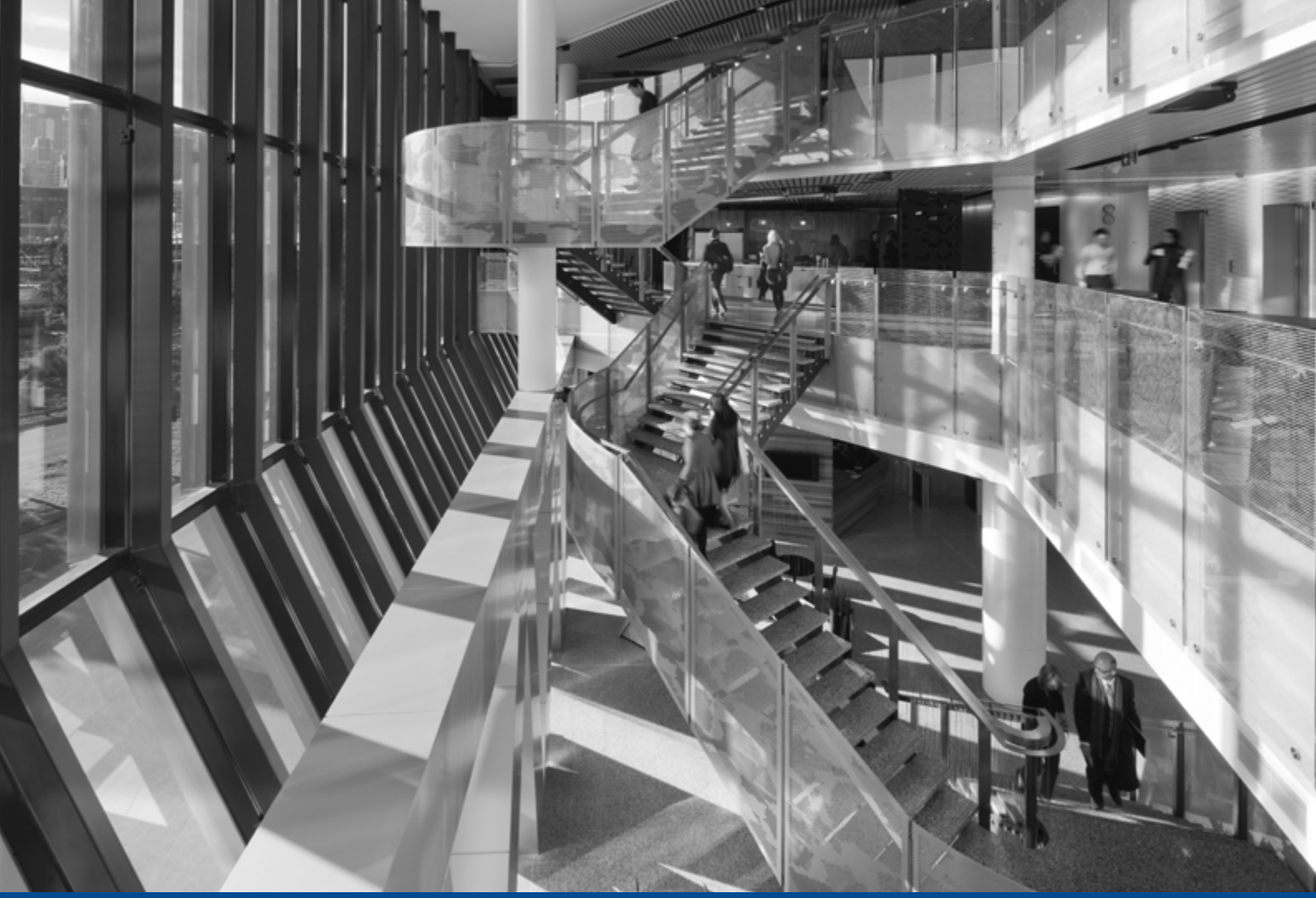
- over 150 Melbourne Water staff attending a community barbecue, hosted by Dardi Munwurro at Aunty Alma Thorpe's Gathering Place in Preston on Wurundjeri Country to launch National Reconciliation Week
- the launch of our First Peoples Engagement Guidelines at our Docklands office
- a RAP Lunch and Learn event at our Docklands office
- a Family & Allies Day event with Willum Warrain Aboriginal Association at its Gathering Place in Hastings on Bunurong Country
- The Torch 'Confined 16' exhibition in Caufield on Bunurong Country.

Yoorrook Justice Commission

The Yoorrook Justice Commission was established as a Royal Commission to lead the inquiry into the impact of colonisation on First Peoples in Victoria and is the first of its kind in Australia.

Although Melbourne Water was not required to appear at the Commission, we actively supported the important work of the Commission through provision of requested documentation and ensured our staff were informed on the role of the Commission and likely areas of relevance to Melbourne Water. We also provided updates and wellbeing support to our Aboriginal staff given the topics and issues raised at the Commission.

[23] https://www.water.vic.gov.au/our-programs/aboriginal-water-program/water-is-life-roadmap



Our business

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

Leadership, diversity and inclusion

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

Our approach

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

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

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

Our workforce in numbers

In 2024-25, Melbourne Water:

- employed 1,399.34 full-time equivalent (FTE) people compared to 1,324.34 FTE in 2023-24
- had females comprise 41.5 per cent of our workforce, compared to 40.9 per cent in 2023-24
- had 57.5 per cent of employees covered by the Enterprise Agreement
- filled 24.0 per cent of our vacant roles with internal candidates, consistent with our focus on career development

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

Culture and engagement

Throughout 2024-25, our focus has been on continuing to embed our new values into every facet of our work across the organisation (see Figure 15). This will continue in the coming year.

Our established culture change project team provides dedicated change management support and is progressing a multi-horizon project plan, continuing to shift our culture and build capability to move us towards our future-fit ambitions.

Our culture

Our culture is underpinned by the values and behaviours that help us work together to deliver on our strategy today, tomorrow and for generations to come.

Figure 15: Melbourne Water values and behaviours

Melbourne Water

Our culture

Our culture is underpinned by the values and behaviours that help us work together, to deliver on our strategy today, tomorrow and for generations to come.

	Make it count	Dive in	Do what's right
Our **Values** are our guiding principles	**We plot a course for the future, focused on outcomes, and prioritise fiercely, to deliver the things that really matter**	**We choose curiosity over comfort, lean into tough conversations, prioritise safety, and celebrate diverse perspectives**	**As caretakers of public resources, we care deeply about our community, customers and each other, taking personal responsibility for the performance and future of our business**
Our **Behaviours** shape our actions and decisions	We're action-oriented, with one eye on the future at all times We take a considered approach to managing risks while achieving outcomes	We boldly embrace actions that fuel performance, drive safety, encourage learning, and inspire impactful customer outcomes We accept and learn from failure, without criticising each other	We own our actions and decisions, and always do what we say We respect and support each other to grow and work in ways that bring out our best
That's why, at **Melbourne Water, we:**	Ask powerful questions to find the real problems to solve Make timely and effective decisions Pursue progress over perfection	Share innovative ideas and challenge old thinking Call out when we see something that's not safe, and fix it quickly Are willing and ready to give and receive constructive feedback	Always act ethically and responsibly, in service of our customers Assign clear expectations and accountability Embrace and celebrate diversity of thought and opinions

EVERY. DROP. COUNTS.

Flexible Structured Hybrid

In February 2025, Melbourne Water introduced Structured Hybrid as our new way of working. Structured Hybrid asked our employees to return to the office 50 per cent of the time, while ensuring that employees with diverse experiences, such as those with caring responsibilities and individuals living with disability, continued to be able to apply for both formal and informal flexible working arrangements. This initiative has resulted in a significant improvement in workplace relationships, increased collaboration, productivity and effectiveness, and a better connection to our values and culture.

Enhancing employee experience

In 2024-25, Melbourne Water delivered on our commitment to enhance employee experience through the launch of the following initiatives:

- Aqualades: These are our new employee reward and recognition program, providing a structured way of celebrating small and big performance through a three-tiered system of high five, round of applause or standing ovation.
- Welcome days: These are a half-day in person session, run quarterly for our new starters to induct them into the broader organisation, make new networks and meet senior leaders.
- Bus site tours: Employees are invited to participate in bus tours of our sites, which supports them in furthering their connection to our role in water for today and for future generations.

Employee engagement survey

Melbourne Water conducted its employee engagement survey in July 2024 and continued to provide more opportunities to listen to employees through our Pulse Surveys in November 2024 and March 2025. This agile approach enables us to focus on specific themes and receive feedback more often, ensuring we can respond to the changing needs of our employees and any environmental factors.

Melbourne Water returned an engagement score of 62 per cent in our 2024 July Annual Survey, up 5 per cent from 2023. Highlights included the following:

- 91 per cent of employees feel trusted to get their work done effectively, no matter where they are working from
- 89 per cent of employees stated they know how their work contributes to the goals of Melbourne Water
- 88 per cent of employees advised that the person they report to genuinely supports them to use flexible working arrangements
- 86 per cent believe the organisation supports a diverse and inclusive workforce.

The next comprehensive annual survey will take place in July 2025.

Capability uplift

Melbourne Water is committed to providing employees and leaders with a learning offering that is clear, well communicated and accessible. During 2024-25, we ensured development of our workforce and leaders through initiatives, including:

- the introduction of a Learner Framework, which provided an overview of the different categories of learning and development at Melbourne Water
- a Leadership Framework, which developed and delivered clearly defined categories (leading self, others and organisation) and the capabilities expected of our leaders
- People Leader Forums, which provided opportunities to upskill on leadership topics relevant to business needs
- Core Capabilities and Mindsets, which delivered several programs as part of our Core Capabilities suite, including our Future Focus Program (improving capabilities to be future-ready influencers), Customer Focus Programs (uplifting the customer experience to support our strategy) and Mindsets workshops (delivered in the flow of work).

Succession planning and development

Melbourne Water continued the practice of conducting Portfolio People Days with Executive and Senior Leadership to identify critical roles and develop succession plans, inclusive of the learning and development needs of key people that will continue into 2026.

Diversity and inclusion

Melbourne Water is dedicated to fostering a truly inclusive workplace culture where all employees know and feel they belong and which respects and values diversity in backgrounds, perspectives, skill sets and contributions. Melbourne Water's *Diversity & Inclusion Strategy (2020-2025)*[24] acts as an overarching framework for our individual action plans, which provide specific, measurable objectives to ensure progress and accountability.

Our Belonging Framework was implemented in 2024 and continues to serve as our diversity and inclusion operating model. This intersectional framework has successfully placed belonging at the forefront, engaged allies, fostered community and connection for individuals with lived experience, and delivered collaborative, efficient work across the business.

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

Melbourne Water's Interim Accessibility Action Plan and LGBTIQA+ Inclusion Plan were developed to align with the conclusion of our current *Diversity & Inclusion Strategy (2020-2025)*. This prepares us for the development of our longer-term accessibility and LGBTIQA+ actions within our future Belonging Workplan (2026-30), which supports Melbourne Water's compliance with the *Disability Act 2006* (Vic).

Under our Interim Accessibility Action Plan and the *Disability Discrimination Act 2006* (Vic), Melbourne Water also implemented the following in 2025-26:

- a new Workplace Adjustments Policy and Procedure
- partnership with Hidden Disabilities Sunflower
- commenced uplift of digital accessibility.

Diversity and inclusion snapshot

- Women now represent 41.5 per cent of Melbourne Water's workforce, an increase of 2.6 per cent over the previous five years.
- Female representation has increased 0.6 per cent since 2024 (up from 40.9 per cent in 2024).
- Females now represent 42.2 per cent of our Senior Leadership Group roles.
- The current gender pay gap is a 0.35 per cent variance between the base salary of women and men at Melbourne Water.
- We have 15 team members who identify as Aboriginal and Torres Strait Islander and make up 1.0 per cent of our workforce (down 0.1 per cent from 2023-24). We have a target to increase this to 3.5 per cent by 2027.
- This year, 279 employees undertook a cross-cultural training course.
- Five of the seven executive officers identify as women.

Cultural awareness training

Embedding an ongoing cultural education and training plan to develop Melbourne Water employees' knowledge and awareness of Aboriginal and Torres Strait Islander peoples and culture is key to supporting and achieving reconciliation. In 2024-25, we continued to embed our three-tiered Cultural Awareness Training plan, including online cultural competency and awareness training for employees, training by third-party providers (not Traditional Owners) and training by Traditional Owners delivered on Country.

Table 9: Participation in cultural education and training in 2024-25

Training	Count
Cultural Awareness Training - Level 2 - Mirriyu	28
Cultural Awareness Training - Level 3 - Half Day	1
Cultural Awareness Training - Level 3 - Wadawurrung Traditional Owners Aboriginal Corporation	5
Cultural Awareness Training - Level 3 - Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation	14
First Nations Cultural Awareness - eLearn	231
Total	279

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

Gender Equality Action Plan

Melbourne Water's Gender Equality Action Plan 2022-2025 (GEAP)[25] outlines our strategies and measures to promote gender equity within the organisation and the progress made on these initiatives. The GEAP also provides insights into completed actions, ongoing efforts and future plans. Key focus areas include improving gender diversity, fostering an inclusive culture and ensuring equal opportunities for all employees.

Throughout 2024-25, Melbourne Water continued to progress completion of 110 actions and measures, with 62 per cent completed and ongoing and a further 38 per cent significantly progressed as at May 2025.

Some of the key strategies and measures progressed in 2024-25 are outlined below:

- Collaboration with other water corporations to create the Equity Impact Assessment Tool and other resources for desktop research to support an increase in completed Gender Impact Assessments. This approach ensures an intersectional approach is taken within Gender Impact Assessments and has been broadened to include assessment against our six focus areas.
- We integrated Intersectional Engagement activities and forums in events for National Reconciliation Week and NAIDOC Week, IDAHOBIT, National Aboriginal and Torres Strait Islander Children's Day, Wear it Purple, Social Disadvantage Awareness Day, Invisible Disabilities Awareness Week (which also included the launch of our partnership with Hidden Disabilities Sunflower), Diwali lunch, the launch of an Early Careers Network, Family and Domestic Violence Awareness Training, LGBTIQA+ Gathering, International Women's Day, Harmony Week lunch, Neurodiversity Celebration Week, the launch of a Carers Connect Group, and a Personal Financial Wellbeing webinar. Events included speakers who shared their intersectional experiences.
- We monitored parental leave rates, including data on uptake of and return from parental leave. Our data reports a significant improvement towards a more gender-balanced uptake and return from parental leave across the organisation. We reported that males represented the majority of staff who accessed paid Parental Leave within the 2024-25 progress reporting period (58.6 per cent). This is an increase of 18.6 per cent from our 2020-21 baseline audit, which reported a 60 per cent female majority, illustrating a shift in caring responsibilities between men and women post the COVID-19 pandemic.
- We implemented a new Workplace Adjustments Policy and Procedure, broadened to include life stages such as menopause, perimenopause and menstrual conditions. In particular, this included caring responsibilities and pre- and post-surgery clauses to ensure that employees have equity in flexibility and the ways they work.

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

Cultural and linguistic diversity

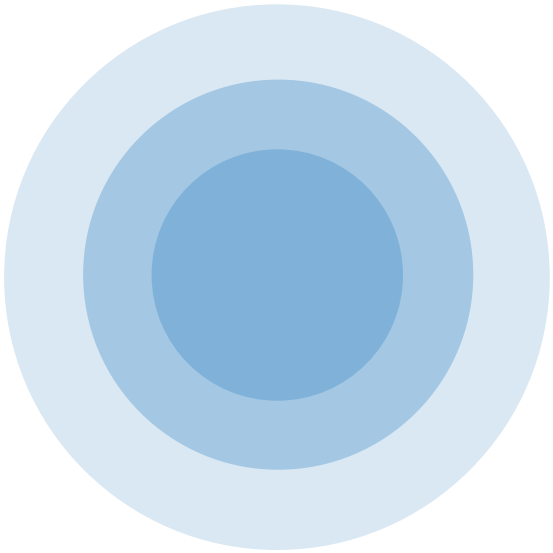
Through the continuation of our Belonging Framework, Melbourne Water operates a CALD Working Group. Comprised of allies and people with lived experience, the Working Group has focused on accelerating progress of our CALD Action Plan and supported the operations of our Connect Group, providing community and connection.

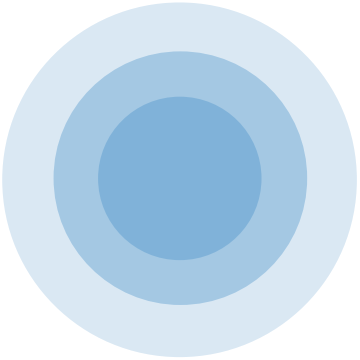
Throughout 2024-25, the Working Group delivered the following:

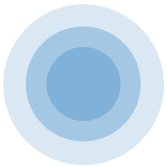
- created internal social media posts recognising all days of significance across cultures and religions without an aligned event
- launched the Melbourne Water Harmony Week lunch, attended by over 120 employees
- created a map showing the rich tapestry of our employee diversity
- celebrated Eid and Diwali with a shared lunch.

Progress is also marked by the addition of a Public Holiday Substitution clause in the Melbourne Water employee Leave Policy, providing employees with the opportunity to substitute any public holiday to one of significance for them. This clause has been added in recognition that for our diverse employee community, current Public Holidays do not align with all days of cultural and religious significance.

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







Safety, health and wellbeing

Keeping our people and the community safe.

Our approach

At Melbourne Water, the safety and wellbeing of everyone interacting with our operations—our employees, contractors, delivery partners, volunteers, and visitors—remains our priority. To reinforce this commitment, we've implemented a robust new Health, Safety and Environment (HSE) Framework and launched our Good to Go Mindset. These initiatives are designed to enhance how we manage risks, safeguard our people and the environment, and establish a long-term, systemic approach to safety. To ensure we are on track, the Framework also sets clear short-term and five-year objectives.

Our HSE Framework is built upon three core pillars: People, Risk, and Systems. These pillars are further strengthened by our corporate values and the Good to Go Mindset. We began implementing this new Framework by focusing on several key foundational elements:

- establishing a new HSE Risk Framework with a specific focus on Critical Risks.
- reimagining HSE conversations to foster stronger engagement in health, safety, and environmental practices.
- strengthening governance through the development of a comprehensive HSE Assurance program.
- enhancing performance monitoring by introducing new KPIs, including leading and lagging indicators.
- implementing data-driven initiatives to effectively address key areas of risk.

Health and safety initiatives and highlights

Complementing the renewed focus of our new HSE Framework, we delivered several key initiatives this year to further enhance the safety and wellbeing of our people:

- **Enhanced Access to Data:** Beyond our new KPIs, we created a series of new PowerBI Dashboards. These dashboards provide our leaders with the crucial information they need to make more informed HSE decisions.
- **Flu Vaccination Program:** To support the overall wellness of our workforce, we rolled out a comprehensive flu vaccination program. This included convenient onsite vaccinations and redeemable vouchers for offsite options.
- **Skin Checks:** Recognising that certain roles involve significant sun exposure, we offered a risk-based skin check program to support the health of those employees.
- **WorkSafe Finalist:** Our exceptional, Move Well, return-to-work program received recognition in 2024 as a finalist in the 2024 WorkSafe awards.
- **Employee Assistance Program (EAP) Seminars:** To increase awareness of the valuable resources available through our Employee Assistance Program, we conducted a series of informative seminars.
- **Safety Forums:** We fostered a collaborative safety environment by hosting regular safety forums throughout the year, bringing together Melbourne Water and our contractors.

Mental health and wellbeing

Over the past year, Melbourne Water has developed and commenced implementation of its Psychosocial Hazard Action Plan. This plan is designed to prepare the organisation for the upcoming amendments to Victoria's OHS legislation, with a strong focus on identifying, managing, and controlling psychosocial hazards in the workplace. It outlines key actions to support leadership commitment, employee consultation, and the development of effective systems to manage psychosocial risks. By taking a systematic approach, the Plan aims to enhance safety, wellbeing, and overall organisational performance.

Since its implementation, the Melbourne Water Psychosocial Working Group has been established, comprising representation from across the business. The group meets monthly to review progress, provide feedback on actions, and clarify roles and responsibilities to ensure the sustainable and ongoing management of psychosocial risks.

To support understanding of the legislative changes and their implications, specialist legal advice was delivered in the form of Psychosocial Risk Awareness training for the Executive Leadership Group, Senior Leadership Group, and Board. The training helped reinforce leaders' obligations as Officers under the legislation. Additional in-house training was also provided to People Leaders, Contact Officers, and advisors from PeopleHub and Workforce Relations.

Our performance

Melbourne Water maintained the certification of our Integrated Management System to accredited ISO9001, ISO45001, ISO14001 and ISO22000, confirming our systems' integrity and resilience.

Our total recordable injury frequency rate (TRIFR) (recorded incidents per million hours worked) decreased from 7.6 (in June 2024) to 7.2 (in June 2025). Throughout the year, our TRIFR events (recorded incidents per month) fluctuated with a peak in September 2024 of 8.1. However, since then, the trend has steadily improved with a reduction of 12.5 per cent. This reduction reflects a strong commitment to safety by our internal employees and our contracting partners, coincided with the launch of our Good to Go Mindset and was supported by a focus on the following areas:

- assurance
- learning from events through higher quality and timely investigation root cause analysis
- deep dive analysis into our most common injury types
- safety leadership through the training of our people leaders.

While a single injury occurring at work is too many, there were no severe rated injuries. Most injuries sustained were muscular skeletal in nature and occurred in our Natural Resource Management departments. As a result, a review into our approach to fitness for work and manual handling method is underway.

A further breakdown of our injury and incident data can be found in our expanded safety results in Figure 16 and Tables 10 and Table 11.

Figure 16: Total recordable injury frequency rate

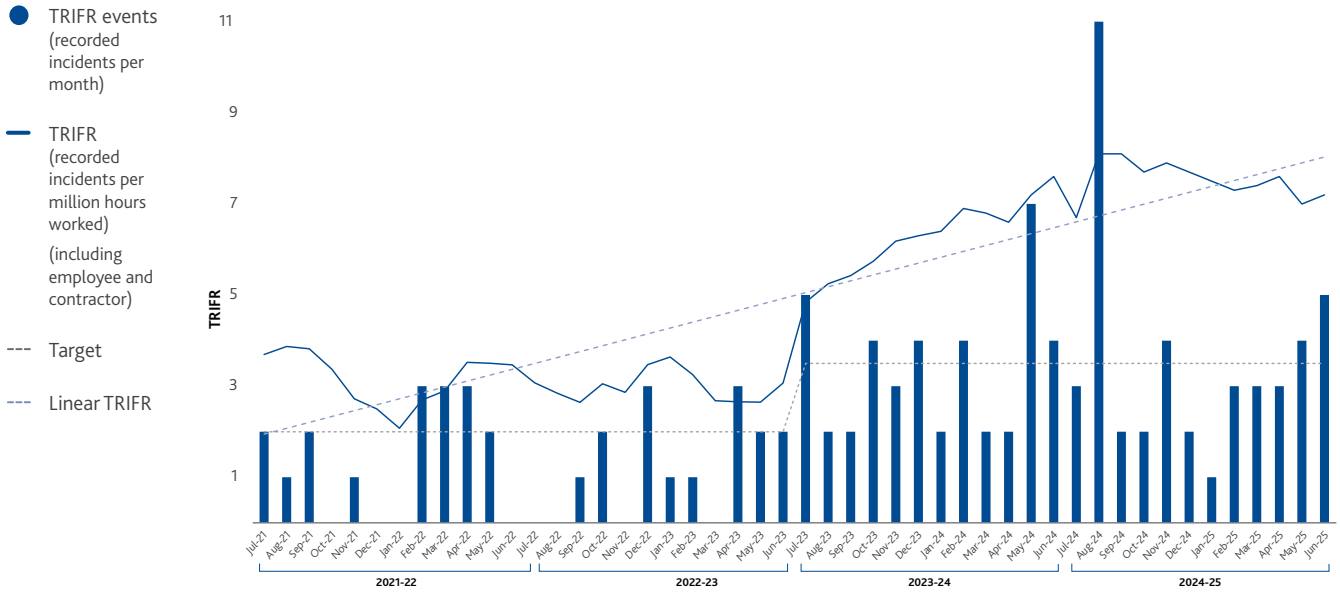


Table 10: Number of reported safety incidents and lost time standard claims per 100 full-time equivalent staff

		Hazards		Incidents		Total (hazards + incidents)		Lost time standard claims		
Year	FTE	No.	No./100 FTE	No.	No./100 FTE	No.	No./100 FTE	No.	No./100 FTE	Average cost per claim[1]
2024-25	**1,399**	**133**	**9.51**	**542**	**38.7**	**675**	**48.2**	**3**	**0.2**	**$148,588.29**
2023-24	1,324	203	15.33	525	39.65	728	54.98	1	0.08	$138,364
2022-23	1,204	207	18.10	398	34.80	605	52.84	4	0.30	$118,666

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

Table11: Types of injury

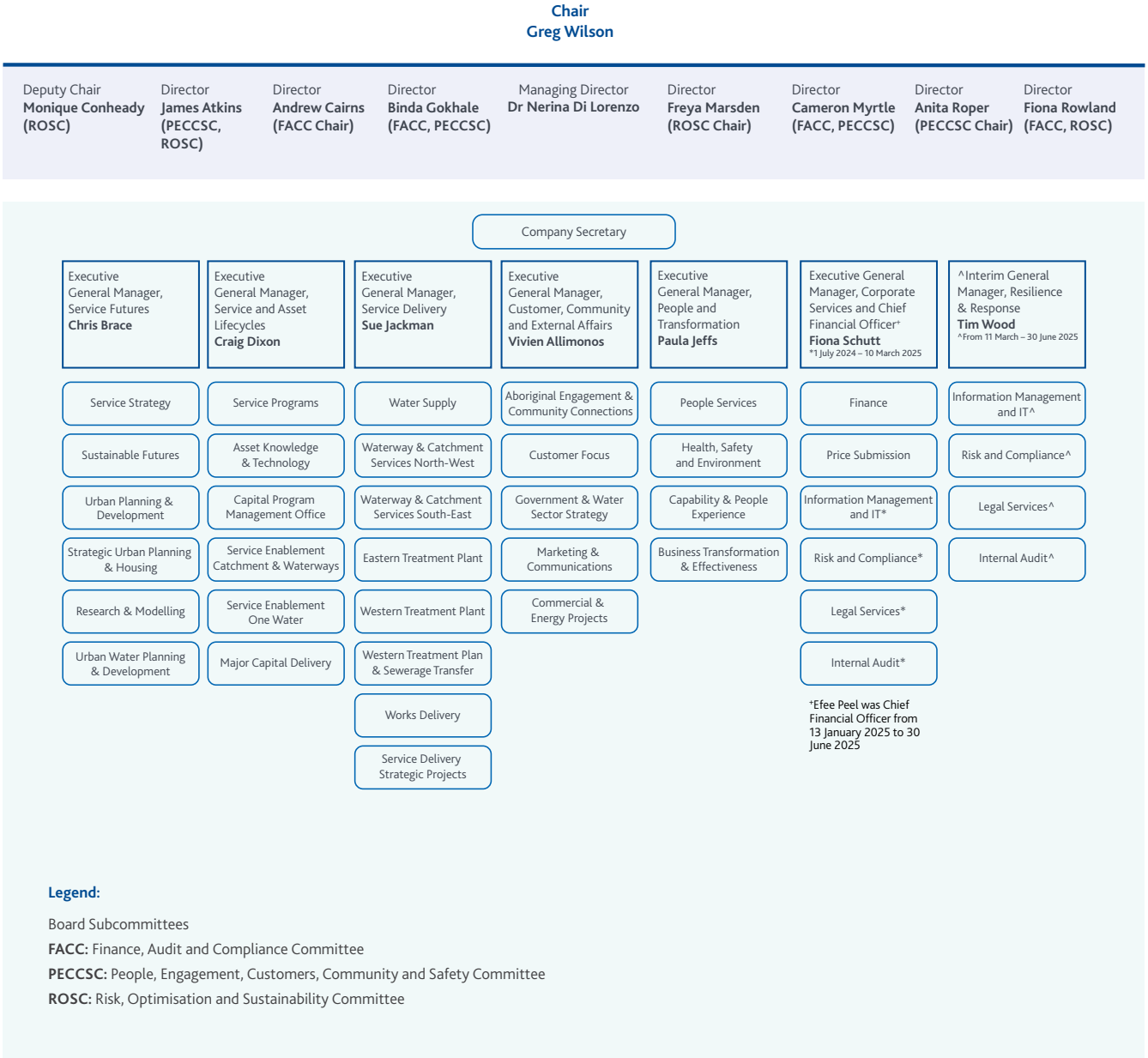
Item	2024-25	2023-24	2022-23
Lost time injury (LTI)	**13**	21	5
Restricted work injury (RWI) / Medical treatment injury (MTI)	**30**	22	8
First aid	**105**	135	77
Total	**148**	178	90

Corporate governance

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

Organisational structure

Figure 17: Melbourne Water organisational chart



Legend:

Board Subcommittees

FACC: Finance, Audit and Compliance Committee

PECCSC: People, Engagement, Customers, Community and Safety Committee

ROSC: Risk, Optimisation and Sustainability Committee

Ethics and conduct

The Code of Conduct[26] is approved by the Board and sets out the behaviours and standards expected of all Melbourne Water workplace participants. The Board has adopted the Victorian Public Sector Commission *Code of Conduct for Directors of Victorian Public Entities,* with both Codes of Conduct applying to Directors.

In addition to these codes of conduct, there are a range of policies approved by the Board which further define Melbourne Water's commitment to integrity, including the Fraud and Corruption Control Policy, Gifts, Benefits and Hospitality Policy and Conflicts of interest Policy.

The FACC oversees compliance matters, including integrity, and material incidents of fraud or corruption are reported to Board by the Managing Director. Where there is a reasonable suspicion of corruption, the Managing Director is required to provide a mandatory notification to the Independent Broad-based Anti-Corruption Commission (IBAC).

Statement of Corporate Governance

The Board and Executive recognise that strong corporate governance is essential for Melbourne Water to be a high-performing organisation to meet the needs of its stakeholders, the people of Victoria. The Board provides this Statement of Corporate Governance in alignment with the *ASX Corporate Governance Council Principles and Recommendations (4th Edition 2019)*.

In accordance with the *Water Act 1989* (Vic), the Board consists of a Chairperson, up to eight other independent Non-Executive Directors and a Managing Director.

The Minister for Water publicly advertises for nominations for Board membership. All members of the Board, except the Managing Director, are appointed for terms of up to four years, which may be renewed upon application through the public process. The Chair and Non-Executive Director remuneration is set by the Minister for Water and paid by Melbourne Water. The Managing Director is appointed by the Board and employed under an individual contract of employment. The Deputy Chairperson is appointed by the Board.

The Board acknowledges the importance of regular reviews of its own performance and effectiveness to achieve continuous improvement and evaluates its performance on an annual basis. In 2024, the Board undertook an internally facilitated assessment and evaluation of its performance, and each Committee undertook a self-assessment of performance, the results of which were reported to the Board. The Managing Director Performance Assessment was considered by the Board, along with the proposed Performance Agreement for the 2024-25 period, in August 2024.

Ongoing professional development is supported by contribution to the cost of development or whole of Board training for Directors, along with an induction program for new Directors, in accordance with the Board Governance Policy.

The Board is supported by a Corporate Secretariat team, led by the Company Secretary.

The board derives its authority to act from the *Water Act 1989* (Vic.), the *Catchment and Land Protection Act 1994* (Vic.) for its functions relating to its role as a catchment management authority, and the *Planning and Environment Act 1987* (Vic.) for its functions relating to its role as a Referral Authority.

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

Board of Directors

Melbourne Water's Board Charter sets out the authority, responsibilities, membership and ethical standards of the Board and expectations of individual Directors.

Melbourne Water Board appointments are made in accordance with the Victorian Government *Appointment* and *Remuneration Guidelines* and *Diversity on Victorian Government Boards Guideline*. The Board actively promotes diversity and inclusion across Melbourne Water with areas of focus including; First Peoples, Disability, LGBTIQA+, CALD, Gender equality and Social Disadvantage. The Belonging Framework demonstrates Melbourne Water's commitment to diversity and inclusion, supported by the GEAP. Melbourne Water's Board exceeds the Victorian Government's commitment to women on boards of having at least 50 per cent of positions filled by women.

The Board is responsible for the corporate governance of Melbourne Water, including:

- setting the strategic direction
- approving of corporate plans together with key performance indicators linked to objectives
- monitoring the achievement of the strategic direction and performance against objectives and risks
- approving annual financial statements and report of operations
- reviewing internal control systems, corporate governance frameworks, and compliance frameworks
- monitoring safety, health and environmental standards and management systems.

The Board has delegated responsibility to the Managing Director for the day-to-day operations of the Corporation through the Delegations and Authorisations Policy and is provided regular updates on the progress towards the achievement of the Corporation's strategic objectives and performance. The Board operates according to its Board Charter and Board Governance Policy.

Director independence

All Non-Executive Directors on the Board are independent. They are subject to duties and responsibilities regarding conflicts of interest, including disclosure requirements. The Company Secretary maintains a Register of Interests, with an extract provided to all Directors at each Board meeting. Directors are invited to declare any conflicts of interest at the start of each Board and Committee meeting.

Interest in contracts

No contracts involving directors' interests were entered into since the end of the previous financial year or existed at the end of the 2024-25 financial year, other than the transactions detailed in Notes 7.2 and 7.4 to the Financial Statements.

Director benefits

No director has received, or become entitled to receive, a benefit (other than a benefit included in Notes 7.2 and 7.4 in the Financial Statements) because of a contract that the director, a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made (during the period ended 30 June 2025 or at any other time) with:

(a) the Corporation

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

Indemnity and insurance

Subject to approval of the Minister for Water, Directors are indemnified for costs and expenses in defending criminal or civil proceedings, provided that: the liabilities relate to Directorship with Melbourne Water; the proceedings are not brought by Melbourne Water; or judgment is given in favour of the Director; or the Director is acquitted; or proceedings are withdrawn before judgment; or relief is otherwise granted to the Director pursuant to s.116 of the *Water Act 1989* (Vic).

Deeds are entered into between each Director and the Corporation recording arrangements on indemnification, insurance and access to Company documents.

Melbourne Water maintains insurance coverage for Directors' and Officers' Liability, and the cover underpins the above indemnity granted to Directors. These insurance arrangements do not cover:

- willful breach, deliberately dishonest or fraudulent wrongful act
- the gaining of profit or advantage to which was not legally entitled
- fines and penalties uninsurable by law.

Disclosure of policy terms and the total amount of the premiums paid under this insurance policy is not permitted under the confidentiality provisions of the insurance contract.

Risk management

The Risk Management Policy adopts the three lines of defence model, and the Risk Management Framework supports risks being identified, assessed and managed effectively consistent with International Standard 31000:2018, the Victorian Government Risk Management Framework and within Risk Appetite. The Policy, Framework and Risk Appetite Statements are reviewed annually and were approved by the Board in December 2024, with the support of the ROSC.

Melbourne Water's Risk Management function provides second line (of defence) assurance on the management of risk and effectiveness of controls.

Internal Audit

Melbourne Water's Internal Audit function is appointed by the Board and overseen by the FACC, providing third line (of defence) assurance on the management of risk and effectiveness of controls. Internal Audit is governed by the Internal Audit Charter approved in March 2025, and works to a Strategic Annual Audit Plan that is approved FACC.

Disclosure

Melbourne Water operates with a commitment to disclosure and ensures the Ministers and Treasurer are kept up to date with its activities. Melbourne Water is required to submit quarterly progress reports.

Pursuant to its Statement of Obligations, Melbourne Water is required to make periodic reports to the ESC.

In relation to corporate reporting that is not audited, the organisation makes additional information available at the request of the Shareholder Minister (Treasurer) or Portfolio Minister (Minister for Water).

Melbourne Water is accountable to its Portfolio Minister and its Shareholder Minister for its performance. Disclosure of performance, expenditure and any significant issues is made to relevant ministers in a timely and balanced manner. This is executed through the provisions of a corporate plan, the Annual Report and regular reporting. This is in addition to responding to requests from Portfolio or Shareholder Departments and/or the offices of the Portfolio Minister or Shareholder Minister on a regular basis.

Significant disclosures are made or approved by the Board.

Board of Directors

Greg Wilson MAICD
Chair

Chair: 1 October 2023 to present

Greg Wilson is Chair of Melbourne Water.

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

Mr Wilson is currently Chair of the Transport Accident Commission (TAC) and a member of the Victorian Independent Remuneration Tribunal. Previously, he has held Non-Executive roles as Chair of the SES, CFA, Victorian ESC (formerly Office of the Regulator-General) and executive roles with the Department of Premier and Cabinet, Department of Justice and Regulation, Department of Sustainability and Environment, Essential Services Commission, Department of Treasury and Finance, Melbourne Water and City West Water.

Mr Wilson holds qualifications in commerce, political science and economics and brings a strong background in governance, public policy and financial management.

Dr Nerina Di Lorenzo GAICD
Managing Director

Managing Director: 1 December 2021 to present

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

As Managing Director, Dr Di Lorenzo leads Melbourne Water's vision of Enhancing Life and Liveability through the provision of water supply, sewerage, drainage, waterway health and catchment management services. Dr Di Lorenzo is a Non-Executive Director of the Water Services Association of Australia (WSAA) and Chairs the People and Capability Committee. She also Chairs the national Water Sector Circular Task Force. Dr Di Lorenzo has held diverse executive roles in local government including CEO of Merri-bek (Moreland) City Council. She has held engineering roles at Exxon Mobil working on the Oil Rigs of Bass Strait.

Dr Di Lorenzo is a graduate of the Australian Institute of Company Directors, holds qualifications in engineering, business and organisational change management and brings a strong focus on customer and community outcomes.

Monique Conheady GAICD
Non-Executive Director and Deputy Chair

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

Member of the Risk, Optimisation and Sustainability Committee

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

Monique is currently Chairperson Commissioner of Energy Safe Victoria, Director of Breakthrough Victoria, Independent Chair of JET Charge Pty Ltd and a Director of Phantm Pty Ltd and Hysata Pty Ltd. Previously, she was a Governing Board member of the EPA Victoria, Commissioner and Chairperson of Commercial Passenger Vehicles Victoria and Deputy Chair of the Victorian Responsible Gambling Foundation. She was the co-founder and Chief Executive Officer of Flexicar and held executive roles at Hertz Australia.

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

James Atkins FAICD
Non-Executive Director

Director: 1 October 2021 to present

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

James Atkins is an experienced business advisor, marketing strategist and company director with over 35 years' experience working at a senior level in the retail, financial services and energy sectors. He is currently the Chair of Good360 Australia and a Board member of TT Line and the Connective Group. James is also director of Vantage Strategy, a consulting firm that provides business advisory services to commercial, government, and not-for-profit organisations.

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

Andrew Cairns FAICD
Non-Executive Director

Director: 1 October 2021 to present

Chair of the Finance, Audit and Compliance Committee

Andrew Cairns is an experienced Non-Executive director and Executive with a background in a variety of industries, including manufacturing, disability, housing, telecommunications and finance in Australia and internationally.

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

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

Mr Cairns was appointed the Chair of the Finance, Audit and Compliance Committee in November 2023.

Binda Gokhale FCPA GAICD
Non-Executive Director

Director: 1 October 2023 to present

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

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

Binda currently holds directorships at the Transport Accident Commission, Melbourne Polytechnic and Benalla Health, and is an Independent Member of the Audit and Risk Committees for the Victorian Disability Worker Commission, City of Whitehorse and the City of Monash. Binda also participates on the Executive Committee of the Victorian Local Government Finance Professionals (FinPro). Previously, she held senior executive roles at Wyndham City Council and Telstra and was a board member at Trust for Nature.

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

Freya Marsden GAICD
Non-Executive Director

Director: 1 October 2023 to present

Chair of the Risk, Optimisation and Sustainability Committee

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

Freya is currently Chair of VicReturn, Chair of the Victorian Sustainability Fund, Independent Board Director and Chair of Audit and Risk of the Australian Packaging Covenant Organisation, Independent Audit and Risk Committee member for the Department of Treasury and Finance, Technical Expert Artificial Intelligence Standards Australia, and Charter Member of the Brotherhood of St Laurence. She is Managing Director of the Acuity Group Pty Ltd. She has previously held Non-Executive roles with VicRoads, South East Water, City West Water, Water Infrastructure NSW, and the VPA and executive roles with AECOM and the Victorian Government, Federal Treasury and Treasurer's Office and Business Council of Australia.

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

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

Camm Myrtle GAICD
Non-Executive Director

Director: 1 October 2023 to present

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

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

Camm is currently the Director Aboriginal Economic Development with the Department of Jobs, Skills, Industry and Regions. He was previously the Operations Manager for the Treaty Authority and a member of their Finance, Audit and Compliance Committee and the People, Engagement, Customers, Community and Safety Committee and has held executive roles including with Taungurong Land and Waters, participating in their Audit and Risk Committee and CEO Remuneration Committees and worked for the National Australia Bank in a range of roles.

Mr Myrtle has a strong corporate leadership background in banking and finance at NAB, with experience in finance, commercial property, project management, change management and stakeholder relationship management.

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

Anita Roper FAIM GAICD
Non-Executive Director

Director: 1 October 2021 to present

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

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

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

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

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

Ms Roper was appointed Chair of the People, Engagement, Customers, Community and Safety Committee in November 2023.

Fiona Rowland FAICD
Non-Executive Director

Director: 1 October 2017 to present

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

Fiona Rowland is an experienced Chair, Non-Executive Director, and former CEO with a financial services, water and infrastructure background in governance, corporate strategy, risk, transformation and regulatory change across institutional and retail segments in listed and unlisted markets.

Fiona is currently Non-Executive Director of BT Funds Management Limited (part of Westpac Banking Group ASX:WBC), Chairperson and Non-Executive Director of Infrastructure Specialist Asset Management Limited (Foresight Australian Renewables Income Fund, Energy Infrastructure Trust & Diversified Infrastructure Trust (part of Foresight Group Holdings Limited FSG:LSE), and Non-Executive Director, and Chairperson on the Investment Committee, St Vincent's Institute of Medical Research and Advisory Board member of Kearney Australia part of the global management consulting group.

Previous roles include Chair of Macquarie Investment Services Limited and Non-Executive Director of Macquarie Life Limited (part of Macquarie Group Ltd ASX: MQG), Independent Non-Executive Director CBA Private Limited and CBA Financial Planning Limited (part of Commonwealth Banking Group ASX: CBA), Independent Consultant to the UniSuper and Member of the Australian Securities and Investments Commission Financial Services & Credit Panel. Across these roles she has Chaired and/or served on Audit, Finance, Risk, Investment, Capital, Cyber and Crisis Committees.

Ms Rowlands holds a Bachelor of Arts and a Bachelor of Laws (Honours) and is admitted as a legal practitioner in Victoria. She is a Fellow of the Australian Institute of Company Directors, an alumnus of the Australian Institute of Company Directors Chair Mentors Program and member of Chief Executive Women.

Board Committees

The following permanent committees have been convened for the period:

Table 12: Board committee meetings

	Wilson	Di Lorenzo	Atkins	Cairns	Conheady	Gokhale	Marsden	Myrtle	Roper	Rowland
Finance, Audit and Compliance To assist the Board in fulfilling its corporate governance responsibilities relating to audit and assurance; capital planning, management and delivery; environmental and public health; and treasury and financial management.		●		●		●		●		●
People, Engagement, Customer, Community and Safety To assist the Board in fulfilling its corporate governance responsibilities relating to health, safety and wellbeing; people and remuneration; culture, customer, community engagement and reputation management; and Traditional Owner and First Peoples Engagement.		●	●			●		●	●	
Risk, Optimisation and Sustainability To assist the Board in fulfilling its corporate governance responsibilities relating to enterprise risk system; risk profile and corporate governance.		●	●		●		●			●

Key | Member ● | Chair ● | Denotes individuals that attend in an ex-officio capacity without member voting rights ● |

Board meetings and attendance

Board meetings are held on a bi-monthly basis, with additional meetings scheduled if required. Meetings are held in accordance with the Board or Committee Charter and Board Governance Policy, following an annual schedule of set meeting dates. Additional meetings are called when Directors consider this necessary. Six meetings were held in 2024-25.

Two Board Strategy Workshops were held with the Executive on 4 December 2024 at the Winneke Treatment Plant and from 13 to 15 February 2025 incorporating a site visit to the Western Treatment Plant. These sessions are not counted as Board meetings.

The following permanent committees were convened for the period and there was no change in membership during this period:

Table 13: Board meetings and attendance

	Wilson	Di Lorenzo	Atkins	Cairns	Conheady	Gokhale	Marsden	Myrtle	Roper	Rowland
Board Number of meetings held: **6**	6 (C)	6	6	6	6	6	5	6	6	6
Finance, Audit and Compliance Committee Number of meetings held: **5**	-	4* 1*^	-	5(C)	-	5	1*	5	3*	5
People, Engagement, Customer, Community and Safety Committee Number of meetings held: **4**	-	3	4	-	-	4	-	4	4 (C)	2*
Risk, Optimisation and Sustainability Committee Number of meetings held: **4**	-	4*	4	-	2	3*	4 (C)	-	-	4

* Denotes the individuals that attend these meetings by invitation or as observers, but are not Committee members

^Denotes meeting attended by Sue Jackman as Acting Managing Director

Operating results

The Corporation's profit, after providing for income tax was $81.7 million (2023-24: $149.7 million).

Review of operations

The directors' review of the Corporation's operations during the financial year ended 30 June 2025 is set out in the Report from the Chair and Managing Director on pages 2 to 3 of this report.

Performance and financial management

Financial strength

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

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

Focus areas for our Financial Strength goal over financial year 2024-25 included:

- Developing a pathway to financial strength considering alternative revenue, partnerships and efficiencies.
- Ensuring Melbourne Water can demonstrate an efficient and financially prudent business by embedding productivity and benefits realisation practices and processes.

Current year operating results and financial position analysis

Our financial performance in 2024-25 continues to be robust. We have recorded a positive net profit after tax result of $81.7 million ($149.7 million in 2023-24).

Total revenues for the financial year were $2,110.6 million ($2,040.3 million in 2023-24). Our net revenue for bulk water and sewage treatment is higher than the previous year due to increased demand and an increase in average charges in line with the price determination. Our revenue from waterways and drainage charges is higher due to the growth in customer numbers and an increase in average charges in line with the price determination that reflects our customers' expectation of healthier waterways.

Total expenses (excluding tax) for the financial year were $1,954.0 million ($1,785.5 million in 2023-24). Our total expenses are higher than the previous year mainly due to increased depreciation on a growing asset base, increased operational expenses, employee benefit expenses, repairs and maintenance, administrative, finance and asset transfer to Councils expenses.

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

During 2024-25, Melbourne Water made cash payments to the Victorian Government of $174.5 million ($242.9 million paid in 2023-24). The decrease from the previous year was due to less capital repatriations, lower benchmark dividends (due to lower profits before tax) and reduced efficiency dividends requested by the Treasurer of Victoria.

Capital expenditure of $963.1 million ($870.3 million in 2023-24) was incurred during the year, which was required to meet the growth in demand and renew existing infrastructure. This capital expenditure has contributed to an increase in total assets to $18,657.3 million (from $18,238.7 million as at 30 June 2024).

Five-year financial summary

Over a five year period our net profit after tax and key financial KPIs are trending downwards, while our net assets/equity is trending higher (through the pattern of capital investment across the period partially offset by increased borrowings to fund this investment under our regulatory pricing model). These financial outcomes remain within our financial metric targets and are strongly influenced by the pattern of capital investment. We remain focused on our financial strength goals and focus areas (as noted above) to ensure ongoing financial sustainability in the face of managing potential business risks and changing economic landscape, while delivering on our commitments to support keeping bills as low as possible.

Summary of financial results

Table 14: Statement of profit or loss for the year ended 30 June 2025 - Extract

Item	2025 $M	2024 $M	2023 $M	2022 $M	2021 $M
Total revenue	2,110.6	2,040.3	1,919.4	1,935.9	1,988.7
Operating and other expenses	(834.6)	(733.5)	(695.6)	(718.6)	(672.0)
Depreciation and amortisation expenses	(533.6)	(487.9)	(469.5)	(456.3)	(450.1)
Finance expenses	(585.8)	(564.1)	(550.7)	(547.2)	(573.9)
Net profit from operations before tax	**156.6**	**254.8**	**203.6**	**213.8**	**292.7**
Tax expense	(74.9)	(105.1)	(84.5)	(83.7)	(100.7)
Net profit for the period after tax	**81.7**	**149.7**	**119.1**	**130.1**	**192.0**

Table 15: Statement of Financial Position as at 30 June 2025 – Extract

Item	2025 $M	2024 $M	2023 $M	2022 $M	2021 $M
Current assets	209.3	170.8	168.5	154.9	145.2
Non-current assets	18,448.0	18,067.9	17,708.1	16,674.8	16,184.9
Total assets	**18,657.3**	**18,238.7**	**17,876.6**	**16,829.6**	**16,330.1**
Current liabilities	1,192.1	1,151.6	843.6	1,261.8	886.8
Non-current liabilities	9,414.5	9,111.8	9,079.0	8,532.2	8,788.6
Total liabilities	**10,606.6**	**10,263.4**	**9,922.7**	**9,794.0**	**9,675.4**
Net assets/Total equity	**8,050.7**	**7,975.3**	**7,953.9**	**7,035.6**	**6,654.7**

Table 16: Statement of cash flows as at 30 June 2025 – Extract

Item	2025 $M	2024 $M	2023 $M	2022 $M	2021 $M
Net cash inflow from operating activities	481.4	681.3	580.5	545.3	594.9
Net cash (outflow) from investing activities	(859.3)	(790.5)	(648.5)	(545.3)	(589.1)
Net cash inflow/(outflow) from financing activities	379.5	108.3	63.1	2.6	(16.4)

Summary of Financial Performance

Table 17: Key financial performance indicators

Performance Indicators	2025	2024	2023	2022	2021
Cash Interest Cover ($M)	**2.1**	2.4	2.3	2.2	2.2
Gearing Ratio	**46.1%**	45.1%	44.7%	47.0%	48.1%
Internal Financing Ratio	**54.9%**	76.7%	83.5%	92.8%	87.2%
Current Ratio	**0.19 times**	0.17 times	0.20 times	0.14 times	0.19 times
Return on Assets	**4.0%**	4.5%	4.3%	4.6%	5.5%
Return on Equity	**1.0%**	1.9%	1.6%	1.9%	3.1%
EBITDA margin	**60.4%**	64.0%	63.8%	62.9%	66.2%

Explanatory notes

Refer to the Performance Report for definitions of financial performance indicators and reporting of all 2024-25 performance indicators (financial and non-financial) against targets with supporting explanations for any significant variations.

Subsequent events

Refer to Note 7.7 of the Financial Statements for disclosure of any subsequent events.

Melbourne Water Financial Management Compliance Attestation

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

Greg Wilson
Chair

29 August 2025

Yarra River

Financial Report

How this Report is Structured

Melbourne Water Corporation ('the Corporation') presents its audited general purpose financial statements for the financial year ended 30 June 2025. The following structure provides users with information about the Corporation's stewardship of resources entrusted to it.

Notes to the financial statements (continued)

Melbourne Water Corporation
Declaration by Directors and Chief Financial Officer

We certify the attached financial statements for Melbourne Water Corporation ('the Corporation') have been prepared in accordance with *Direction 5.2 of the Standing Directions* of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2025 and the financial position of the Corporation as at 30 June 2025.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

The Financial Statements were authorised for issue by the Directors on 29 August 2025.

On behalf of the Board:

Greg Wilson
Chair

29 August 2025

Dr Nerina Di Lorenzo
Managing Director

29 August 2025

Efee Peell
Chief Financial Officer

29 August 2025

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2025

($ thousands)

	Notes	2025	2024
Revenue			
Revenue from contracts with customers	**2.1**	2,095,167	2,026,364
Other income		15,404	13,948
Total revenue		**2,110,571**	**2,040,312**
Expenses			
Depreciation and amortisation	**4.1.3**	(533,639)	(487,894)
Operational expenses	**3.1**	(298,389)	(278,036)
Employee benefits	**3.2**	(190,814)	(167,043)
Repairs and maintenance	**3.3**	(135,235)	(121,093)
Administrative expenses	**3.4**	(78,507)	(61,012)
Finance expenses	**5.1.1**	(585,834)	(564,097)
Government rates and taxes	**3.5**	(52,283)	(58,769)
Asset transfers to Councils	**3.6**	(65,368)	(39,053)
Other expenses	**3.7**	(13,975)	(8,509)
Total expenses		**(1,954,044)**	**(1,785,506)**
Net profit from operations before tax		**156,527**	**254,806**
Tax expense	**3.8.1**	(74,859)	(105,097)
Net profit for the period after tax		**81,668**	**149,709**
Other comprehensive income after tax			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit superannuation plan asset [(a)]	**7.1**	(150)	958
Decrease in asset revaluation reserve due to disposal of land, buildings and infrastructure [(b)]		(7,434)	(8,336)
Asset revaluation reserve transferred to retained profits on disposal of land, buildings and infrastructure		7,871	8,346
Net gain in fair value of cash flow hedges		-	(25)
Other comprehensive income/(loss) for the period after tax		**287**	**943**
Total comprehensive income for the period after tax		**81,955**	**150,652**

The accompanying notes form part of these financial statements.

Note:

(a) Pre tax actuarial loss on defined benefit superannuation plan asset $0.2 million (2023-24: gain of $1.4 million).

(b) Pre tax decrease in asset revaluation reserve due to disposal of land, buildings and infrastructure $7.9 million (2023-24: decrease of $8.3 million).

Statement of Financial Position

As at 30 June 2025

($ thousands)

	Notes	2025	2024
Assets			
Current assets			
Cash and cash equivalents		2,159	508
Receivables	**2.2**	175,959	139,670
Prepayments		11,690	10,712
Inventories		12,496	10,917
Non-current assets held for sale		6,971	8,983
Total current assets		**209,275**	**170,790**
Non-current assets			
Land, buildings, infrastructure, plant and equipment and service concession arrangements [(a)]	**4.1**	18,373,390	17,980,735
Intangibles [(a)]	**4.2**	28,069	32,920
Right of use assets and leases	**4.4**	15,550	23,440
Defined benefit superannuation plan asset	**7.1**	31,004	30,816
Total non-current assets		**18,448,013**	**18,067,912**
Total assets		**18,657,288**	**18,238,702**
Liabilities			
Current liabilities			
Payables	**3.9**	609,049	554,217
Contract liabilities	**3.10**	75,831	97,061
Interest bearing liabilities	**5.1**	442,098	393,527
Other provisions	**3.11**	4,757	8,283
Current tax liability	**3.8.1**	5,443	45,142
Employee benefits provision	**3.2**	54,909	53,371
Total current liabilities		**1,192,087**	**1,151,601**
Non-current liabilities			
Contract liabilities	**3.10**	3,387	11,992
Interest bearing liabilities	**5.1**	8,157,368	7,826,441
Other provisions	**3.11**	190	410
Net deferred tax liabilities	**3.8.2**	1,239,756	1,257,591
Employee benefits provision	**3.2**	13,805	15,346
Total non-current liabilities		**9,414,506**	**9,111,780**
Total liabilities		**10,606,593**	**10,263,381**
Net assets		**8,050,695**	**7,975,321**
Equity			
Contributed equity		498,531	505,112
Reserves		4,521,394	4,528,828
Retained profits		3,030,770	2,941,381
Total equity		**8,050,695**	**7,975,321**

The accompanying notes form part of these financial statements.

Note:
(a) Prior year carrying amounts have been re-classified $1.4 million between land, buildings, infrastructure, plant and equipment and service concession arrangements and intangibles.

Statement of Changes in Equity

For the year ended 30 June 2025

($ thousands)

	Notes	Contributed equity	Asset revaluation reserve	Other reserves	Retained profits	Total
Balance at 1 July 2024		**505,112**	**4,528,828**	**-**	**2,941,381**	**7,975,321**
Comprehensive income for the period after tax						
Net result for the period after tax		-	-	-	81,668	**81,668**
Other comprehensive income/(loss) for the period after tax		-	(7,434)	-	7,721	**287**
Total comprehensive income for the period after tax		**-**	**(7,434)**	**-**	**89,389**	**81,955**
Transactions with equity holders						
Dividends paid [(a)]		-	-	-	-	**-**
Capital repatriation paid [(b)]		-	-	-	-	**-**
Contributed assets		(6,581)	-	-	-	**(6,581)**
Total transactions with owners		**(6,581)**	**-**	**-**	**-**	**(6,581)**
Balance at 30 June 2025		**498,531**	**4,521,394**	**-**	**3,030,770**	**8,050,695**
Balance at 1 July 2023		**586,732**	**4,537,164**	**25**	**2,830,011**	**7,953,932**
Comprehensive income for the period after tax						
Net result for the period after tax		-	-	-	149,709	**149,709**
Other comprehensive income/(loss) for the period after tax		-	(8,336)	(25)	9,304	**943**
Total comprehensive income for the period after tax		**-**	**(8,336)**	**(25)**	**159,013**	**150,652**
Transactions with equity holders						
Dividends paid [(a)]		-	-	-	(47,643)	**(47,643)**
Capital repatriation paid [(b)]		(80,820)	-	-	-	**(80,820)**
Contributed assets		(800)	-	-	-	**(800)**
Total transactions with owners		**(81,620)**	**-**	**-**	**(47,643)**	**(129,263)**
Balance at 30 June 2024		**505,112**	**4,528,828**	**-**	**2,941,381**	**7,975,321**

The accompanying notes form part of these financial statements.

Note:

(a) During 2024-25, the Corporation did not pay any dividends (2023-24: $47.6 million - consisting of an efficiency dividend $25.4 million, final prior year dividend $11.1 million and interim dividend $11.1 million). Dividends are determined by the Treasurer of Victoria after consultation with the Corporation's Board of Directors and the Minister for Water. Efficiency dividends are payable under the government's COVID Debt Repayment Plan.

(b) During 2024-25, the Corporation did not pay any capital repatriations (2023-24: $80.8 million). Capital repatriations are determined by the Treasurer of Victoria after consultation with the Corporation's Board of Directors and the Minister for Water.

Statement of Cash Flows

For the year ended 30 June 2025

($ thousands)

	Notes	2025	2024
Cash flows from operating activities			
Receipts from contracts with customers (inclusive of Goods and Service Tax)		2,211,248	2,161,410
Payments to suppliers and employees (inclusive of Goods and Service Tax)		(1,028,938)	(859,622)
Income tax paid		(131,893)	(76,763)
Interest received		493	519
Interest and other costs of finance paid		(577,774)	(559,979)
Other receipts		8,702	16,155
Payments for low value, short term and variable lease payments		(408)	(373)
Net cash inflow from operating activities	**5.2**	**481,430**	**681,347**
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(888,852)	(826,538)
Proceeds from sales of property, plant and equipment and intangibles		29,575	36,009
Net cash (outflow) from investing activities		**(859,277)**	**(790,529)**
Cash flows from financing activities			
Net proceeds from borrowings [(a)]		448,025	292,318
Repayments for the Victorian Desalination Project (VDP) service concession liability		(59,914)	(47,486)
Repayments of lease liabilities		(8,613)	(8,112)
Dividends paid	**7.4**	-	(47,643)
Capital repatriation paid	**7.4**	-	(80,820)
Net cash inflow / (outflow) from financing activities		**379,498**	**108,257**
Net (decrease)/increase in cash and cash equivalents		1,651	(925)
Cash and cash equivalents at the beginning of the financial year		508	1,433
Cash and cash equivalents at the end of the financial year		**2,159**	**508**

The accompanying notes form part of these financial statements.

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

About this Report

Basis of preparation

This Annual Financial Report presents the audited general purpose financial statements of Melbourne Water Corporation ('the Corporation' or 'Melbourne Water') for the year ended 30 June 2025. This report informs users about the Corporation's stewardship of the resources entrusted to it.

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

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

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

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

Functional and presentation currency

These financial statements are in Australian dollars, the functional and presentation currency of the Corporation.

Rounding

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

Classification between current and non-current

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

Historical cost convention

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

Comparative information

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

Accounting estimates

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

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

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

Significant judgement and estimation area	Note number
Revenue recognition	
Timing and satisfaction of performance obligations	**2.1**
Determining transaction price and amounts allocated to performance obligations	**2.1**
Asset valuations	
Fair value of land, buildings, infrastructure, plant and equipment	**4.1.2**
Defined benefit superannuation asset/liability	**7.1**
Useful lives of non-current assets	**4.1.3**
Service concession assets and leases	
Victorian Desalination Project (VDP) service concession asset and liability and operating commitments	**4.1** and **5.4**
Right of use assets and lease liabilities	**4.4**
Other	
Employee benefits expenses and employee benefits provisions	**3.2**
Recognition of deferred tax balances	**3.8**
Contingent assets and liabilities	**6.3**

Financial reporting impacts of climate related matters

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

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

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

Going Concern

The financial statements have been prepared on a going concern basis. The Corporation is a statutory water authority established under the *Water Act 1989* (Vic) and is regulated by the Essential Services Commission. The Corporation provides essential water and sewerage services and operates within a regulatory framework that ensures recovery of efficient costs and a return on assets. Funding arrangements are supported through access to the Treasury Corporation of Victoria. Accordingly, management considers that the Corporation will continue to operate for the foreseeable future and that there are no material uncertainties that cast significant doubt on its ability to continue as a going concern.

Compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable *Australian Accounting Standards (AAS)* which include Interpretations, issued by the *Australian Accounting Standards Board (AASB)*. They are presented in a manner consistent with *AAASB 1053 Application of Tiers of Australian Accounting Standards (AASB 1053)* Tier 1 presentation requirements. Under *FRD 101 Application of Tiers of Australian Accounting Standards*, the Corporation meets the 'significant entity' definition and is required to prepare Tier 1 financial statements. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability. They have also been prepared in compliance with applicable Financial Reporting Directions and Standing Directions issued by Minister for Finance.

Funding Delivery of Our Services

Introduction

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

2.1 Revenue from contracts with customers

($ thousands)

	2025	2024
Bulk water services	977,585	958,285
Bulk sewerage services	524,181	494,055
Waterways and drainage service charges	319,792	298,645
Developer contributions	232,448	231,433
Developer contributed assets	10,373	15,512
Net gain on disposal of property, plant, equipment and intangibles	18,907	14,715
Other revenue	11,881	13,719
Total Revenue from contracts with customers	**2,095,167**	**2,026,364**

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

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

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

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

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

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

Developer contributions are collected from developers in order to fund drainage scheme infrastructure (constructed catchment assets) and stormwater quality treatment works in accordance with the Corporation's responsibility for regional drainage, flood plain and waterway management across greater Melbourne under the *Water Act 1989*. This is typically done either by way of the Corporation including conditions in a planning permit (which the Corporation requires in its capacity as a referral authority under the *Planning and Environment Act 1987* (Vic)), or by relying on Water Act powers to charge for services.

The Corporation has a performance obligation in relation to developer contributions, which is to assess whether the relevant conditions specified by the Corporation in a planning permit or offer of drainage conditions have been met by the developer and to advise the local council that it consents to a referred plan of subdivision and supports issuance of a Statement of Compliance (SOC).

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

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

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

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

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

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

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

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

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

For property sales, the consideration is due when it settles. Property sales are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a net basis of sale proceeds less costs.

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

2.2 Receivables

($ thousands)

Contractual receivables	2025	2024
Trade debtors	74,034	53,641
Contract assets	9,785	10,764
Other receivables	69,606	59,819
Total contractual receivables	**153,425**	**124,224**
Statutory receivables		
Net GST receivable from the ATO	22,534	15,446
Total current receivables	**175,959**	**139,670**

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

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. On this basis, an assessment undertaken by management has identified that historical debt write-offs and future expected losses are immaterial. As such, there is no allowance for expected credit losses as at 30 June 2025 (2023-24: nil).

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

Ageing analysis of contractual receivables

($ thousands)

	Current	Past due but not impaired			Total
30 June 2025	0-30 days	31-60 days	61-90 days	91 days +	
Receivables					
Trade debtors [a]	33,562	5,736	5,711	29,025	**74,034**
Contract assets	9,785	-	-	-	**9,785**
Other receivables	69,606	-	-	-	**69,606**
Total contractual receivables	**112,953**	**5,736**	**5,711**	**29,025**	**153,425**

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

(a) The majority of the aged receivables relate to waterways and drainage service charges guaranteed by a lien on a property to ensure that any outstanding amounts are recovered upon sale of the property. These matters would be subject to the Corporation's hardship provisions. In the current year, waterways and drainage debtors increased primarily due to billing system issues at Greater Western Water, one of the retail water businesses that collects these charges on behalf of the Corporation (refer to note 2.1). Management expects the Corporation will fully recover these amounts.

The Cost of Delivering Our Services

Introduction

This section provides additional information about the major components of expenditure incurred by the Corporation in relation to delivering our services during the year, as well as any related assets and liabilities as at 30 June 2025

3.1 Operational expenses

($ thousands)

	2025	2024
VDP operating expenses	148,221	150,557
Energy expenses	39,260	31,354
Carbon credits	3,419	1,092
External professional services expenses	52,642	45,533
Research and development expenses	5,604	6,013
Materials and chemicals expenses	18,222	16,810
Grants and contributions expenses	17,637	13,010
Transport expenses	3,527	3,631
Insurance expenses	8,780	9,276
Other expenses	1,077	760
Total operational expenses	**298,389**	**278,036**

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

3.2 Employee benefits expenses and employee benefits provision

($ thousands)

Employee benefits expenses	2025	2024
Salary and wages expenses	147,753	126,994
Annual, long service and shift leave expenses	18,967	14,878
Defined contribution plans (superannuation accumulation fund) expense	17,687	14,404
Other employee expenses	6,407	10,767
Total employee benefits expenses	**190,814**	**167,043**

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

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

Employee benefits provision

($ thousands)

	2025	2024
Current provisions		
Accrued salaries and wages		
Accrued salaries and wages	10,781	8,823
Annual leave		
Unconditional and expected to settle within 12 months	9,813	9,472
LSL		
Unconditional and expected to settle within 12 months	3,627	3,398
Unconditional and expected to settle after 12 months	20,402	19,120
Provisions for on-costs		
Unconditional and expected to settle within 12 months	2,218	2,058
Unconditional and expected to settle after 12 months	3,450	3,133
Work Cover	3,432	4,437
Other employee benefits	1,186	2,930
Total current provisions for employee benefits	**54,909**	**53,371**
Non-current provisions		
LSL - conditional	4,112	4,029
Provision for on-cost on non-current long service leave	695	660
Work Cover	8,998	10,657
Total non-current provisions for employee benefits	**13,805**	**15,346**
Total provisions for employee benefits	**68,714**	**68,717**

Reconciliation of movement in on-costs provisions	($ thousands)	
	2025	2024
Opening balance	5,851	5,757
Additional provisions recognised	3,192	2,500
Additions due to LSL transfers	13	53
Reductions arising from payments/other sacrifices of future economic benefits	(2,693)	(2,459)
Closing balance	**6,363**	**5,851**
Current	5,668	5,191
Non-current	695	660

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

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

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

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

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

LSL is recognised as a non-current liability when there is an unconditional right to defer the settlement of the entitlement until the employee has completed 7 years of service. This non-current LSL liability is measured at present value. Expected future cash payments are discounted using market yields attached to the Reserve Bank of Australia's 10 year rate for semi-annual coupon bonds. Discount rate as at 30 June 2025 was 4.20% (2023-24: 4.35%). Use of this discount rate is mandated by the Department of Treasury and Finance (DTF). The valuation of LSL also incorporates wage inflation, based on DTF budget estimates with the rate at 30 June 2025 of 4.25% (2023-24: 4.45%).

The current and non-current **Work Cover** provisions are based on independent actuarial assessments. A provision of $12.4 million (2023-24: $15.1 million) has been made for outstanding claims incurred and not settled, and for claims incurred but not reported at 30 June 2025. The value of the bank guarantee to the Victorian Work Cover Authority (as part of the Corporation's Work Cover self insurance commitments) at 30 June 2025 is $11.2 million (2023-24: $13.4 million). The bank guarantee amount is not included in the provision.

3.3 Repairs and maintenance expenses

($ thousands)

	2025	2024
Repairs and maintenance	119,558	107,674
Information technology maintenance	15,677	13,419
Total repairs and maintenance expenses	**135,235**	**121,093**

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

3.4 Administrative expenses

($ thousands)

	2025	2024
Waterways charges billings and collection	17,750	17,565
Information technology and telecommunication expenses	36,445	21,228
Low value lease expenses	4	2
Variable lease payment expenses	404	371
Education and training expenses	2,130	2,311
Legal expenses	3,889	5,863
Security services	2,360	2,342
Agency staff	11,652	7,429
Other expenses	3,873	3,901
Total administrative expenses	**78,507**	**61,012**

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

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

3.5 Government rates and taxes

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

3.6 Asset transfers to council

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

3.7 Other expenses

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

3.8 Income and deferred tax

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

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

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

3.8.1 Income tax

Components of tax expense

($ thousands)

	2025	2024
Current tax	100,697	139,593
Deferred tax relating to temporary differences	(25,838)	(34,496)
Total tax expense	**74,859**	**105,097**

Reconciliation of income tax to prima facie tax payable

($ thousands)

	2025	2024
Profit before income tax	156,527	254,806
Tax at the Australian tax rate of 30% (2023-24: 30%)	46,958	76,442
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non assessable and non deductible for income tax purposes	21,610	22,915
Assessable income not booked	6,291	5,740
Income tax as reported in the Statement of Profit or Loss and Other Comprehensive Income	**74,859**	**105,097**

Income tax liability

($ thousands)

	2025	2024
Current tax liability	5,443	45,142
Total income tax liability	**5,443**	**45,142**

Income tax recognised in other comprehensive income

($ thousands)

	2025	2024
Deferred tax arising on items recognised in other comprehensive income		
Reversal of deferred tax on disposal of land/buildings previously revalued	(437)	(11)
Actuarial gains/(losses) on the defined benefit plan	(64)	411
Net gain/(loss) in fair value of cash flow hedges	-	(11)
Total income tax recognised in other comprehensive income	**(501)**	**389**

3.8.2 Net deferred tax liabilities – non-current

($ thousands)

	2025	2024
Amounts recognised in Profit or Loss		
Property, plant and equipment	122,084	139,141
Employee entitlements	(13,295)	(12,561)
Provisions	(2,405)	(3,735)
Revenue in advance	(20,526)	(28,221)
VDP service concession liability	66,852	74,458
Leases under AASB 16	(1,146)	(1,362)
Other	(7,741)	(6,563)
Total recognised in Profit or Loss	**143,823**	**161,157**
Amounts recognised in Other Comprehensive Income		
Net gains on revaluation of land and buildings	146,456	146,893
Net gains on revaluation of infrastructure assets	934,758	934,758
Actuarial gain on the defined benefit plan	14,719	14,783
Total recognised in Other Comprehensive Income	**1,095,933**	**1,096,434**
Net deferred tax liability	**1,239,756**	**1,257,591**

Movements

($ thousands)

	2025	2024
Opening balance	1,257,591	1,259,596
Credited to Profit or Loss	(25,838)	(34,496)
Debited/(credited) to Other Comprehensive Income	(501)	389
Adjustment in respect of deferred tax of prior period	8,504	32,102
Closing balance	**1,239,756**	**1,257,591**
Net deferred tax liabilities to be recovered after more than 12 months	1,269,372	1,294,355
Net deferred tax liabilities (assets) to be recovered within 12 months	(29,616)	(36,764)
Total non-current liabilities - deferred tax liabilities	**1,239,756**	**1,257,591**

3.9 Payables

($ thousands)

	2025	2024
Current		
Trade creditors	190,499	183,603
Interest payable	43,655	35,695
Accruals	364,792	329,867
Other payables	10,103	5,052
Total payables	**609,049**	**554,217**

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

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

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

Other payables primarily represent liabilities for miscellaneous security deposits held.

3.10 Contract liabilities

($ thousands)

	2025	2024
Current		
Developer contributions	57,895	77,716
Other unearned revenue	17,936	19,345
Total current contract liabilities	**75,831**	**97,061**
Non-Current		
Other unearned revenue	3,387	11,992
Total non-current contract liabilities	**3,387**	**11,992**
Total contract liabilities	**79,218**	**109,053**

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

Developer contributions

($ thousands)

	2025	2024
Unearned revenue at the beginning of the financial year	77,716	82,150
Consideration received in the year before performance obligations are satisfied	212,983	227,000
Performance obligations satisfied during the period and recognised as revenue	(232,804)	(231,434)
Closing balance	**57,895**	**77,716**

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

3.11 Other provisions

($ thousands)

	2025	2024
Current		
Insurance claims	286	639
Other provisions	4,471	7,644
Total current other provisions	**4,757**	**8,283**
Non-current		
Insurance claims	190	410
Total non-current other provisions	**190**	**410**
Total other provisions	**4,947**	**8,693**

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

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

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

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

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

The insurance claims provision represents the amounts that are likely to be payable under claims but excluding amounts over the relevant insurance policy deductable. Insurance claims are independently assessed by loss adjusters, claims managers and legal practitioners. The insurance claims provision includes claims reported but not yet paid, claims incurred but not yet reported, and the anticipated costs of settling those claims. Due to the inherent uncertainty in the estimate of the outstanding insurance claims, a risk margin is included. The risk margin is set to ensure that the liability estimate will be sufficient to cover outstanding claims. The measurement of the liability for outstanding insurance claims is on the basis of estimated costs of future claims payments. Claims classified as current are expected to be settled within 12 months. The amount classified as non-current is expected to be settled later than 12 months. The provision amounts are based on an independent assessment of claim costs.

Other provisions satisfy the recognition requirements of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* and include contractual, remediation and other provisions.

Assets Available to Support Output Delivery

Introduction

This section outlines those assets that the Corporation controls, reflecting investing activities in the current and prior years. The Corporation controls infrastructure and other assets that are utilised in conducting its activities.

Assets available to support delivery output (continued)

4.1 Land, buildings, infrastructure, plant and equipment, and service concession arrangements

4.1.1 Reconciliation of movements in carrying values of land, buildings, infrastructure, plant and equipment, and service concession arrangements

($ thousands)

	Total	Public land [f]	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Fleet vehicles	Infrastructure	VDP service concession asset	Capital works in progress
Year ended 30 June 2024										
Opening balance	17,608,124	193,721	2,282,765	37,706	654	14,950	10,692	9,411,423	4,573,658	1,082,555
Purchased additions	4,173	-	-	-	-	-	4,173	-	-	-
Developer contributed assets	15,512	-	-	-	-	-	-	15,512	-	-
Disposals and write-offs	(51,128)	(13)	(16,751)	-	-	(14)	(827)	(32,099)	-	(1,424)
Depreciation and amortisation	(466,858)	-	-	(1,488)	(163)	(7,360)	(1,778)	(366,051)	(90,018)	-
Transfers from/to assets classified as held for sale	14,772	-	14,772	-	-	-	-	-	-	-
Revaluation decrements [a]	(4,814)	-	(4,814)	-	-	-	-	-	-	-
Capital expenditure [b]	862,347	-	-	-	-	-	-	-	-	862,347
Capitalisation of works in progress [c]	(1,393)	-	7,015	-	-	5,982	-	681,261	-	(695,651)
Closing carrying amount [c]	**17,980,735**	**193,708**	**2,282,987**	**36,218**	**491**	**13,558**	**12,260**	**9,710,046**	**4,483,640**	**1,247,827**
At 30 June 2024										
Gross carrying amount	19,153,725	193,708	2,282,987	37,706	2,437	72,067	25,030	10,718,305	4,573,658	1,247,827
Accumulated depreciation	(1,172,990)	-	-	(1,488)	(1,946)	(58,509)	(12,770)	(1,008,259)	(90,018)	-
Carrying amount [c]	**17,980,735**	**193,708**	**2,282,987**	**36,218**	**491**	**13,558**	**12,260**	**9,710,046**	**4,483,640**	**1,247,827**
Year ended 30 June 2025										
Opening balance	17,980,735	193,708	2,282,987	36,218	491	13,558	12,260	9,710,046	4,483,640	1,247,827
Purchased additions	6,700	-	-	-	-	-	6,700	-	-	-
Developer contributed assets	10,373	-	-	-	-	-	-	10,373	-	-
Disposals and write-offs	(62,119)	(620)	(9,583)	(1,795)	-	(5)	(1,217)	(46,181)	-	(2,718)
Depreciation and amortisation	(516,448)	-	-	(1,449)	(164)	(4,941)	(2,376)	(417,465)	(90,053)	-
Transfers from/to assets classified as held for sale	2,012	-	2,012	-	-	-	-	-	-	-
Revaluation decrements [a]	(7,030)	-	(7,030)	-	-	-	-	-	-	-
Capital expenditure [b]	958,892	-	-	-	-	-	-	-	-	958,892
Capitalisation of works in progress [c]	275	-	20,125	-	-	8,325	-	793,641	-	(821,816)
Closing carrying amount	**18,373,390**	**193,088**	**2,288,511**	**32,974**	**327**	**16,937**	**15,367**	**10,050,414**	**4,393,587**	**1,382,185**
At 30 June 2025										
Gross carrying amount	20,054,517	193,088	2,288,511	35,799	2,437	79,520	25,567	11,473,752	4,573,658	1,382,185
Accumulated depreciation	(1,681,127)	-	-	(2,825)	(2,110)	(62,583)	(10,200)	(1,423,338)	(180,071)	-
Carrying amount	**18,373,390**	**193,088**	**2,288,511**	**32,974**	**327**	**16,937**	**15,367**	**10,050,414**	**4,393,587**	**1,382,185**

Note:

(a) Pre-tax revaluation decrements of $7.0 million (2023-24: $4.8 million decrement) is recognised in the income statement as other expenses (Community Services Obligation discount applied for purchased land based on VGV valuation). Note: Valuation decrements are expensed in the profit and loss when the reserve balance is exhausted. Valuation increments that result in reversals of previous profit and loss decrements are credited to the profit and loss. The net effect is treated as a net gain or loss on revaluation on non-financial assets.

(b) Represents total capital expenditure, exclusive of intangibles $0.3 million (2023-24: $6.9 million) (refer to 4.2) and fleet vehicles $6.7 million (2023-24: $4.2 million) (refer to purchased additions category).

(c) Prior year (2023-24) carrying amounts have been restated to reclassify ($399.1 million closing carrying value) from capital works in progress to infrastructure ($397.7 million closing carrying value) and intangible assets ($1.4 million closing carrying value Note 4.2) for projects that were completed (and should have been transferred out of capital works in progress) in 2023-24. These delayed transfers also have associated backlog increased depreciation expenditure by $25.7 million recognised in 2024-25 (2023-24: $11.4 million) that has not been adjusted against the prior year as deemed not material.

(d) Public land is land as designated by the *Crown Land (Reserves) Act* 1978.

Assets available to support delivery output (continued)

4.1 Land, buildings, infrastructure, plant and equipment, and service concession arrangements (continued)

4.1.1 Reconciliation of movements in carrying values of land, buildings, infrastructure, plant and equipment, and service concession arrangements (continued)

If land, buildings, infrastructure and service concession assets were measured at historical cost, the carrying amounts would be as follows:

($ thousands)

	2025	2024
Land	938,858	931,437
Buildings	33,324	35,140
Infrastructure assets - owned	8,049,163	7,289,661
VDP service concession asset	3,684,132	3,761,687
Total	**12,705,477**	**12,017,925**

Initial recognition

All non-financial physical assets (except for service concession assets) are measured and recognised initially at cost. Service concession assets are recognised initially at current replacement cost in accordance with the cost approach to fair value in AASB 13 (Fair Value). Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. The cost of constructed non-financial physical assets includes the cost of all materials used in construction and direct labour on the project. The cost of leasehold improvements is capitalised when incurred.

Items with a cost or value in excess of $500 (2023-24: $500) and a useful life of more than 1 year are recognised as assets, with the exception of lifecycle costs (total of all recurring and one-time costs over the full life span of a good, service, structure or system) for the VDP which are expensed. All items with a cost or value less than $500 (2023-24: $500) are expensed.

Subsequent measurement

All non-financial physical assets, with the exception of capital works in progress, are subsequently measured at fair value less accumulated depreciation and impairment. Non-financial physical assets are measured at fair value with regard to the asset's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use.

Revaluation of infrastructure, property, plant and equipment, and VDP service concession asset

Revaluations are conducted either independently every 5 years (as required under Financial Reporting Direction *FRD 103 Non-Financial Physical Assets*) or in the intervening years using management expertise and classified as a managerial revaluation. The Corporation uses land and building indices (provided by the Valuer General Victoria VGV) to perform managerial valuations on land and buildings. Fair value assessment is performed annually for all other property plant and equipment as a managerial valuation, utilising external experts to conduct the infrastructure and service concession asset valuation annually. Managerial valuation movements are booked if material in accordance with FRD 103. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset (or asset class when specifically related to infrastructure and service concession arrangements) previously recognised in net profit in the Statement of Profit or Loss and Other Comprehensive Income, in which case the increase is credited to profit to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation is recognised in net profit in the Statement of Profit or Loss and Other Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset, otherwise decreases are recognised in other comprehensive income. The net effect of any revaluation adjustments to Profit and Loss is classified as a net gain or loss on revaluation of non-financial assets.

Refer to Note 4.1.2 fair value determination of non-financial physical assets for further information on the revaluation methods used for the asset classes and the valuation outcomes for 30 June 2025.

Assets available to support delivery output (continued)

4.1 Land, buildings, infrastructure, plant and equipment, and service concession arrangements (continued)

4.1.2 Fair value determination of non-financial physical assets

The fair values of non-financial physical assets are determined (in accordance with the fair value hierarchy) as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4.1.2.1 Land, buildings, infrastructure, plant and equipment, service concession arrangements and non-current assets held for sale

($ thousands)

	Fair value measurements [a]		
	2025	Level 2	Level 3
Non-current assets held for sale	6,971	6,971	-
Non-specialised land	26,746	26,746	-
Specialised land	2,454,854	-	2,454,854
Total land	**2,488,571**	**33,717**	**2,454,854**
Non-current assets held for sale	-	-	-
Non-specialised buildings	1,141	1,141	-
Specialised buildings	31,833	-	31,833
Total buildings	**32,974**	**1,141**	**31,833**
Leasehold improvements	327	-	327
Plant and equipment	16,937	-	16,937
Fleet vehicles	15,367	-	15,367
Infrastructure assets	10,050,414	-	10,050,414
VDP service concession asset	4,393,587	-	4,393,587
Total infrastructure, plant and equipment, service concession arrangements and non-current assets held for sale	**14,476,632**	**-**	**14,476,632**
Total land, buildings, infrastructure, plant and equipment, service concession arrangements and non-current assets held for sale	**16,998,177**	**34,858**	**16,963,319**

($ thousands)

	Fair value measurements [a]		
	2024	Level 2	Level 3
Non-current assets held for sale	8,983	8,983	-
Non-specialised land	30,427	30,427	-
Specialised land	2,446,268	-	2,446,268
Total land	**2,485,678**	**39,410**	**2,446,268**
Non-current assets held for sale	-	-	-
Non-specialised buildings	1,472	1,472	-
Specialised buildings	34,746	-	34,746
Total buildings	**36,218**	**1,472**	**34,746**
Leasehold improvements	491	-	491
Plant and equipment [b]	13,558	-	13,558
Fleet vehicles	12,260	-	12,260
Infrastructure assets [b]	9,312,315	-	9,312,315
VDP service concession asset	4,483,640	-	4,483,640
Total infrastructure, plant and Total infrastructure, plant and equipment, service concession arrangements and non-current assets held for sale	**13,822,264**	**-**	**13,822,264**
Total land, buildings, infrastructure, plant and equipment, service concession arrangements and non-current assets held for sale	**16,344,160**	**40,882**	**16,303,278**

Note:

(a) Classified in accordance with the fair value determination of non-financial physical assets. For the current year there were no level 1 fair value measurements (2023-24: zero).

(b) Prior year (2023-24) carrying amounts have been restated to reclassify ($399.1 million closing carrying value) from capital works in progress to infrastructure ($397.7 million closing carrying value) and intangible assets ($1.4 million closing carrying value Note 4.2) for projects that were completed (and should have been transferred out of capital works in progress) in 2023-24. These delayed transfers also have associated backlog increased depreciation expenditure by $25.7 million recognised in 2024-25 (2023-24: $11.4 million) that has not been adjusted against the prior year as deemed not material.

Assets available to support delivery output (continued)

4.1 Land, buildings, infrastructure, plant and equipment, and service concession arrangements (continued)

4.1.2 Fair value determination of non-financial physical assets (continued)

4.1.2.1 Land, buildings, infrastructure, plant and equipment, service concession arrangements and non-current assets held for sale (continued)

Non-current assets held for sale

Non-current assets held for sale are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

These non-current assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Non-specialised land (other than held for sale) and buildings

Non-specialised land (other than held for sale) and buildings are valued using the market/direct comparison approach with key inputs used being sales evidence and unit of value by comparative basis. To the extent that non-specialised land and buildings do not contain significant, unobservable adjustments, the assets are classified as Level 2 under the market approach. Refer to disclosures below under specialised land and buildings for current year valuation results for total land and buildings.

Specialised land

The market approach is used for specialised land adjusted for the Community Service Obligation (CSO) to reflect the specialised nature of the land being valued. A CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that it is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land is classified as Level 3 assets.

2020-21 was the last formal valuation year under FRD 103. The valuation methodology to assess each property's land fair value in 2020-21 involved an assessment of the unrestricted land value based on the existing or assumed underlying zoning, taking account of the individual property attributes. Then an assessment of the restrictions on the land due to being held by the public sector was made to consider if a CSO was warranted. The level of the CSO will depend on the perceived level of restriction and the risk associated with the removal of the restrictions, if at all possible. The property attributes considered in assessing the unrestricted value include, but are not limited to zoning and overlay(s), underlying zoning, location, land area, access, shape of the site, services available or connected and the highest and best use of the land.

2024-25 was not a formal valuation year under FRD 103 as such an interim fair value assessment was conducted using Valuer-General Victoria (VGV) postcode indices (consistent with 2023-24). The valuation resulted in no material change in value for specialised and non-specialised land (2023-24: nil).

Note: Total net land valuation decrements of $7.0 million (2023-24: $4.8 million) at Note 4.1.1 are due to a reduction for CSO discounts applied to land purchased during the year based on VGV valuation, which is recorded in other expenses in the Statement of Profit and Loss and Other Comprehensive Income.

The market that the assets (land and buildings) are valued in is being impacted by the uncertainty that rising interest rates and increased construction costs has caused. The current market environment creates significant valuation uncertainty. The value assessed at the valuation date may therefore change over a relatively short time period.

Specialised buildings

For the majority of the Corporation's specialised buildings, the current replacement cost method is used adjusting for the associated depreciation. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

2020-21 was the last formal valuation year under FRD 103. The valuation methodology in 2020-21 to assess the fair value of buildings was current replacement cost (CRC) for specialised buildings. The CRC approach for specialised buildings involved assessing the cost of replacement of the assets to a 'modern equivalent' standard then adjusting for an appropriate depreciation rate, on a useful life basis after making adjustments for condition and general maintenance.

2024-25 was not a formal valuation year under FRD103 and as such an interim fair value assessment was conducted using Valuer-General Victoria (VGV) indices (consistent with 2023-24). For 2024-25 the managerial valuation resulted in no material change in asset values for specialised buildings (2023-24: nil).

Leasehold improvements

For Leasehold improvements, fair value is determined using the current replacement cost method. As depreciation adjustments are considered as significant, unobservable inputs in nature, leasehold improvements are classified as Level 3 fair value measurements.

2020-21 was the last formal valuation year under FRD 103. For leasehold improvements fair value is assessed through a managerial valuation. For 2024-25 the fair value assessment resulted in no material change in asset values for leasehold improvements (2023-24: nil).

Plant and equipment

Plant and equipment is specialised in use, such that it is rarely sold; fair value is determined using the current replacement cost method. As depreciation adjustments are considered as significant, unobservable inputs in nature, plant and equipment are classified as Level 3 fair value measurements.

2020-21 was the last formal valuation year under FRD 103. For plant and equipment fair value is assessed through a fair value assessment. For 2024-25 fair value assessment resulted in no material change in asset values for plant and equipment (2023-24: nil).

Fleet vehicles

Fleet vehicles are valued using appropriate market or other fair value indicators as determined by management. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers who set relevant depreciation rates during use to reflect the utilisation of the vehicles. As depreciation adjustments are considered as significant, unobservable inputs in nature, fleet vehicles are classified as Level 3 fair value measurements.

2020-21 was the last formal valuation year under FRD 103. For fleet vehicles fair value is assessed through a fair value assessment. For 2024-25 the fair value assessment resulted in no material change in asset values for fleet vehicles (2023-24: nil).

Infrastructure

The fair value of Infrastructure was assessed by an independent valuer in 2024-25 (consistent with 2023-24). The income approach was used for the fair value assessment by discounting reliable estimates of the Corporation's future cash flows (projected forecast and terminal value to their present value and arriving at an enterprise value range). Non-infrastructure assets and liabilities (including Service Concession Asset and Liability) are deducted from the enterprise value range to obtain the residual infrastructure value. Infrastructure assets are classified as Level 3 fair value measurements.

For 2024-25 the independent valuer used the exit Regulated Asset Base (RAB) multiple as the primary methodology for calculating terminal value (2023-24: exit RAB multiple). This approach aligns with current observed market participant practice. The exit RAB multiple approach calculates terminal value based on forecast RAB in the terminal year and an exit RAB multiple. Any tax amortisation benefit (TAB) available to subsequent market participants has been implicitly included through the selection of the terminal value exit multiple. A valuation cross check was performed to calculate the terminal value using the previous Gordon growth methodology, which confirmed that the terminal value is consistent with that calculated under the exit RAB multiple approach (sits within the range of selected terminal enterprise value).

In order to assess reasonableness of the enterprise valuation, cross checks are performed by comparing the earnings before interest, tax and depreciation/amortisation (EBITDA) and regulated asset value multiples implied by the value determined under the income approach against multiples implied by share prices at which comparable organisations are trading and recent transactions in comparable assets which have occurred. Such approaches are often referred to as market approaches or relative value approaches.

The Corporation's policy is to use a midpoint valuation in assessing the fair value.

For 2024-25 the valuation resulted in no material change in value (2023-24: nil).

The significant assumptions used in determining fair value under the income approach at 30 June 2025 are summarised below:

- Nominal after tax discount rate in the range of 5.2% to 5.7% (2023-24: 5.1% to 5.5%). The valuation was based on a mid point of 5.45% (2023-24: 5.3%). This represents the rate that market participants would expect to use in determining the fair market value of the Corporation after taking into account the market cost of debt and equity. The market that the assets are valued in is being impacted by the uncertainty that rising interest rates and increased construction costs have caused. The valuer has advised that the current market environment creates significant valuation uncertainty. The value assessed at the valuation date may therefore change over a relatively short time period. This uncertainty has been reflected in the discount rate.
- Operating expenditure and revenue growth applied post initial five year pricing period 3.0% (2023-24: 3.0%)
- Forecast RAB in terminal value year $31,875 million (2023-24: $29,561 million)
- Terminal value exit RAB multiple range of 1.05x to 1.15x. The valuation was based on a mid point of 1.10x (2023-24: 1.05x to 1.15x and mid point of 1.10x)
- A 10 year explicit cash flow projection period, with cash flows beyond the projection period reflected in the terminal value (2023-24: 10 years)
- Assumptions used for cross checks:
  - Long term growth rate of 3.25% (2023-24: 3.25%) - representing inflation and volume growth
  - A Normalised terminal capital expenditure used for steady state $1,000 million (2023-24: $750.0 million).
- The infrastructure valuation considers anticipated climate change related physical and transition risks through forecast cash flows, growth and capital expenditure assumptions. Costs associated with climate related physical and transition risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation.
- Table 4.1.2.2 highlights sensitivity of the infrastructure fair value measurement to changes in significant unobservable inputs/ assumptions noted above.

VDP service concession asset

The VDP service concession asset is valued using the current replacement cost method under *AASB 13 Fair Value*, as required by *AASB 1059 Service Concession Arrangements: Grantors* and adjusted for the associated depreciation.

2020-21 was the last formal revaluation year under FRD 103. The approach used by the independent valuer in 2020-21 to derive fair value was the current replacement cost approach (CRC) under AASB 1059. This involved estimating the current cost to purchase or replace the assets (replacement cost new or RCN) using a combination of direct and indirect methods with comparison to benchmarking analysis across different Australian desalination plants. The direct method (used for 45 per cent of the assets being the pipeline, building and civil infrastructure and pumps) involved researching the current cost to replace an asset with a new one of equivalent functionality. The indirect method (used for the remaining 55 per cent of the assets) involved applying Australian Bureau of Statistics (ABS) equipment specific inflation factors to historical costs. RCN was then depreciated using engineering lives to account for physical use and deterioration to arrive at a current replacement cost (CRC).

For 2024-25 (and 2023-24) the fair value of the VDP service concession asset was assessed by an independent valuer using the indirect CRC approach as a desktop valuation. This involved using the 2020-21 formal valuation as the base then applying ABS industry specific inflation factors to derive RCN. RCN was then depreciated using engineering lives to derive CRC. The valuation resulted in no material change in asset values (2023-24: nil).

The VDP service concession asset is classified as level 3 fair value measurement as it contains significant unobservable inputs and adjustments. Significant assumptions used in determining fair value include; costs per unit, engineering useful lives and industry specific inflation indices. Table 4.1.2.2 highlights sensitivity of fair value measurement to changes in these significant unobservable inputs/ assumptions.

The valuation is based on prevailing market, economic and other conditions as at the date of this report. Significant uncertainty continues to exist. To the extent possible these conditions have been reflected in the Valuation. However, any subsequent changes in these conditions on the global economy and financial markets generally, and the Corporation, could impact upon value in the future, either positively or negatively.

Financial reporting impacts of climate related matters (fair value measurement)

Climate change is a risk to the Corporation. Climate change risk includes the physical risk which can cause direct damage to assets or property as a result of changes in climate conditions as well as transition risks which arise from the transition to a low-carbon economy (i.e. policy changes, carbon tax, legal and reputational risks and shifts in market and technology).

The Corporation's non-current assets are exposed to the risk of damage from extreme weather events such as storms, high winds, floods and drought. Changes in global climate conditions could intensify one or more of these events. In addition, extreme weather events may also increase the cost of operations. Physical risks arising from fires, floods and drought are partially covered through insurance and also the regulatory funding mechanism. Physical risks from coastal inundation and erosion are also expected to be covered through the regulatory funding mechanism. However, should the frequency and severity of these events increase as a result of climate change, the cost of such coverage and risk of unfunded costs may increase.

Transition risks could impact the valuation of infrastructure assets where the costs significantly exceed funding through the regulatory pricing mechanism.

Refer to 4.1.2.2 for further details on the sensitivity of climate related physical and transition risks as significant unobservable inputs to the Infrastructure and VDP valuations.

4.1.2.2 Description of significant unobservable inputs to Level 3 valuations

Asset category	Valuation	Significant unobservable inputs	Range/weighted average		Sensitivity of fair value measurement to changes in significant unobservable inputs
2025 and 2024	2025 and 2024	2025 and 2024	2025	2024	2025 and 2024
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	20-70% (45% weighted average)	20-70% (45% weighted average)	A significant increase or decrease in the CSO adjustment would result in a significantly lower or higher fair value
Specialised buildings	Current replacement cost	Direct cost per square metre	$2-$9,700	$12-$10,000	A significant increase or decrease in direct cost per square metre would result in a significantly higher or lower fair value
		Useful life of specialised buildings	5-150 years (65 years weighted average)	5-150 years (64 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Leasehold improvements	Current replacement cost	Cost per unit	$500-$0.14M per unit	$500-$0.2M per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
		Useful life of Leasehold improvements	3-15 years (14 years weighted average)	3-15 years (15 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Plant and equipment	Current replacement cost	Cost per unit	$500-$1M per unit	$500-$1.5M per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
		Useful life of plant and equipment	3-50 years (12 years weighted average)	3-50 years (10 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Fleet vehicles	Current replacement cost	Cost per unit	$7,500-$0.2M per unit	$5,200-$0.2M per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
		Useful life of vehicles	2-25 years (6 years weighted average)	1-25 years (6 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Infrastructure assets	Income approach	Exit RAB multiple	1.05x to 1.15x (1.10x midpoint)	1.05x to 1.15x (1.10x midpoint)	If the exit RAB multiple had changed by +/-0.050x from the year end valuation, the impact to the valuation would have been a increase of $962.9 million and decrease by $962.9 million (2023-24: increase of $905.1 million and decrease by $905.1 million).
		Weighted average cost of capital (WACC)	5.2%-5.7%	5.1%-5.5%	If the WACC had changed by +/-0.25% from the year end valuation, the impact to the valuation would have been a decrease of $320.5 million (2023-24: $295.5 million) and increase by $493.6 million (2023-24: $455.0 million).
		Useful life	2-245 years (80 years weighted average)	2-245 years (82 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a higher or lower fair value

4.1.2.2 Description of significant unobservable inputs to Level 3 valuations (continued)

Asset category	Valuation	Significant unobservable inputs	Range/weighted average		Sensitivity of fair value measurement to changes in significant unobservable inputs
2025 and 2024	2025 and 2024	2025 and 2024	2025	2024	2025 and 2024
Infrastructure assets	Income approach	Physical risk resulting in unrecoverable financial loss due to one-off climate change adverse weather events (i.e. bushfire, flood, drought etc.)	Costs associated with physical climate risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation. We have considered the example of a pre-tax unrecoverable financial loss (after insurance recovery) of $14.8 million - $29.6 million ($22.2 million mid-point) per one-off climate change event (based on actual average costs of historical bushfire and flood events over an average five year period). We have assumed a possible frequency of one-off climate change events between every 3 to 7 years (5 years mid-point) beyond the terminal year.	Costs associated with physical climate risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation. We have considered the example of a pre-tax unrecoverable financial loss (after insurance recovery) of $13.5 million - $27.0 million ($20.3 million mid-point) per one-off climate change event (based on actual average costs of historical bushfire and flood events over an average five year period). We have assumed a possible frequency of one-off climate change events between every 3 to 7 years (5 years mid-point) beyond the terminal year.	Occurrence of unrecoverable financial loss due to one off climate change events every 5 years (beyond the terminal year) at a cost of $22.2 million per event could reduce the valuation by $84.7 million or 0.77% (2023-24: $20.3 million per event could reduce the valuation by $77.2 million or 0.75%). Note: this is indicative only and limited due to uncertainty with estimation of the financial impact of physical climate risks.
		Transition risks arising from transition to low-carbon economy (i.e. policy changes, carbon tax, legal and reputational risks and shifts in market and technology).	Costs associated with climate change transition risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation. We have considered the example of price and volume risk associated with purchase and surrender of carbon offsets (associated with meeting our emissions reduction targets), that could occur within a regulatory cycle and could be partially unfunded. We have considered a range of increase in volume and/or price of 25-50% partially unfunded within each regulatory cycle.	Costs associated with climate change transition risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation. We have considered the example of price and volume risk associated with purchase and surrender of carbon offsets (associated with meeting our emissions reduction targets), that could occur within a regulatory cycle and could be partially unfunded. We have considered a range of increase in volume and/or price of 25-50% partially unfunded within each regulatory cycle.	An increase in partially unfunded costs associated with fluctuations in carbon price and/or volumes by 25-50% could reduce the valuation by 0.00% or $0.2 million (2023-24: 0.02% or $2.6 million) to 1.85% or $272.4 million (2023-24: 0.9% or $129.9 million).

4.1.2.2 Description of significant unobservable inputs to Level 3 valuations (continued)

Asset category	Valuation	Significant unobservable inputs	Range/weighted average		Sensitivity of fair value measurement to changes in significant unobservable inputs
2025 and 2024	2025 and 2024	2025 and 2024	2025	2024	2025 and 2024
VDP service concession asset	Current replacement cost	Cost per unit	Buildings $ per sqm: 13,563 - 21,159 (19,938 weighted average) Pipeline $ per m: 13,301 - 18,621 (15,719 weighted average) Pumps $ per kW: 597 - 1,707 (1,195 weighted average) Transformers $ per MVA: 66,643 - 142,172 (111,072 weighted average) Tanks $ per KL: 647 - 1,504 (1,015 weighted average)	Buildings $ per sqm: 12,948 - 20,199 (19,034 weighted average) Pipeline $ per m: 12,991 - 18,187 (15,353 weighted average) Pumps $ per kW: 565 - 1,615 (1,131 weighted average) Transformers $ per MVA: 64,209 - 136,979 (107,015 weighted average) Tanks $ per KL: 630 - 1,465 (989 weighted average)	A significant increase or decrease in unit costs would result in a significantly higher or lower fair value
		Engineering useful life for valuation	9 - 100 years (66 years weighted average)	9 - 100 years (66 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
		Industry specific ABS inflation indices	21%-100% (weighted 2.8% change)	18%-90% (weighted 8.3% change)	A significant increase or decrease in estimated inflation factors would result in a higher or lower fair value
		Physical risk resulting in reduced asset lives on VDP assets expected to be exposed to physical climate risks (i.e. sea level rise and coastal erosion, changes to seawater composition and extreme weather events) beyond the initial service concession period (as associated maintenance/ repair costs are expected to be funded by the service provider under the existing contractual arrangements to this date).	Costs associated with physical climate risks are uncertain. We have considered the key physical risks and assumed a reduction in the expected remaining useful life of 5%, 10% and 15% (beyond the September 2039 concession period), of the key component assets likely to be exposed to physical risk. These components include; intake and outtake structures, pre-treatment/filtration equipment/reverse osmosis membranes and electrical assets.	Costs associated with physical climate risks are uncertain. We have considered the key physical risks and assumed a reduction in the expected remaining useful life of 5%, 10% and 15% (beyond the September 2039 concession period), of the key component assets likely to be exposed to physical risk. These components include; intake and outtake structures, pre-treatment/filtration equipment/reverse osmosis membranes and electrical assets.	A reduction in expected normal useful live of component assets expected to be exposed to physical risks of 5-15% would reduce the fair value of the VDP assets by less than 1% (2023-24: less than 1%).

A reconciliation from the opening balances to the closing balances for fair value measurements is set out within the following table categorised within Level 3 of the fair value hierarchy for non-financial physical assets, disclosing separately changes during the period.

4.1.2.3 Reconciliation of Level 3 fair value

($ thousands)

	Specialised land	Specialised buildings	Leasehold improvements	Plant and equipment	Fleet vehicles	Infrastructure	VDP service concession asset
Opening balance 1 July 2023	2,448,681	35,903	654	14,950	10,692	9,411,423	4,573,658
Purchased additions	-	-	-	-	4,173	-	-
Developer contributed assets	-	-	-	-	-	15,512	-
Disposals and write-offs	(5,371)	-	-	(14)	(827)	(32,099)	-
Depreciation and amortisation	-	(1,157)	(163)	(7,360)	(1,778)	(366,051)	(90,018)
Transfers in/(out) of Level 3	755	-	-	-	-	-	-
Revaluation decrements	(4,813)	-	-	-	-	-	-
Capitalisation of works in progress[a]	7,016	-	-	5,982	-	681,261	-
At 30 June 2024	**2,446,268**	**34,746**	**491**	**13,558**	**12,260**	**9,710,046**	**4,483,640**
Opening balance 1 July 2024	2,446,268	34,746	491	13,558	12,260	9,710,046	4,483,640
Purchased additions	-	-	-	-	6,700	-	-
Developer contributed assets	-	-	-	-	-	10,373	-
Disposals and write-offs	(865)	(1,795)	-	(5)	(1,217)	(46,181)	-
Depreciation and amortisation	-	(1,118)	(164)	(4,941)	(2,376)	(417,465)	(90,053)
Transfers in/(out) of Level 3	(3,643)	-	-	-	-	-	-
Revaluation decrements	(7,030)	-	-	-	-	-	-
Capitalisation of works in progress	20,125	-	-	8,325	-	793,641	-
At 30 June 2025	**2,454,855**	**31,833**	**327**	**16,937**	**15,367**	**10,050,414**	**4,393,587**

(a) Prior year (2023-24) carrying amounts have been restated to reclassify ($399.1 million closing carrying value) from capital works in progress to infrastructure ($397.7 million closing carrying value) and intangible assets ($1.4 million closing carrying value Note 4.2) for projects that were completed (and should have been transferred out of capital works in progress) in 2023-24. These delayed transfers also have associated backlog increased depreciation expenditure by $25.7 million recognised in 2024-25 (2023-24: $11.4 million) that has not been adjusted against the prior year as deemed not material.

4.1.3 Depreciation, amortisation and impairment

($ thousands)

	Notes	2025	2024
Depreciation			
Buildings	**4.1.1**	1,449	1,488
Leasehold improvements	**4.1.1**	164	164
Plant and equipment	**4.1.1**	4,941	7,360
Fleet vehicles	**4.1.1**	2,376	1,777
Infrastructure assets	**4.1.1**	417,465	366,051
VDP service concession asset	**4.1.1**	90,053	90,018
Right of use assets	**4.4**	7,890	7,887
Total depreciation		**524,338**	**474,745**
Amortisation			
Intangible assets	**4.2**	9,301	13,149
Total amortisation		**9,301**	**13,149**
Total depreciation and amortisation		**533,639**	**487,894**

Depreciation and amortisation

Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed annually, and adjusted if appropriate, at the end of each reporting period.

Depreciation does not cease when an asset becomes idle or is retired from active use, unless the asset is fully depreciated. However, when an asset is retired permanently, depreciation ceases and the asset is derecognised

The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset.

Physical, economic and environmental factors are taken into consideration in assessing the useful lives of the assets, including but not limited to asset condition and obsolescence, technology changes, capital planning and renewals, and climate-related risks.

VDP service concession assets are depreciated based on guaranteed lives per the Project Deed arrangements, which incorporate the impact of the ongoing Project Deed lifecycle cost payments accounted for as expenditure. Guaranteed lives are used because lifecycle costs cover repairs and maintenance and also asset replacements with shorter lives than the Project Deed. Parts of VDP that have a cost that is significant in relation to the total cost of VDP are depreciated separately.

Impacts resulting from changes in depreciation rates have been incorporated in the current year's results and have not been separately disclosed as the overall amount was not material.

Major depreciation and amortisation periods used are listed below:

Buildings	5 to 150 years (2023-24: 5 to 150 years)
Leasehold improvements	3 to 15 years (2023-24: 3 to 15 years)
Plant and equipment	3 to 50 years (2023-24: 3 to 50 years)
Infrastructure assets	2 to 245 years (2023-24: 2 to 245 years)
Fleet vehicles	2 to 25 years (2023-24: 2 to 25 years)
Intangible assets	2 to 25 years (2023-24: 2 to 25 years)
VDP service concession asset	9 to 100 years (2023-24: 9 to 100 years)
Right of use assets	3 to 8 years (2023-24: 3 to 8 years)

During the period, there were no material changes made to the useful lives of property, plant and equipment (2023-24: No material changes).

Indefinite life assets

Land, which is considered to have an indefinite life, is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- Inventories
- Non-current assets held for sale (refer 4.1.2.1 and 4.3)

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off to the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that asset.

The recoverable value estimates used in the impairment of assets analysis consider forecast cash flows, growth and terminal capital expenditure assumptions. The recoverable value estimates demonstrate that assets are not impaired. While forecasting is used to explore and help prepare for a wide range of potential future conditions (including the impacts of climate change and changes in macroeconomic conditions), there is a risk that the assumptions made based on what is currently known may not reflect the actual impact of emerging risks in the future.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amounts for most assets are measured at the higher of the present value of future cash flows expected to be obtained from the asset or fair value less costs to sell.

4.2 Intangible assets

($ thousands)

	2025	2024
Intangible assets [d]	191,319	186,869
Less: accumulated amortisation and impairment	(163,250)	(153,949)
Total intangible assets	**28,069**	**32,920**

Reconciliation of movements in intangible assets

($ thousands)

	Total	RECs[a]	IT[b]
Carrying amount at 1 July 2024	32,920	3,628	29,292
Additions	5,784	5,784	-
Amortisation	(9,301)	-	(9,301)
Impairment [c]	(1,585)	(1,585)	-
Capital expenditure	251	-	251
Carrying amount at 30 June 2025	**28,069**	**7,827**	**20,242**
Carrying amount at 1 July 2023	39,311	3,728	35,583
Additions	7,785	7,785	-
Disposals	(7,885)	(7,885)	-
Amortisation	(13,149)	-	(13,149)
Capital expenditure [d]	6,858	-	6,858
Carrying amount at 30 June 2024	**32,920**	**3,628**	**29,292**

Note:
(a) Renewable Energy Certificates (RECs)
(b) Information Technology
(c) There was a $1.5 million impairment of REC's recognised this year in the income statement (2023-24: zero)
(d) Prior year (2023-24) carrying amounts have been restated (by $1.4 million closing carrying value) to include transfers from capital works in progress (Note 4.1.1) for projects that were completed in 2023-24 and should have been transferred to intangible assets (IT).

Intangible assets consist primarily of information technology software and RECs. They represent identifiable non-monetary assets without physical substance. Intangible assets are measured at cost less accumulated amortisation (RECs are not amortised) and impairment. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

The Corporation amortises intangible assets with a limited useful life using the straight line method over the estimated useful lives (excluding RECs). Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The useful life and amortisation method is reviewed at the end of each annual reporting period. RECs have an indefinite life and are not amortised.

An assessment is made at the end of each reporting period to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Software costs

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Software as-a-Service (SaaS) arrangements are service contracts providing the Corporation with the right to access the cloud provider's application software over the contract period. As such the Corporation does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as administrative expenses (Note 3.4) over the term of the service contract	• Fee for use of application software • Customisation costs
Recognise as administrative expenses (Note 3.4) as the service is received	• Configuration costs • Data conversion and migration costs • Testing costs • Training costs

The Corporation made the following key judgements that may have the most significant effect on the amounts recognised in the financial statements.

Determination whether configuration and customisation services are distinct from the SaaS access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term (via prepayments).

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not. During the financial year, the Corporation did not recognise any prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term (2023-24: zero).

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Corporation may develop software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with *AASB 138 Intangible Assets*. During the financial year, the Corporation did not recognise any intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements (2023-24: zero).

4.3 Non-current assets held for sale

The Corporation currently holds land for sale mainly as part of the Riverwalk Estate (Werribee) development. As at 30 June 2025, the Corporation has a joint arrangement with Development Victoria to actively market Riverwalk Estate lots for private sale.

Riverwalk, located in Werribee, an outer western suburb of Melbourne, is a 197 hectare site and was previously part of the Western Treatment Plant. The Corporation has entered into a Partnering Deed with Development Victoria to develop the land with an estimated 2,260 homes at the completion of the project.

The Corporation has accounted for all assets, liabilities, revenues and expenses relating to its interest in the joint operation in accordance with the *AASB 11 Joint arrangements*.

Refer to 4.1.2 for further details on fair value measurement of non-current assets held for sale.

4.4 Right-of-use assets and leases

This note provides information for leases where the Corporation is a lessee.

(i) Amounts recognised in the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases:	($ thousands) 2025	2024
Right-of-use assets		
Buildings	15,412	23,106
Equipment	-	73
Other	138	261
Total right-of-use assets	**15,550**	**23,440**
Lease liabilities		
Current	9,334	8,613
Non – Current	10,035	19,369
Total lease liabilities (included within interest bearing liabilities see Note 5.1)	**19,369**	**27,982**

During the 2024-25 financial year there were no additions (2023-24: zero) to the right-of-use assets or lease liabitlities.

(ii) Amounts recognised in the Statement of Profit or Loss

The Statement of Profit or Loss shows the following amounts relating to leases:	($ thousands) 2025	2024
Depreciation charge of right-of-use assets		
Buildings	7,694	7,687
Equipment	73	73
Other	123	127
Total	**7,890**	**7,887**
Administrative expenses		
Expense relating to leases of low-value assets that are not short-term leases	4	2
Expense relating to variable lease payments not included in lease liabilities	404	371
Total	**408**	**373**
Finance expenses		
Buildings	457	613
Equipment	3	4
Other	8	12
Total	**468**	**629**

The total cash outflow for leases in 2024-25 was $9.1 million (2023-24: $8.7 million).

4.4 Right-of-use assets and leases (continued)

(iii) The Corporation's leasing activities and how these are accounted for:

The Corporation leases buildings, minor equipment and various network connection assets.

Rental contracts are typically made for fixed periods of 3 to 15 years, but may have extension options as described below.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Corporation.

Initial recognition

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit and loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the Corporation's incremental borrowing rate. Treasury Corporation of Victoria (TCV)/Department of Treasury's (DTF) calculator is used to determine the incremental borrowing rate.

Right-of-use assets include the following components:

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

The Corporation is exposed to future cash outflows that are not reflected in the measurement of lease liabilities. This includes:

- variable lease payments
- extension options and termination options, and
- leases not yet commenced to which the lessee is committed.

4.4 Right-of-use assets and leases (continued)

(iii) The Corporation's leasing activities and how these are accounted for (continued):

Subsequent re-measurements

Right of use assets are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with reference to market rental yields, impairment losses, changes in discount rates and any re-measurements of the lease liability. A managerial fair value assessment was performed with reference to market rental yields and concluded that no revaluation adjustments were required for 30 June 2025 (2023-24: no revaluation adjustments).

Lease modifications

A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of its original terms and conditions. A new lease is recorded if the modification increases the scope of the lease. If the modification is considered a re-assessment of the lease then the right of use assets and liabilities are remeasured. During 2024-25 there were no lease modifications (2023-24: no lease modifications). It is expected there will be a lease modification in 2025-26 for the extension of the Corporate building lease.

Depreciation

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Operating lease receivable

Operating leases receivable primarily relate to land owned by the Corporation. All operating lease contracts contain market review clauses. The lessee does not have an option to purchase the land at the expiry of the lease period.

Commitments for minimum lease receipts in relation to non-cancellable operating leases are as follows:

	($ thousands)	
	2025	**2024**
Within 1 year	2,603	2,993
Later than 1 year but not later than 5 years	4,788	4,664
Later than 5 years	2,923	2,812
Total operating lease receivable	**10,314**	**10,469**

Financing Our Operations

Introduction

The Corporation's operations are financed through a variety of means. Recurrent operations are generally financed from cash flows from operating activities (see Statement of Cash Flows). Asset investment operations are generally financed from a combination of surplus cash flows from operating activities, asset sales and borrowings.

This section provides information on the balances related to the financing of the Corporation's operations, including financial commitments (inclusive of lessor receivables) at year-end.

5.1 Interest bearing liabilities

($ thousands)

	2025	2024
Current interest bearing liabilities		
VDP service concession liability	70,664	59,914
Lease liabilities	9,334	8,613
Borrowings	362,100	325,000
Total current interest bearing liabilities	**442,098**	**393,527**
Non-current interest bearing liabilities		
VDP service concession liability	3,334,159	3,404,823
Lease liabilities	10,035	19,369
Borrowings	4,813,174	4,402,249
Total non-current interest bearing liabilities	**8,157,368**	**7,826,441**
Total interest bearing liabilities	**8,599,466**	**8,219,968**

Interest bearing liabilities come from borrowings raised through the Treasury Corporation of Victoria (TCV), along with VDP service concession liability and leases. They are classified as financial instruments. All interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities are subsequently measured at amortised cost using the constant interest rate method, with interest expense recognised on an effective yield basis.

Financial liabilities for the VDP service concession liability were initially measured at the fair value of the service concession asset. Any modifications to the debt repayments are considered with reference to the guidance within AASB 9.

Where the Corporation has the right to defer settlement of the liability for at least twelve months after the reporting period, interest bearing liabilities are classified as non-current liabilities. Otherwise interest bearing liabilities are classified as current liabilities.

The Corporation has classified borrowings which mature within 12 months as non current liabilities on the basis that the Corporation has discretion to, and will refinance or roll over these loans with TCV pursuant to section 8 of the *Borrowings and Investment Powers Act 1987*. Short term borrowings are classified as current borrowings at floating interest rate.

Financial reporting impacts of climate related matters

Under the Greener Government Buildings Program, the Corporation entered into two Credit Foncier loans with TCV on the 28 September 2022 totalling $78.4M with a balance as at 30 June 2025 of $53.2 million included within borrowings (30 June 2024: $62.3 million). The purpose of these loans are to fund the below climate related projects:

- To implement the Eastern Treatment Plant and Winneke Water Treatment Plant Large Scale Solar projects, which are designed to reduce Scope 2 greenhouse gas emissions associated with the plants' energy consumption and operating costs associated with purchasing electricity for water treatment at the facilities operated by Corporation; and
- Installation of Mini Hydroelectric Power Stations at St Albans and Upper Yarra Reservoirs which have been commissioned and O'Shannassy which is expected to be commissioned in late 2025

The loans fund the construction of the above projects with cost savings from purchasing electricity to repay the loans over 8 years. These loans have the financial accommodation levy (FAL) waived, and differ to usual TCV loans in that principal and interest are paid progressively over the loan period.

5.1 Interest bearing liabilities (continued)

5.1.1 Breakdown of finance costs

($ thousands)

	2025	2024
Interest expense	160,308	134,824
VDP service concession liability	388,870	394,660
Lease liabilities	468	629
Financial Accommodation Levy	36,188	33,984
Total	**585,834**	**564,097**

Finance costs include interest on short-term and long-term borrowings, finance charges associated with the VDP service concession liability, interest on leases, the Victorian Government's Financial Accommodation Levy. An assessment has been performed and significant financing component on contracts with customers has been determined to be immaterial to recognise (2023-24: zero).

Financial accommodation levy is a levy applied to the Corporation to remove the market advantage that government entities may experience in borrowings as a result of being guaranteed by the State of Victoria. The financial accommodation levy is a commercial rate charged for new borrowings based on the Corporation's underlying credit rating and is paid into the State's Consolidated Fund in accordance with section 40N of the *Financial Management Act 1994* in respect of financial accommodation provided to the Corporation by the State Government of Victoria.

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs directly attributable to the acquisition, construction or production of these qualifying assets are not required to be capitalised and will continue to be expensed in the period in which they are incurred. All qualifying assets (being assets that necessarily take a substantial period of time to get ready for their intended use or sale) are measured at fair value.

5.2 Cash flow information and balances

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of 3 months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Deposits held and advances received are categorised as financial liabilities at amortised cost.

Reconciliation of net profit to net cash flows from operating activities

($ thousands)

	2025	2024
Profit for the period after tax	81,668	149,709
Plus/(less) non cash items:		
Depreciation and amortisation	533,639	487,894
Net gain on revaluation of non-financial assets	-	-
Net gain on sale of non-current assets (including RECs)	(18,907)	(14,715)
Assets written off/written down and asset transfers to Council	77,131	40,439
Developer contributed assets received	(10,373)	(15,512)
Defined benefit superannuation plan expense/(revenue)	(402)	(340)
RECs received [(a)]	(5,784)	(7,785)
Changes in operating assets and liabilities (net of investing items):		
(Increase)/Decrease in trade and other receivables and contract assets	(36,289)	(13,092)
(Increase)/Decrease in prepayments and inventories	(2,557)	(4,880)
(Increase)/Defined benefit superannuation plan asset	(188)	(1,709)
Increase/(Decrease) in trade and other payables and contract liabilities	(75,255)	38,099
Increase/(Decrease) in other provisions and employee benefits provisions	(3,749)	(5,485)
(Decrease)/Increase in current tax liability	(39,699)	30,729
(Decrease)/Increase in deferred tax liabilities	(17,835)	(2,005)
Net cash provided by operating activities	**481,430**	**681,347**

(a) REC's received from electricity commodity and renewable instrument contractual arrangements, and from self-generation activities by Corporation's assets (i.e. Mini Hydro's).

5.3 Commitments

Commitments for future expenditure include capital, operating and financing commitments arising from contracts.

These commitments are not recognised in the financial statements, but are disclosed at their nominal value and inclusive of the GST payable, except for finance lease liabilities which are disclosed at present value.

	($ thousands)	
	2025	2024
Capital expenditure commitments		
Total capital expenditure contracted for the construction of water, sewerage and waterways and drainage infrastructure:		
Less than 1 year	560,497	481,606
More than 1 year but less than 5 years	412,912	495,083
5 years or more	18,554	15,457
Total capital expenditure commitments	**991,963**	**992,146**

Other operating commitments		
Other operating commitments relate to operating contracts including energy, IT, research and development (excluding leases). Refer to note 5.4 for other operating commitments relating to the VDP service concession arrangement. Total other operating expenditure contracted for at balance date are as follows:		
Less than 1 year	47,013	38,885
More than 1 year but less than 5 years	61,771	73,362
Later than 5 years	11,792	23,067
Total other operating commitments	**120,576**	**135,314**

5.4 VDP service concession arrangement

Victorian Desalination Project Arrangement

The State of Victoria entered into a 30-year Public Private Partnership (PPP) arrangement with the AquaSure consortium (AquaSure) on 30 July 2009. The Victorian Desalination Project was initiated to design, build, finance and operate a desalination plant, transfer pipeline and 220 kV underground power cable capable of supplying 150GL of water per annum into the Melbourne network. Construction of the Victorian Desalination Project began in 2009 and the lease term commenced in 2012 upon successful commissioning. AquaSure is required to transfer the project assets to the State at the end of the project term for no additional payment by the State. The desalination plant assets will transfer from the State to the Corporation at the end of the project contract term (presently planned for 2039).

Under the arrangement, the state has an obligation to make Water Security Payments (WSPs) to the consortium provided the plant is maintained to the appropriate standard. The WSPs have two components: capital payments for the project assets and other expenses for operating, maintenance and lifecycle costs. The state will also make Water Usage Payments (WUPs) for any water that is ordered and delivered to the required standard. Water can be ordered annually for flexible amounts from 0GL to 150GL (in set increments). The arrangement also requires a minimum number of Renewable Energy Certificates (RECs) to be purchased to offset the electricity used by the plant. The number of RECs that are consumed will vary based on the volume of water produced by the plant. The number of banked RECs that remain at the end of the supply period are controlled by the State and not recognised by the Corporation.

An arrangement was entered into by the State and the Corporation, where a Statement of Obligations (SoO) was issued to the Corporation under section 4I of the Water Industry Act 1994 that required the Corporation to pay all monies as required by the State under the project deed with AquaSure. This includes payment of the WSPs and WUP in accordance with the Project Deed. The Corporation makes these payments to DEECA who are managing the contract with AquaSure on behalf of the State.

The Corporation also entered into a Victorian Desalination Project 'Water Interface Agreement' (WIA) and a Supplementary Water Interface Agreement with the State to record the terms of the interface and financial arrangements between the Project and the Corporation.

Service Concession Assessment and Policy

The State (in conjunction with the Corporation) has assessed the agreements between AquaSure, DEECA (on behalf of the State) and the Corporation, and concluded that the agreements are connected and should form one single commercial arrangement. Under the combined arrangement, the Corporation is considered the ultimate grantor under *AASB 1059 Service Concession Arrangements: Grantors*, and AquaSure the private sector operator that provides public services on behalf of the Corporation. Accordingly the Corporation applies AASB 1059 to the VDP arrangement. Service concession assets are recognised under Property plant and equipment in section 4.1 and related liabilities are disclosed under Interest bearing liabilities under section 5.1 respectively.

Changes in arrangement occurring in the current year

As at 30 June 2025 AquaSure had produced zero GL for the 2024-25 supply period (zero GL for the 2023-24 supply period).

On 4 April 2025 the Minister for Water announced the 2025-26 Supply Notice (order) with a Required Annual Water Volume for 50 GL in 2025-26 and non-binding forecasts of 75 GL for 2026-27 and 50 GL for 2027-28 (2024-25 non-binding forecast: 50GL for 2025-26 and 75GL for 2026-27).

5.4 VDP service concession arrangement liability (continued)

As per information provided by DEECA (in accordance with the WIA), the Corporation has recognised the following service concession liability:

($ thousands)

	Minimum future payments (exc GST)		Present value of minimum future payments (exc GST)	
	2025	2024	2025	2024
VDP service concession arrangement liability				
Less than 1 year	452,495	448,784	70,664	59,914
More than 1 year but less than 5 years	1,916,479	1,880,218	500,806	414,174
Later than 5 years	4,562,773	5,051,528	2,833,353	2,990,648
Minimum future liability payments	**6,931,747**	**7,380,530**	**3,404,823**	**3,464,736**
Less: Future finance charges	(3,526,924)	(3,915,794)	-	-
Total liability	**3,404,823**	**3,464,736**	**3,404,823**	**3,464,736**
Representing liability:				
Current (refer to 5.1) [a]			70,664	59,914
Non-current (refer to 5.1) [a]			3,334,159	3,404,823
Total liability			**3,404,823**	**3,464,737**

Note:
(a) The present value of the minimum future payments have been discounted to 30 June of the respective financial years using the weighted average interest rate of 11.28% (2023-24: 11.28%). These payments exclude finance charges.

VDP service concession arrangement – other commitments payable

Under the PPP arrangement that the state entered into with AquaSure, the State is required to make base water security payments, provided the plant is maintained to the appropriate standard. These payments are for costs related to the VDP's operation, maintenance and lifecycle costs. The nominal amounts for the other commitments below represent the charges payable under the agreement at the end of the reporting period for these costs. These commitments are not recognised in the balance sheet and are expensed as incurred.

The other commitments payable are disclosed based on information provided by DEECA (in accordance with the WIA):

($ thousands)

	2025	2024
Less than 1 year	214,053	170,726
More than 1 year but less than 5 years	830,550	770,554
Later than 5 years	2,354,545	2,574,145
Total other commitments (inclusive of GST) [a]	**3,399,148**	**3,515,425**
Less GST recoverable from the Australian Taxation Office	(309,013)	(319,584)
Total other commitments (exclusive of GST)	**3,090,135**	**3,195,841**
Present value of other commitments [b]	**1,553,517**	**1,517,749**

Note:

(a) The 'Other commitments' are updated to reflect indexation factors, such as Consumer Price Index, Producer Price Index, Chemical Index and Average Weekly Earnings Index. Commitments are updated for the change in actual amounts paid, and forecast percentage increases are based on the original forecasted indices and applied to the adjusted actual payments. This methodology has been applied to reduce volatility in the forecast 'Other commitments'.

(b) The present value of the 'Other commitments' has been discounted to 30 June of the respective financial years. The basis for discounting has been to take each 12 month period of cash flows and discount these cash flows at the end of the period using the annual discount rate. The discount rate used to calculate the present value of the commitment is 9.99% (2023-24: 9.99%) which is the nominal pre-tax discount rate representative of the overall risk of the project at inception.

(c) Net costs associated with the zero water order for the 2024-25 financial year have been reflected in commitments for 2023-24. The announcement of the 50 GL water order for 2025-26 is a binding commitment and has been included in 2024-25. The announcement of the 75GL and 50GL water order for 2026-27 and 2027-28 are non-binding commitments and have not been included.

Risks, contingencies and valuation judgements

Introduction

The Corporation is exposed to financial risks from both its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section presents information on financial instruments, contingent assets and liabilities, and fair value determinations regarding the Corporation's financial assets and liabilities.

6.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Corporation's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes). Such assets and liabilities do not meet the definition of financial instruments.

The Corporation's principal financial instruments are contractual in nature and comprise:

- Cash and cash equivalents
- Trade debtors and other receivables (including cashflow hedge)
- Payables (including trade creditors, interest payable, accruals and other payables)
- VDP service concession liability
- Lease liabilities
- Borrowings (including short term, floating rate notes and fixed interest)

The Corporation's policy on financial instruments is noted below.

Classification and measurement of financial instruments

Receivables and cash are financial instruments with fixed and determinable payments that are not quoted on an active market. Financial assets are initially measured at fair value minus any direct transaction costs. Subsequent to initial measurement, receivables are measured at amortised cost (excluding cash flow hedges) as the objective is to collect the contractual cash flows. Cash flow hedges are measured at fair value through Other Comprehensive Income.

The following assets are held with the objective to collect the contractual cash flows:

- Cash and cash equivalents
- Trade debtors and other receivables

Financial liabilities are initially recognised at fair value. These financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss, over the period of the interest bearing liability using the effective interest rate method.

The Corporation recognises the following liabilities:

- Trade creditors, accruals and interest payable
- VDP service concession liability
- Lease liabilities
- Other payables
- Borrowings (including short term, floating rate notes and fixed interest)

6.1 Financial instruments (continued)

Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Impairment of financial assets

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. On this basis, an assessment undertaken by management has identified that historical debt write-offs and future expected losses are immaterial. As such, there is no allowance for expected credit losses as at 30 June 2025 (2023-24: Nil).

Categories of financial instruments

($ thousands)

	2025	2024
Financial assets at amortised cost		
Cash and cash equivalents	2,159	508
Trade debtors	74,034	53,641
Other receivables	69,606	59,819
Total financial assets at amortised cost	**145,799**	**113,968**
Financial liabilities at amortised cost		
Payables	609,049	554,217
Interest bearing liabilities		
VDP service concession liability	3,404,823	3,464,737
Lease liabilities	19,369	27,982
Short term borrowings	362,100	325,000
Floating rate notes	35,000	135,000
Fixed interest borrowings	4,778,174	4,267,249
Total financial liabilities at amortised cost	**9,208,515**	**8,774,185**

Financial risk management

The objectives of the Corporation's Treasury Management Policy are to:

- Manage the Corporation's cost of borrowings through effective control and management of interest rate risk
- Manage the Corporation's cost of borrowings in line with the revenue provided in the applicable Pricing Determination to cover the cost of debt
- Manage working capital requirements by ensuring sufficient cash resources and funds are available to meet daily and long-term liquidity needs within approved parameters, while utilising excess cash to reduce debt balances
- Ensure that adequate financial accommodation facilities are in place to meet the short and long-term liquidity needs
- Ensure that all financial and operational risk exposures are identified and managed
- Ensure adequate internal controls, roles and responsibilities
- Maintain an indicative investment grade corporate credit rating and credit metrics.

These objectives are consistent with the Corporate Risk Management Policy and Framework of the Corporation, the Corporation's Financial Strength Goals, Standing Directions issued by the Assistant Treasurer and the Victorian Public Sector Debt Management Objectives.

The Corporation's Treasury Management Policy manages financial risk by:

- Managing the financial risks arising from the regulatory price determination process, specifically the mismatch between the regulator's revenue allowance for debt costs and actual debt costs throughout the regulatory period
- Actively managing liquidity and funding risk

The following are the key measures used to manage financial risk:

Portfolio composition (i.e. fixed and floating) – During the 2024-25 financial year, the Corporation reviewed its Treasury Management Policy and have made no changes from the prior year bands by which it manages its debt portfolio:

Floating interest rate borrowings	0-30%
Fixed interest rate borrowings	70-100%

Physical maturity profile – Debt maturity of fixed and floating rate notes is not to exceed 15% of the total debt portfolio in any financial year.

Interest rate risk profile – Forward Rate Agreements are used to mitigate the risk from adverse interest rate increases where the actual interest rates paid to finance debt are at risk of being higher than the debt allowance received in revenue to finance debt. The Corporation's goal is to align the actual interest rate risk profile to the profile used by the Essential Services Commission (ESC) in setting our revenue.

The Corporation aligns the interest rate re-pricing profile of the debt portfolio with the annual regulatory weighted average cost of capital (WACC), which is re-set based on the 10-year trailing average approach used by the ESC to determine revenue. The aim in doing so is to reduce the risk of regulatory interest rate mismatch. The Corporation also aims to align the modified duration of its debt portfolio in line with the regulatory benchmark portfolio.

Financing arrangements – The capacity to borrow funds and manage the associated risks is subject to the provisions of the *Borrowing and Investment Powers Act 1987*. In accordance with this Act, the Treasurer of Victoria issues an annual approval, permitting new borrowings and the refinancing of all loan maturities for that year and non-maturing loans upon request. All funding is sourced from the Treasury Corporation of Victoria (TCV).

The Corporation's total approved maximum borrowing limit for 2024-25 of $5,442.1 million (2023-24: $5,275.8 million) was not exceeded at any stage throughout the financial year.

Capital management – The Corporation manages its finances in order to maintain a stable and appropriate capital structure given the financial risk profile and the regulated nature of its business. The Corporation's aim is to maintain credit metrics consistent with an investment grade long-term corporate credit rating.

The Corporation has the following externally imposed limits in relation to capital management:

- Financial Accommodation cannot exceed the approval limits set by the Treasurer of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*
- The Corporation, with the exception of working capital accounts, is required to borrow and invest exclusively with TCV.

The Corporation's gearing ratio (Total Debt/Total Assets) at 30 June 2025 was 46.1% (2023-24: 45.1%) and interest cover cash ratio was 2.1 times (2023-24: 2.4 times).

Gearing and Interest Cover ratios are some of a number of benchmarks that are considered by the Board when considering an appropriate capital structure. These ratios are approved via the *Corporate Plan*.

Development Services Schemes (Schemes) – the Corporation has functions relating to regional drainage, floodplain management and waterway management in relation to its waterway management district across greater Melbourne under the *Water Act 1989*, and related responsibilities as a determining referral authority for certain planning permit applications under the *Planning and Environment Act 1987* and Victoria Planning Provisions. The Corporation prepares schemes to plan the infrastructure for new urban development to guide the standards developers must meet regarding flood protection, water quality, waterway health and amenity and establish the financial contributions that will apply to developers to fund the provision of the required infrastructure. Schemes consist of an infrastructure plan and pricing model for the provision of developer funded drainage works. Schemes operate on a user pays principle where developers pay the full cost of the assets required to meet the designated standards of service. Once constructed, assets servicing catchments over 60 hectares are owned and managed by the Corporation. Works within a catchment size of less than 60 hectares are transferred to councils for ongoing management upon agreement from council (see note 3.6 Asset transfers to council).

The Essential Services Commission (ESC) regulates the principles for calculating developer charges. A key principle is that charges for schemes are based on a discounted cash flow analysis to ensure an economic net present value neutral outcome to the Corporation. Timing differences can arise between capital expenditure and collection of the developer charges for each scheme. These timing differences are funded by the Corporation through operating cash flows and/or borrowings with any surplus or deficit also adjusted/funded through adjustments to the regulatory asset base via the regulatory pricing model set by the ESC in every pricing re-set. Schemes are subject to regular financial and engineering reviews by the Corporation to seek to ensure they remain financially sustainable and the infrastructure meets evolving requirements.

Future capital commitments for schemes are accounted for consistently with other future capital commitments for the Corporation (included in total capital expenditure commitments at Note 5.3 where there is a committed future contract for the works).

6.1.1 Interest rate risk

Interest rate exposure as at 30 June 2025

($ thousands)

	Weighted average	Floating interest	Fixed interest	Non-interest bearing	Total carrying amount
Financial assets					
Cash and cash equivalents	4.00%	2,159	-	-	2,159
Trade debtors	-	-	-	74,034	74,034
Other receivables	-	-	-	69,606	69,606
Total financial assets		**2,159**	**-**	**143,640**	**145,799**
Financial liabilities					
Payables	-	-	-	609,049	609,049
Interest bearing liabilities					
VDP service concession liability [a]	11.28%	-	3,404,823	-	3,404,823
Lease liabilities	1.91%		19,369		19,369
Short term borrowings	4.02%	362,100	-	-	362,100
Floating rate notes	4.06%	35,000	-	-	35,000
Fixed interest borrowings	3.30%	-	4,778,174	-	4,778,174
Total financial liabilities		**397,100**	**8,202,366**	**609,049**	**9,208,515**

Interest rate exposure as at 30 June 2024

($ thousands)

	Weighted average	Floating interest	Fixed interest	Non-interest bearing	Total carrying amount
Financial assets					
Cash and cash equivalents	4.50%	508	-	-	508
Trade debtors	-	-	-	53,641	53,641
Other receivables	-	-	-	59,819	59,819
Total financial assets		**508**	**-**	**113,460**	**113,968**
Financial liabilities					
Payables	-	-	-	554,217	554,217
Interest bearing liabilities					
VDP service concession liability [a]	11.28%	-	3,464,737	-	3,464,737
Lease liabilities	2.29%		27,982		27,982
Short term borrowings	4.52%	325,000	-	-	325,000
Floating rate notes	4.63%	135,000	-	-	135,000
Fixed interest borrowings	2.95%	-	4,267,249	-	4,267,249
Total financial liabilities		**460,000**	**7,759,968**	**554,217**	**8,774,185**

Note:
a) The weighted average interest rate for the VDP service concession arrangement is the interest rate implicit in the arrangement. AASB 9 requires gains or losses from VDP refinancing activities to be recognised immediately through profit and loss. The gains or losses reflect the difference between the original contractual cash flows and the modified cash flows discounted at the original 'effective interest rate'.

6.1.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis

($ thousands)

2025	Profit or Loss		Equity	
	-50 basis points	+50 basis points	-50 basis points	+50 basis points
Cash and cash equivalents	(11)	11	(8)	8
Interest bearing liabilities	1,986	(1,986)	1,390	(1,390)
Total	**1,974**	**(1,974)**	**1,382**	**(1,382)**

($ thousands)

2024	Profit or Loss		Equity	
	-50 basis points	+50 basis points	-50 basis points	+50 basis points
Cash and cash equivalents	(16)	16	(11)	11
Interest bearing liabilities	2,300	(2,300)	1,610	(1,610)
Total	**2,284**	**(2,284)**	**1,599**	**(1,599)**

Exposures arise predominately from liabilities bearing variable interest rates as the Corporation intends to hold fixed rate liabilities to maturity. At 30 June 2024 and 30 June 2025, if interest rates had changed by +/- 50 basis points from the year end rates with all other variables held constant, the net profit before tax and the impact on equity would have changed by the amounts shown above.

6.1.2 Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

It is the Corporation's policy to hedge the effect of foreign currency exchange rate movements on the fair values of any transactions in excess of AUD $1.0 million. The Corporation's policy requires all hedging to be undertaken through TCV in the form of Forward Foreign Exchange Contracts.

As at 30 June 2025, the Corporation had no Forward Foreign Exchange Contracts (30 June 2024: zero).

6.1.3 Price risk

Price risk is the risk that the Corporation will suffer financial loss due to adverse movements in the price of commodity inputs and/or outputs related to its business operations.

The Corporation faces a range of risks associated with the procurement, delivery and funding of assets, goods and services. The Corporation continues to experience significant cost increases in many goods and services that are necessary for ongoing operation and delivery of projects consistent with significant market trend. The Corporation is also exposed to disruptions to supply chains from economic and natural events, however has risk management plans in place to mitigate and minimise these disruptions to business operations where possible. These challenges are ongoing which could impact service delivery and the ability to meet financial performance targets and commitments.

The Corporation regularly assesses exposures to supply chain disruptions and identifies controls and options to reduce any exposures going forward.

Commodity price risk from business operations is quantified and hedged appropriately to minimise risk. Hedging of the risk is mostly performed through supply and service contracts to provide certainty over timing and quantity (i.e. contracts for electricity, chemicals and procurement process to deliver capital works), however increased supplier initiated price escalation has been observed, again consistent with significant market trend.

The Corporation has governance arrangements, processes, procedures and systems in place to prioritise delivery of its capital program and projects.

6.1.4 Credit risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations in full and on the due date. The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer or counterparty.

All receivables are recognised at the amounts receivable less any expected credit loss. Receivables are reviewed on an ongoing basis to identify amounts which cannot be collected. Debts which cannot be collected are written off. The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. Refer to note 2.2 (Receivables).

The major exposure to credit risk arises from Trade Debtors and Other Receivables.

Trade Debtors are comprised of:

- Metropolitan retail water businesses with minimal credit risk exposure to the Corporation. These debtors are invoiced in two parts. The first part is a usage charge that is invoiced weekly and paid within 7 days. The second part is an availability charge that is invoiced monthly and paid within 14 days.
- Waterways and Drainage customers. The collection of payments and overdue receivables is managed by the metropolitan retail water businesses as part of billings and collection agreements with the Corporation. In addition any unpaid debt is allocated against the property title and will be extinguished if there is a change in property ownership.

Other receivables primarily consist of accrued revenue in relation to our services.

All financial risk management instruments are transacted with TCV, whose liabilities are guaranteed by the Victorian Government. The Corporation potentially has a concentration of credit risk with TCV as the central borrowing authority of Victoria. This risk is considered minimal.

6.1.5 Climate-related risk

Climate change is a risk for the Corporation. Climate change risk includes the physical risk which can cause direct impact to natural resources including water supply, or damage to assets or property as a result of changes in climate conditions (including rising global temperatures) as well as transition risks which arise from the transition to low-carbon economy. The impacts of climate change create resilience challenges for our services. Understanding and preparing for climate risks is a critical component of the Corporation's long term strategy development. At a strategic level, climate risk is incorporated into our corporate risk register, recognising the complex and comprehensive nature of the adaption and transition challenges. Climate risk and opportunities are also integrated into the overarching strategic goals that guide planning, investment and culture at Melbourne Water. Refer to the operating sections of the annual report for additional climate related risk disclosures.

As at 30 June 2025, the Corporation considered climate related risk in the preparation of the financial statements as summarised at Note 1 (Financial reporting impacts of climate related matters).

6.1.6 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its short-term financial obligations. The Corporation manages liquidity risk by maintaining and conducting efficient banking practices and account structures, sound cash management practices and regular monitoring of the maturity profile of assets and liabilities, together with anticipated cash flows.

The objective of the Corporation's financial risk management policies is the optimal utilisation of cash with all surplus funds used to repay borrowings.

Undiscounted maturity analysis of financial liabilities ($ thousands)

2025

	Total carrying amount	Total contractual cash flows	1 year or less	1 to 5 years	Over 5 years
Non-interest bearing	609,049	609,049	609,049	-	-
Variable rate	397,100	417,632	378,061	39,571	-
Fixed rate	8,202,366	13,259,937	1,167,853	4,614,386	7,477,698
Total	**9,208,515**	**14,286,618**	**2,154,963**	**4,653,957**	**7,477,698**

2024

	Total carrying amount	Total contractual cash flows	1 year or less	1 to 5 years	Over 5 years
Non-interest bearing	554,217	554,217	554,217	-	-
Variable rate	460,000	351,198	344,235	6,609	353
Fixed rate	7,759,967	13,091,664	973,003	4,309,303	7,809,358
Total	**8,774,184**	**13,997,079**	**1,871,455**	**4,315,912**	**7,809,711**

6.1.7 Other matters

Net holding gain/(loss) on financial instruments by category ($ thousands)

2025

	Net holding gain	Interest revenue/ (expense)	Total
Financial assets	-	493	493
Financial liabilities at amortised cost	-	(585,834)	(585,834)
Total	**-**	**(585,341)**	**(585,341)**

2024

	Net holding gain	Interest revenue/ (expense)	Total
Financial assets	-	519	519
Financial liabilities at amortised cost	-	(564,097)	(564,097)
Total	**-**	**(563,578)**	**(563,578)**

6.2 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1: the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.
- Level 2: the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly.
- Level 3: the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. The fair values are classified as level 2 within the fair value hierarchy with the exception of cash and cash equivalents (classified as level 1).

Carrying amounts, fair values and fair value hierarchy ($ thousands)

	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	2,159	2,159	508	508
Trade debtors	74,034	74,034	53,641	53,641
Other receivables	69,606	69,606	59,819	59,819
Total financial assets	**145,799**	**145,799**	**113,968**	**113,968**
Financial liabilities				
Payables	609,049	609,049	554,217	554,217
Interest bearing liabilities				
VDP service concession liability	3,404,823	4,313,099	3,464,737	4,446,829
Lease liabilities	19,369	19,369	27,982	27,982
Short term borrowings	362,100	362,400	325,000	325,000
Floating rate notes	35,000	35,088	135,000	135,096
Fixed interest borrowings	4,778,174	4,711,974	4,267,249	3,989,442
Total financial liabilities	**9,208,515**	**10,050,980**	**8,774,185**	**9,478,566**

6.3 Contingent assets and liabilities

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity (for example: potential litigation or climate related risks).
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations
  - the amount of the obligations cannot be measured with sufficient reliability

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but if quantifiable are disclosed below.

	($ thousands)	
	2025	2024
Contingent liabilities [a]	45,720	41,228

Note:
(a) Contingent liabilities primarily relate to compulsory land acquisitions where the Corporation will receive an equivalent land asset. Compulsory land acquisitions have not been included as contingent assets. Given the significant estimation uncertainty, compulsory land acquisitions are not treated as provisions. The Corporation only recognises assets and liabilities once the Notice of Acquisition has been issued to the landowner. Total compulsory land acquisitions for 2024-25 are $44.4 million (2023-24: $39.8 million).

Contingent liabilities also include possible outflows associated with legal actions both quantifiable and unquantifiable (where there is a possible outflow that can not yet be measured with sufficient reliability). The extreme weather flooding event from October 2022 has been considered as an unquantifiable contingent liability at 30 June 2025 (and in 30 June 2024). Should future costs arise, the Corporations liability exposure in connection with the October 2022 extreme weather flooding event is expected to be limited to its normal insurance excess.

Other Disclosures

Introduction

This section includes those additional disclosures required by Australian Accounting Standards or otherwise, that are material, for the understanding of this financial report.

7.1 Superannuation – defined benefit plan

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in some cases. Benefits are calculated on a multiple of an employee's final salary. The multiple is dependent on an employee's length of service and their contribution rate. The fund ceased including new members from September 1994. At each reporting date, a liability or asset in respect of defined benefit superannuation obligations is recognised. This is measured as the difference between the present value of the defined benefit obligations at the reporting date and the net market value of the Plan's assets.

Actuarial gains and losses arising from the Corporations defined benefit superannuation scheme are recognised immediately in Other Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they occur.

The Plan's Trustee (Equipsuper) is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- Administration of the Plan and payment to the beneficiaries from Plan assets when required in accordance with the Plan rules
- Management and investment of the Plan assets
- Compliance with superannuation law and other applicable regulations.

There are a number of risks to which the Plan exposes the Corporation. The more significant risks relating to the defined benefits are investment risk, salary growth risk, legislative risk and pension risk.

Reconciliation of the present value of the defined benefit superannuation obligation ($ thousands)

	2025	2024
Present value of defined benefit obligation at beginning of the year	40,698	42,130
Current service cost	989	1,002
Interest cost	2,075	2,193
Contributions by Plan participants	414	410
Benefits paid	(6,903)	(4,328)
Taxes and premiums paid	(284)	(354)
Actuarial losses/(gains) arising from changes in demographic assumptions	(85)	-
Actuarial (gains)/losses arising from changes in financial assumptions	2,008	268
Actuarial (gains)/losses arising from liability experience	(22)	(623)
Present value of the defined benefit obligation at year end	**38,890**	**40,698**

Reconciliation of the fair value of Plan assets ($ thousands)

	2025	2024
Fair value of Plan assets at beginning of the year	71,514	71,237
Contributions by Plan participants	414	410
Benefits paid	(6,903)	(4,328)
Taxes and premiums paid	(284)	(354)
Interest income	3,466	3,535
Actual return on Plan assets less interest income	1,687	1,014
Fair value of Plan assets at year end [a]	**69,894**	**71,514**

7.1 Superannuation – defined benefit plan (continued)

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

($ thousands)

	2025	2024
Net defined benefit asset/(liability) at start of year	30,816	29,107
Current service cost	(989)	(1,002)
Net interest	1,391	1,342
Actual return on Plan assets less interest income [b]	1,687	1,014
Actuarial (losses)/gains arising from changes in demographic assumptions [b]	85	-
Actuarial gains/(losses) arising from changes in financial assumptions [b]	(2,008)	(268)
Actuarial gains/(losses) arising from liability experience [b]	22	623
Net defined benefit asset at year end	**31,004**	**30,816**

Note:
(a) Fair value based on level 2 inputs using observable market data (either directly using prices or indirectly derived from prices).
(b) Net actuarial loss before tax was $0.2 million (2023-24: gain of $1.4 million) and after tax loss of $0.2 million (2023-24: gain of $1.0 million).

The Corporation has recognised an asset in the Statement of Financial Position in respect of its defined benefit superannuation Plan arrangements at 30 June 2025 (2023-24: asset). If the Plan is in surplus, the Corporation may reduce the required contribution rate, depending on the advice of the Plan's actuary. If a deficit exists in the Plan, the Corporation may be required to increase the contribution rate, depending on the advice of the Plan's actuary consistent with the Plan's deed.

During 2024-25, the contributions rate continued to be zero due to sufficient surplus in the Plan (2023-24: zero).

Significant actuarial assumptions at the balance sheet date

	2025	2024
Assumptions to determine defined benefit cost		
Discount rate	5.3%	5.4%
Expected salary increase rate	3.0%	3.0%
Expected pension increase rate [a]	2.5%	2.5%
Assumptions to determine defined benefit obligation		
Discount rate [b]	4.5%	5.3%
Expected salary increase rate	3.0%	3.0%
Expected pension increase rate [c]	2.5%	2.5%
Pension take up rate	25.0%	25.0%

(a) 5.0% for the first year, 3.5% for the second year and 2.5% per annum thereafter (2023-24: 5.0% for the first year, 3.5% for the second year and 2.5% per annum thereafter).

(b) In the current year the Corporation used high quality corporate bond rates with 6 years duration to discount the defined benefit liability (2023-24: high quality corporate bond rates with 6 years duration).

(c) 2.5% per annum (2023-24: 3.5% for the first year and 2.5% per annum thereafter)

7.2 Responsible persons

The relevant Portfolio Minister and directors of the Corporation are deemed to be the responsible persons by Ministerial Direction pursuant to the provisions of the *Financial Management Act 1994*. In accordance with F*RD 21 (Disclosures of responsible persons and executive officers in the financial report)*, the following disclosures are made regarding responsible persons for the reporting period.

The names of persons who were responsible persons at any time during the financial year were:

Minister for Water	Hon Gayle Tierney MP	19 December 2024 to 30 June 2025
Minister for Water (former)	Hon Harriet Shing MP	1 July 2024 to 18 December 2024
Chair	Greg Wilson	1 July 2024 to 30 June 2025
Managing Director	Dr Nerina Di Lorenzo	1 July 2024 to 30 June 2025
Director	James Atkins	1 July 2024 to 30 June 2025
Director	Andrew Cairns	1 July 2024 to 30 June 2025
Director (Deputy Chair)	Monique Conheady	1 July 2024 to 30 June 2025
Director	Binda Gokhale	1 July 2024 to 30 June 2025
Director	Freya Marsden	1 July 2024 to 30 June 2025
Director	Cameron Myrtle	1 July 2024 to 30 June 2025
Director	Anita Roper	1 July 2024 to 30 June 2025
Director	Fiona Rowland	1 July 2024 to 30 June 2025

Remuneration

Remuneration received or receivable by the responsible persons (excluding Ministers) in connection with the management of the Corporation during the reporting period is as follows:

	Total Remuneration	
	2025	2024
Income Band ($)	Number	Number
10,000 - 19,999	-	3
20,000 - 29,999	-	1
30,000 - 39,999	-	4
50,000 - 59,999	8	4
70,000 - 79,999	-	1
100,000 - 109,999	1	-
610,000 - 619,999	1	1
Total numbers [(a)]	**10**	**14**
Total remuneration ($000) [(b)]	**1,164**	**1,144**

Note:

(a) Total number of responsible persons was lower in 2024-25 as the Board remained stable throughout the year with no turnover, in contrast to 23-24 where 4 directors finished after long periods of service, and 5 new directors joined (effectively increasing the total number of reponsible persons by 1).

(b) Total remuneration for responsible persons was higher in 2024-25 due to the addition of the 1 ongoing director in 23-24 (taking overall representation from 9 to 10 members) and the increase in entitlements as per the terms of the Public Entity Executive Remuneration Policy for executive contracts.

7.3 Remuneration of executives

The number of executive officers, other than responsible persons, and their total remuneration during the reporting period are shown in the table below. Executive officers are defined under *FRD 21 (Disclosures of responsible persons and executive officers in the financial report)* as those employed under an executive contract (excluding the Managing Director and other responsible persons). Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period. Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services and previously accrued long service leave taken during the period.

Post-employment benefits include pensions and other retirement benefits paid or payable when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Remuneration of executive officers	($ thousands)	
	2025	2024
Short-term employment benefits	2,307	1,880
Post-employment benefits	178	135
Other long-term benefits	57	47
Termination benefits	-	520
Total remuneration [a]	**2,542**	**2,582**
Total number of executive officers [a]	**6**	**9**
Total annualised employee equivalent [b]	**6**	**5**

Note:
(a) Total remuneration was lower in 2024-25 as the cohort stablised with 6 representatives in place consistently throughout the year, in comparsion to 23-24 where we had 9 Executive officers paid for distinct periods of time as the transition from the December 2022 restructure was realised.

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

7.4 Related parties

The Corporation is a wholly owned and controlled entity of the State of Victoria. Related parties of the Corporation include:

- All Key Management Personnel (KMP) and their close family members and personal business interests (i.e. controlled entities, joint ventures and entities they have significant influence over).
- All Cabinet Ministers and their close family members and all departments and public sector entities that are controlled and consolidated into the whole of State consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

AASB 124 Related Parties defines KMPs as those persons who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year. KMPs of the Corporation include the Portfolio Minister and all Directors listed under responsible persons in Note 7.2.

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the State of Victoria's Annual Financial Report.

7.4 Related parties (continued)

	($ thousands)	
Compensation of KMP	**2025**	**2024**
Short-term employment benefits	1,064	1,046
Post-employment benefits	86	72
Other long-term benefits	14	26
Total	**1,164**	**1,144**

Transactions with KMPs and other related parties

During the year, related parties of KMPs were awarded contracts on terms and conditions equivalent to those that prevail in arm's length transactions under the Corporation's procurement process. The Corporation has prepared the related party disclosures for the year based on reasonable enquiries made by management in relation to the Portfolio Minister and their close family members and the information available to the organisation.

Significant related party transactions include transactions between the Corporation, a KMP or a KMP related-party and a Department or a public body. Transactions have been assessed on an arm's length basis with a materiality threshold set at $0.1 million.

These transactions are as follows:

	($ thousands)	
Greg Wilson - Chair	**2025**	**2024**
Greg Wilson was as a Director of Country Fire Authority until May 2024. All dealings with this agency were on normal terms and conditions during the reporting period.		
Total payments received from Country Fire Authority were:	-	802
Freya Marsden - Director		
Freya Marsden is an Independent Member, Audit and Risk Committee of the Department of Treasury and Finance. All dealings with this agency were on normal terms and conditions during the reporting period.		
Freya Marsden's spouse is a partner at Scyne advisory. All dealings with this agency were on normal terms and conditions during the reporting period.		
Total payments made to the Department of Treasury and Finance were:	174,500	242,900
Total payments made to Scyne advisory	3,146	924
Nerina Di Lorenzo - Managing Director		
Nerina Di Lorenzo is a Director of the Water Services Association Australia. All dealings with this agency were on normal terms and conditions during the reporting period.		
Total payments made to Water Services Association Australia were:	463	-

All other transactions that have occurred with KMPs and their related parties have been trivial or civil in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluating decisions about the allocation of scarce resources and to better understand the effects of related party transactions on the financial statements.

Significant transactions and balances with Government related parties

Entities that have significant influence or the same controlling entity as the Corporation are considered to be related parties of the Corporation. The following entities are considered to be related parties of the Corporation:

Department of Energy, Environment and Climate Action (DEECA)

DEECA leads and directs the Corporation in the implementation of the framework for achieving the Victorian Government's responsibilities for sustainability of the natural and built environment. DEECA monitors the Corporation's compliance with the *Water Act 1989*, Water Interface Agreement and the Supplementary Agreement to the Water Interface Agreement for the Victorian Desalination Project. The Corporation makes Victorian Desalination Project payments directly to DEECA who are managing the contract with AquaSure on behalf of the State.

Department of Treasury and Finance (DTF)

DTF monitors the Corporation's compliance with the *Financial Management Act 1994*. DTF is responsible for protecting the shareholder's interest in respect of corporate business plans and capital project approvals above $125 million (2023-24: $125 million). DTF also collects income taxes, the Financial Accommodation Levy, Local Government Rates Equivalent, dividend payments and capital repatriations from the Corporation.

Greater Western Water, South East Water, Yarra Valley Water and Barwon Water

Greater Western Water, South East Water, Yarra Valley Water and Barwon Water are Government owned water corporations with agreements with the Corporation that include bulk water and sewerage, bulk recycled water supply, billings collections and biosolids storage arrangements. These agreements operated on normal terms and conditions during the reporting period.

Treasury Corporation of Victoria (TCV)

TCV provides financial accommodation (loans to the Corporation), executes financial arrangements (derivatives) and provides/arranges the provision of financial services to the Corporation. Any investments above $2 million are also required to be invested with TCV.

Development Victoria

Development Victoria creates and delivers economic and social value to Victoria. Development Victoria will deliver property and precinct development projects to meet Government’s policy objectives and application of its experience and expertise to the delivery of civic projects.

Other related parties

- Westernport Region Water Corporation
- South Gippsland Region Water Corporation
- Parks Victoria
- Department of Transport and Planning
- State Revenue Office
- Southern Rural Water Corporation
- Victoria State Emergency Service
- Victorian Water Industry Association
- Victorian Workcover Authority
- Monash University
- Victoria Auditor-General's Office (refer to Note 7.5)
- Vicforests
- Department of Health and Human Services
- Gippsland Water
- Country Fire Authority
- Suburban Rail Loop Authority

Other related parties with arm's-length transactions greater than $0.1 million have been disclosed above. In the below summaries, all other related parties transactions and payable balances below $0.1 million have also been included.

7.4 Related parties (continued)

Material transactions with related parties

($ thousands)

	2025	2024
Receipts from related parties (inclusive of GST)		
DEECA	14,220	11,561
Greater Western Water	445,109	443,766
South East Water	668,595	640,671
Yarra Valley Water	668,901	638,817
Barwon Water	10,095	6,494
Development Victoria	8,676	12,772
Other related parties	5,376	4,677

($ thousands)

	2025	2024
Payments to related parties (inclusive of GST)		
DEECA	659,082	655,572
DTF	174,500	242,900
Greater Western Water	5,383	6,368
South East Water	7,458	6,723
Yarra Valley Water	6,621	8,122
TCV	150,000	131,200
Other related parties	5,160	14,578
Dividend paid		
DTF	-	47,643
Repayment of capital repatriations		
DTF	-	80,820
Transfer of contributed assets		
DEECA	6,581	800

7.4 Related parties (continued)

Outstanding balances arising from sales/purchases of goods and services ($ thousands)

	2025	2024
Receivables		
DEECA	-	181
Greater Western Water	54,285	21,757
South East Water	16,766	13,371
Yarra Valley Water	18,668	16,987
Barwon Water	5	528
Other related parties	612	329
Payables		
DEECA	3,404,992	3,464,764
DTF	14,840	53,871
Greater Western Water	3	-
South East Water	88	-
Yarra Valley Water	43	39
TCV	5,218,929	4,762,944
Other related parties	293	1,137

Transactions relating to dividends and capital repatriations are subject to final determination by the Treasurer after consultation with the Corporation's Board of Directors and the Minister for Water. Transactions relating to equity contributions are determined by the Minister for Water in consultation with the Corporation. Transactions relating to trading activities of the Corporation including sale of bulk water, sale of sewerage services and collection of drainage rates are based on normal commercial terms and conditions.

Outstanding balances are unsecured and are receivable/payable in cash under normal trading terms. There are no guarantees given or received for the current and non-current payables, current receivables and borrowings.

7.5 Remuneration of auditors

($ thousands)

	2025	2024
Audit of financial and performance report by the Victorian Auditor-General's Office	303	280
Total amount paid/payable	**303**	**280**

7.6 Ex-gratia expenses

In accordance with FRD 11 Disclosure of Ex-Gratia Expenses the Corporation must disclose in aggregate the total amount of material (greater than $5,000) expenses.

For 2024-25, the Corporation had no ex-gratia expenses (2023-24: $0.05 million)

7.7 Subsequent events

No matters or circumstance have arisen since 30 June 2025 which have significantly affected, or may significantly affect:

- the Corporation's operations;
- the results of those operations; and/or
- the Corporation's state of affairs in the financial year subsequent to 30 June 2025.

7.8 Australian Accounting Standards issued that are not yet effective

Certain new amendments to accounting standards that are deemed relevant to the Corporation have been published, but are not mandatory for the 30 June 2025 reporting period. The Corporation has not adopted these amendments early in accordance with DTF guidance.

The Corporation's assessment of the impact of these amendments is set out below:

The following amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the Corporation's reporting (with the exception of AASB 18 where impacts have been noted below).

- *AASB 2023-5 Amendments to Australia Accounting Standards – Lack of Exchangeability*
- *AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments*
- *AASB 17 Insurance Contracts, AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments and AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*

AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 replaces *AASB 101 Presentation of Financial Statements* and is applicable 1 January 2027. The Standard aims to improve how entities communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss.

Consequential amendments have also been made to other accounting standards, including AASB 108 which will have its title changed from "Accounting Policies, Changes in Accounting Estimates and Errors" to "Basis of Preparation of Financial Statements", with content moved from AASB 101 to that standard.

Both primary financial statements and notes now have enhanced requirements for aggregating and disaggregating information guidance on whether information should be in the primary financial statements or in the notes and disclosures about items labelled "other".

Changes to the statement of profit or loss:

- income and expenses will now be categorised as operating, financing and investing.
- two new required subtotals, namely, operating profit and profit before income and taxes, have been introduced to improve analysis.

Changes to the notes to the financial statements:

- will now contain a new note disclosure on management defined performance measures
- a requirement to disclose by nature specified expenses included in each line item in the operating category

The new standard will have significant impacts on the presentation of the financial statements and disclosure notes. Management will be reviewing the requirements of the standard to ensure systems and processes are ready for 2027-28 reporting year.

7.9 Changes in accounting policy

Accounting policy change

The Corporation has assessed the amendments contained in *AASB 2022-6 (Non current liabilities with covenants)* and *AASB 2020-1 (Classification of liabilities as current or non-current)*, both applicable from 1 July 2024. The new amendments have no impact on the Corporation as our policy is already consistent.

The Corporation changed its accounting policy in the prior year for presenting current liabilities by classifying its borrowings which mature within 12 months as non current liabilities (previously classified as current). The Corporation also changed its interpretation of the right to defer settlement requirement of AASB 101 as the Corporation has discretion to, and will refinance or roll over these loans with TCV, pursuant to section 8 of the Borrowings and Investment Powers Act 1987. Short term borrowings are classified as current borrowings at floating interest rate.

There have been no other changes in accounting policy during the 2024-25 financial year.

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of Melbourne Water Corporation

Opinion	I have audited the financial report of Melbourne Water Corporation (the corporation) which comprises the: • statement of financial position as at 30 June 2025 • statement of profit or loss and other comprehensive income for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including material accounting policies • declaration by Directors and Chief Financial Officer. In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's responsibilities for the audit of the financial report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Key audit matters	Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Key audit matter	How I addressed the matter
Recognition and measurement of service concession arrangement asset, liability and commitments - the Victorian Desalination Plant (VDP) *Note 4.1 – Land, buildings, infrastructure, plant and equipment and service concession arrangements* *Note 5.4 – VDP Service Concession Arrangement*	

VDP service concession asset: **$4.394 billion**
VDP service concession liability: **$3.405 billion**
VDP other commitments payable: $3.090 billion (nominal)
I considered the VDP service concession arrangement (SCA) to be a key audit matter because:
• the asset, liability and commitments are financially significant
• the contractual rights and obligations are complex and small changes, including refinancing adjustments, can significantly affect the liability and commitments values
• the SCA liability and commitments model is complex
• a significant degree of management judgement and assumptions are required to measure the liability, commitments and the fair value of the VDP asset
• the requirements of AASB 1059 *Service Concession Arrangements: Grantors* are complex, and involve significant management judgement
• the corporation places significant reliance on the Department of Energy, Environment and Climate Action (DEECA) for information to account for and disclose the arrangement
• the required disclosures for service concession arrangements are extensive.
	My key procedures included:
	• gaining an understanding of any key contractual changes from the prior year
	• engaging a subject matter expert to assist in obtaining sufficient appropriate audit evidence for the SCA liability and commitment disclosures, including the:
	  ○ identification of any model and/or assumption changes
	  ○ reasonableness and consistency of the model assumptions
	  ○ reasonableness of model inputs, with specific reference to underlying data and supporting documentation
	  ○ model's computational accuracy
	  ○ appropriateness of any re-financing adjustments
	• evaluating management's assessment of the fair value of the VDP asset
	• obtaining representations provided by DEECA relating to the underlying audited data used in the model and for disclosures
	• assessing the adequacy of financial report disclosures against the requirements of applicable Australian Accounting Standards.

Key audit matter	How I addressed the matter
Fair value of infrastructure assets *Note 4.1.2 – Fair value determination of non-financial physical assets*	

Fair value of infrastructure assets: $10.050 billion
I considered this to be a key audit matter because:
• infrastructure assets are financially significant
• the fair value estimate is derived from an income-based valuation approach that uses a discounted cashflow (DCF) model
• management engage an external valuation expert to prepare the fair value estimate
• the DCF model is highly complex and involves significant judgements and assumptions
• small changes in key assumptions used in the DCF model can materially affect the fair value
• the DCF model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value
• accounting standard AASB 13 *Fair Value Measurement* requires extensive financial report disclosures.
	My key procedures included:
	• obtaining an understanding of the approach to estimating the fair value of infrastructure
	• assessing the competence, objectivity and capability of management's expert engaged to assist with the valuation process
	• engaging a subject matter expert to assist us in obtaining sufficient appropriate audit evidence, including:
	  ○ the appropriateness of using an income-based valuation approach
	  ○ the identification and assessment of the reasonableness of any changes to the DCF model and/or assumptions
	  ○ the reasonableness and consistency of all the assumptions used in the DCF model
	  ○ the reasonableness of all inputs used in the DCF model, with specific reference to underlying data and supporting documentation
	  ○ the DCF model's computational accuracy.
	• assessing the completeness and adequacy of financial report disclosures against the requirements of AASB 13, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis.

Board's responsibilities for the financial report	The Board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MELBOURNE
5 September 2025

Timothy Maxfield
as delegate for the Auditor-General of Victoria

Merri Creek

Performance Reporting

Contents

Performance Report

Financial Performance Indicators

Key Performance Indicator [1]	2023-24 Result	2024-25 Result	Variance to prior year	Notes	2024-25 Target	Variance to target	Notes
Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	2.4	2.1	-12.5%	[2]	2.1	0.0%	
Gearing Ratio Total debt (including service concession liabilities and leases) / total assets * 100	45.1%	46.1%	-2.2%		47.1%	2.1%	
Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	76.7%	54.9%	-28.4%	[3]	45.0%	22.0%	[3]
Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.17 times	0.19 times	11.8%	[4]	0.15 times	26.7%	[4]
Return on Assets Earnings before net interest and tax / average assets * 100	4.5%	4.0%	-11.1%	[5]	4.2%	-4.8%	
Return on Equity Net profit after tax / average total equity * 100	1.9%	1.0%	-47.4%	[6]	1.2%	-16.7%	[6]
EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue * 100	64.0%	60.4%	-5.6%		64.3%	-6.1%	

Notes - to Performance and Financial Sustainability Report:

[1] Performance indicators as mandated in Ministerial Reporting Direction 07 - Performance and Financial Management. As required by MRD 07 any variances to target or last year of more than 10% for financial performance indicators and 5% for non financial performance indicators have been further explained within these notes.

[2] The 2024-25 result for Cash Interest Cover is unfavourable to prior year due to lower operating cashflows $199.9 million and higher interest payments $17.8 million.

[3] The 2024-25 result for Internal Financing Ratio is unfavourable to prior year due to lower operating cashflows $199.9 million and higher payments for capital expenditure $62.3 million (through our ongoing investment in infrastructure (growth and renewals) required to deliver essential services to customers).

The 2024-25 result for Internal Financing Ratio is favourable to target due to lower payments for capital expenditure $180.2 million partially offset by lower operating cashflows $16.1 million.

[4] The 2024-25 result for Current Ratio is favourable to prior year and target mainly due to higher trade receivables ($36.9 million higher to prior year and $51.0 million higher to target).

[5] The 2024-25 result for Return on Assets is unfavourable to prior year due to lower earnings before net inteterest and tax $98.3 million and higher average assets $390.3 million.

[6] The 2024-25 result for Return on Equity is unfavourable to prior year and target due to lower net profit after tax ($68.0 million to prior year and $42.5 million to target) and higher average equity ($48.4 million to prior year and $112.8 million to target).

Water, sewerage and other service performance indicators

Key Performance Indicator [1]	2023-24 Result	2024-25 Result	Variance to prior year	Notes	2024-25 Target	Variance to target	Notes
Water Quality Compliance with Bulk Water Service Agreement (BWSA): Microbiological Standards - *E. coli*	100.0%	100.0%	0.0%		100.0%	0.0%	
Water Quality Compliance with BWSA: Aesthetics — Turbidity	100.0%	97.9%	-2.1%		91.5%	7.0%	[7]
Non-compliance with other Environment Protection Authority Victoria (EPAV) Licence and SEPP parameters – Sewerage system failure Spills due to sewerage system failure	0.0	0.0	0.0%		0.0	0.0%	
Compliance with EPAV discharge licence requirements							
Western Treatment Plant (WTP)	97.1%	97.1%	0.0%		100.0%	-2.9%	
Eastern Treatment Plant (ETP)	100.0%	100.0%	0.0%		100.0%	0.0%	
Waterways — Drainage and Flood Protection ($m) Reduction in flood damages over the lifetime of works	$249.4M	$322.3M	NA	[8]	$109.0M	195.7%	[8]
Waterways condition Maintain river health (% of 10 target sites at high-value rating)	100.0%	100.0%	0.0%		100.0%	0.0%	
Recycled Water - WTP Recycled water schemes fully compliant with regulatory obligations and their contractual requirements, as outlined in the relevant Bulk Recycled Water Supply Agreement							
Volume demands - % supplied of target	55.0%	67.0%	21.8%	[9]	100.0%	-33.0%	[9]
Quality - % hours at target quality	100.0%	100.0%	0.0%		100.0%	0.0%	
Recycled Water - ETP Recycled water schemes fully compliant with regulatory obligations and their contractual requirements, as outlined in the relevant Bulk Recycled Water Supply Agreement							
Volume demands - % supplied of target	100.0%	100.0%	0.0%		100.0%	0.0%	
Quality - % hours at target quality	100.0%	100.0%	0.0%		100.0%	0.0%	

Notes – to Performance Report:

[1] Performance indicators as mandated in Ministerial Reporting Direction 07 - Performance and Financial Management. As required by MRD 07 any variances to target or last year of more than 10 per cent for financial performance indicators and 5% for non financial performance indicators have been further explained within these notes.

The customer responsiveness perfomance indicator is no longer required to be reported in the MRD 07 Perfomance and financial management report and has been removed.

[7] The favourable variance compared to target for water quality (turbidity) was due to optimised harvesting during low turbidity periods from the catchment to help ensure good water quality is supplied to the Silvan system.

[8] The Waterways - Drainage and Flood protection indicator result is not comparable to the prior year as it is a cumulative result.

The Waterways- Drainage and Flood protection indicator represents anticipated reduction in damages from flood impacts in the Port Phillip and Westernport region determined to be achieved through investment into flood mitigation (asset and non-asset solutions). This metric is part of the Waterways and Drainage Investment Plan (2021-2026), approved by the Essential Services Commission, and sets expectations for active investment which is designed to reduce flood impacts. The indicator is favourable to target due to the flood effects reduction program delivering higher volume of outcomes than originally planned. The program includes issuing building and planning permits with the appropriate conditions; approved flood mitigation works and community education activities.

In 2024-25, there have been 552 building and planning permits for development cases responded to during the period with floor level advice provided, exceeding the target of 150 permits. The number of households that have received the flood education program are counted as "effective engagements" from the annual report produced by Melbourne University. The number of effective engagements for current financial year is 3,247. The flood mitigation works component of the KPI will be included at the end of the current pricing period (2025-26).

The major flood event which occurred in 2022 continues to have a significant impact on housing and the community. Melbourne Water continues to support effected communities while also continuing to invest in flood mitigation initiatives. Information on the 'flood effects reduction program' can be found at on the Corporation's website.

[9] The favourable variance to prior year is due to corrective measures taken to minimise interruptions for high pH.

The unfavourable variance to target is due to WTP being unable to supply Class A recycled water for four months due to asset failure at the chlorine contact basin and Blue Green Algae (BGA). To address the asset failure, the Corporation took remedial measures including; shutting down the asset, cleaning the underdrains of sand, and repairing the floor liner. The Corporation also carried out CO_2 dosing manually to control the pH. The Corporation is installing a permanent CO_2 dosing system at WTP Class A recycled water plant. Class A recycled water customers (our main customer is Southern Rural Water (SRW) who supply on to their customers who are mostly farmers) have an alternate supply of irrigation water from the Werribee River. We worked closely with SRW during the outage to help ensure that the impact was minimised by keeping them informed of WTP BGA levels so that they could source alternate water supply.

The minimum annual contractual Class A recycled water volume demand is measured based on actual supply from the WTP, not customer orders, as customers often use less than requested. The Bulk Agreement does not specify daily or monthly volumes, only annual targets. Given the inability to differentiate between customers taking less than requested, and when the WTP is unable to supply class A water, WTP uses customer complaints as the key factor in measuring this KPI.

Certification of Performance Report for 2024-25

We certify that the accompanying Performance Report of Melbourne Water Corporation in respect of the 2024-25 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2024-25 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.

Greg Wilson
Chair

29 August 2025

Dr Nerina Di Lorenzo
Managing Director

29 August 2025

Efee Peell
Chief Financial Officer

29 August 2025

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of Melbourne Water Corporation

Opinion	I have audited the performance report of Melbourne Water Corporation (the corporation) for the year ended 30 June 2025, which comprises the: • financial performance indicators • water and sewerage and other service performance indicators • notes to the performance report • certification of the performance report. In my opinion, the performance report of the corporation for the year ended 30 June 2025 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.
Basis for opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's responsibilities for the audit of the performance report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the performance report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the performance report	The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

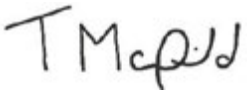
Auditor's responsibilities for the audit of the performance report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE
5 September 2025

Timothy Maxfield
as delegate for the Auditor-General of Victoria


Melbourne
Water

Sugarloaf Reservoir

Appendices

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Appendix A – Disclosure index

The *Melbourne Water Annual Report 2024-25* is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to demonstrate Melbourne Water's compliance with statutory disclosure requirements.

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Appendix B – Corporate information

Carers Recognition Act 2012

Melbourne Water are applying the legislatively prescribed care relationship principles set out in the *Carers Recognition Act 2012* (Vic) into our policies, procedures and practices, ensuring that our employees with caring responsibilities are respected, recognised, supported, connected with each other, and heard from an intersectional lens.

Melbourne Water has demonstrated this throughout 2024-25 through initiatives such as:

- establishing a Carers Network
- delivering workshops through Carers Australia
- embedding particular caring responsibilities into our Workplace Adjustments Policy and Procedure
- inviting employees with caring responsibilities to apply for formal and informal flexible working arrangements
- redeveloping our intranet resources page for Carers to recognise different dimensions and types of caring, with links to specific support mechanisms for each
- establishing a Social Disadvantage Working Group within the 'Belonging Framework', our Diversity and Inclusion operating model, which has a focus on actions and events related to carers.

Consultancy expenditure

The following is a summary of consultancy expenditure by Melbourne Water over the 2024-25 financial year. Details of individual consultancies are outlined on Melbourne Water's website.

Consultancies valued at $10,000 or greater

In 2024-25, there were 33 consultancies engaged where the total fees payable to the consultants were $10,000 or greater (2023-24: 18). The total expenditure incurred during 2024-25 in relation to these consultancies was $3,705,285 (2023-24: $2,136,826) (excluding GST).

Consultancies valued at less than $10,000

In 2024-25, there were 3 consultancies engaged where the total fees payable to the consultants were less than $10,000 (2023-24: 2). The total expenditure incurred during 2024-25 in relation to these consultancies was $9,840.26 (2023-24: $10,735) (excluding GST).

Government advertising campaigns

In 2024-25, Melbourne Water had no government advertising campaigns with a value greater than $100,000.

Information and Communication Technology (ICT) expenditure

For the 2024-25 reporting period, Melbourne Water had a total Information and Communication Technology expenditure of $89,946,239 (2023-24: $69,960,441) with the details shown below.

Table 18: ICT expenditure in 2024-25

($ 000)			
Business as usual (BAU) ICT expenditure (Total)	Non-business as usual (non-BAU) ICT expenditure (Total = Operational and Capital expenditure)	Non-BAU ICT expenditure Operational expenditure (OPEX)	Non-BAU ICT expenditure Capital expenditure (CAPEX)
$55,219	$34,727	$14,262	$20,465

Definitions

Non-Business as Usual (Non-BAU): non BAU ICT expenditure is a subset of ICT expenditure that relates to extending or enhancing current ICT capabilities and are usually run as projects.

Business as Usual (BAU): all remaining ICT expenditure is considered BAU ICT expenditure and typically relates to ongoing activities to operate and maintain the current ICT capability.

Review and study expenses

The following outlines the individual publicly available studies and reviews that were undertaken by Melbourne Water during 2024-25.

Table 19: Studies and reviews undertaken by Melbourne Water in 2024-25

Name of the review	Reasons for review/study	Terms of reference/scope	Anticipated outcomes	Estimated cost for the year (excl. GST)	Final cost if completed (excl. GST)	Publicly available location
Maribyrnong River catchment flood mitigation study	To address one of the fifteen recommendations of the Independent Panel review of the October 2022 flood event. The recommendation states: "Melbourne Water should investigate long term sustainable flood mitigation options for the Maribyrnong River."	The mitigation study will identify the most feasible solutions for riverine flood hazards. These must prioritise the safety and resilience of the catchment's communities and have the greatest impact on reducing the flood risk – both current and predicted in the year 2100.	Identification of a preferred long term mitigation scheme and a pathway for implementation for the Lower Maribyrnong River catchment, to address flood risk - both current and predicted in the year 2100.	$450,000	$1.5 million	Melbourne Water – Lets Talk[27]
Healthy Waterways Strategy - annual report card	To assess progress on the Performance Objectives of the Strategy for the year 2024-25	Annual progress report at the regional, catchment and sub-catchment scale, including overarching summary and case studies	Inform the development of Melbourne Water and partners' waterway programs	$181,335.6	$188,511.6	Healthy Waterways Strategy[28]
Waterways and Drainage Investment Plan Annual Key Performance Indicator assessment	To assess the progress of the plan.	Assess progress towards targets and identify areas for improvement.	Inform future decision-making and prioritisation.	$32,500	N/A	Waterways and Drainage Investment Plan - Melbourne Water website[29]

[27] https://letstalk.melbournewater.com.au/maribyrnong-river-flood-model/flood-mitigation-study
[28] https://healthywaterways.com.au/report-card
[29] https://www.melbournewater.com.au/services/prices-and-charges/waterways-and-drainage-charge/waterways-and-drainage-investment-plan

Disclosure of grants and transfer payments (other than contributions by owners)

Melbourne Water supports our customers and the community to undertake a range of activities to help improve the health of our waterways and deliver our vision to enhance life and liveability.

In particular, we have two main grant categories:

- Liveable Communities, Liveable Waterways: allows Melbourne Water to achieve its goals by supporting others to undertake activities that we cannot deliver, or in areas where we cannot deliver them. They also enhance our education and community engagement activities and facilitate outcomes through collaboration.
- Victorian Landcare Grants: supports environmental volunteer groups and networks to protect and restore land and the environment. These grants are funded by DEECA and delivered through Victoria's ten CMAs. Melbourne Water administers the program as the PPWCMA.

Table 20: Grants provided in 2024-25 by type

Grant type	Total payment ($)
Liveable Communities, Liveable Waterways	12,789,671
Victorian Landcare Grants	514,750
Other	4,624,037
Total	**17,928,547**

Disclosure of emergency procurement

Melbourne Water has a specific set of guidelines for enacting procurement outside of approved 'business as usual' arrangements during incidents and emergencies. In certain defined emergency circumstances, Melbourne Water is permitted to forgo routine procurement procedures. The procurement of materials, equipment and labour can be undertaken outside of existing delegated approval authorities, quotation and sourcing requirements. Melbourne Water is to balance the need to act without delay (for example, to save or preserve life, safeguard buildings or repair critical infrastructure) against meeting our overarching agency obligations (act lawfully, reasonably and with integrity).

Despite the events responded to during the year, these emergency procurement guidelines and procedures were not specifically activated for any emergency event. While costs were incurred in responding to and managing these circumstances, all procurement was undertaken in accordance with existing delegations, and business as usual procurement procedures.

Disclosure of procurement complaints

Under the Governance Policy of the Victorian Government Purchasing Board (VGPB), Melbourne Water must disclose any formal complaints relating to the procurement of goods and services received through its procurement complaints management system.

In 2024-25, Melbourne Water received one complaint through its procurement complaints management system, which related to construction related services, this compliant was investigated and brought to resolution.

Pricing

Melbourne Water's wholesale water and sewerage prices increase by approximately 0.72 per cent plus inflation in 2024-25, reflecting the ESC's 2021 Price Determination with updates to cost of debt and desalination plant costs. The annual residential waterways and drainage charge increased by 0.30 per cent less than inflation in 2023-24 to $122.08.

Disclosure of major contracts

Melbourne Water has disclosed, in accordance with Ministerial Directions and Instructions for Public Construction Procurement in Victoria and the VGPB policies, all contracts greater than $10 million in value entered into during the year ended 30 June 2025. Details of contracts can be viewed on the Buying for Victoria website[30].

Competitive neutrality policy

Melbourne Water is corporatised, with an independent Board and independent, objective performance monitoring. Melbourne Water faces the same tax treatment, borrowing requirements and regulations as a private business. As outlined above, Melbourne Water also operates in an environment where the ESC determines cost-based pricing. In this regard, our processes are consistent with the requirements of the Victorian Competitive Neutrality Policy.

In relation to anti-competitive behaviour, Melbourne Water did not have any pending or completed legal action during the reporting period.

[30] https://www.buyingfor.vic.gov.au/

Freedom of Information

Melbourne Water is subject to the *Freedom of Information Act 1982 (Vic) (FOI Act)*.

Melbourne Water's Freedom of Information Officers are:

Principal Officer:
Mr G Wilson
Chair of the Board, Melbourne Water Corporation

Authorised Officers:
Ms K Croker
Authorised Freedom of Information Officer

Ms V Skliris
Authorised Freedom of Information Officer

Requests

Table 21: FOI statistics for the reporting period

Decisions made 75	Other requests 20
Access outcomes: • Access in full: 15 • Access in part: 5 • No documents found: 1 • Access denied: 50[1] • Provided outside the FOI Act	**Outcomes:** • Withdrawn: 3 • Did not proceed: 9 • Provided outside the FOI Act: 1 • Not yet finalised: 5 • Transferred to another agency: 2
Related to: • Planning and Environment: 12 • Asset management: 54 • Waterways: 3 • Other: 1 • Works: 2	**Related to:** • Asset management: 10 • Planning and Environment: 5 • Land management: 1 • Waterways: 3 • Personal: 1
Requests received in 2024-25 from: • Members of the public: 61 • Law firms: 7 • Members of the media: 1 • Community interest groups: 2	
Documents released: • Total number of documents: 263 • Documents released in full: 96 • Documents released in part: 167	

[1] 50 requests were received by the same applicant. Decision was made to deny access to the 50 requests under section 25A(1) - processing the requests would substantially and unreasonably divert the resources of the agency from its other operations.

Reviews and complaints

During the reporting period, three decision reviews and no complaints were received from the Victorian Information Commissioner. No Victorian Civil and Administrative Tribunal (VCAT) applications were lodged in relation to reviews of decisions and complaints.

Access to documents

If you would like to make a request under the FOI Act, you may use the online Freedom of Information application form[31] on Melbourne Water's website.

We also accept applications made in writing to:

The Freedom of Information Officer
Melbourne Water
PO Box 4342
Melbourne VIC 3001

[31] https://www.melbournewater.com.au/about/what-we-do/legislation/freedom-information

Each application must clearly identify the documents sought and must be accompanied by the required application fee of $32.70.

General enquiries about Freedom of Information can be made by contacting the authorised Freedom of Information Officers between 9am and 5pm Monday to Friday via email: foimanagement@melbournewater.com.au or by telephoning 131 722.

Information required under Part 2 of the FOI Act is available on our website. This includes information about Melbourne Water's functions, decision-making, consultation arrangements and publications.

Categories of documents

Melbourne Water uses a computerised records management system to manage its correspondence and documentation. We use online computer systems to manage our financial, human resource and other operational activities and plans relating to water supply, waterways, and drainage and sewerage responsibilities. Historical archives of our activities are available through the Public Record Office Victoria. More information is in the Part II Information Statement on our website[32].

Privacy

Melbourne Water is governed by the *Privacy and Data Protection Act 2014 (Vic)*, *Health Records Act 2001 (Vic)* and *Privacy Act 1988 (Cth)* regarding federal government identifiers such as Tax File Numbers. Melbourne Water is committed to protecting the privacy of all personal and health information it collects and does so in accordance with its Privacy Policy and privacy laws.

No complaints were received from the Office of the Victorian Information Commissioner, Health Complaints Commissioner or the Office of the Australian Information Commissioner.

If you wish to access your personal and health information that is held by Melbourne Water, seek a copy of our Privacy Policy or make a privacy complaint, please call 131 722 (within Victoria) or (03) 9679 7100 (within the rest of Australia) or write to:

The Privacy Officer
Melbourne Water
PO Box 4342
Melbourne VIC 3001

Or
Attention: Privacy Officer at privacy@melbournewater.com.au

Other information available on request

In compliance with the requirements of the Standing Directions of the Assistant Treasurer, details in respect of the items listed below have been retained by Melbourne Water and are available on request, subject to the provisions of the the FOI Act and the *Water Act 1989*.

Further information is available on request about:

- pecuniary interests of relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of Melbourne Water publications and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged if relevant
- details of any major external reviews carried out on Melbourne Water
- details of any major research and development activities undertaken by Melbourne Water
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of the major promotional, public relationship and marketing activities undertaken by Melbourne Water to develop community awareness of Melbourne Water and its services
- details of the assessments and measures to improve the occupational health and safety of employees
- a general statement of industrial relations within Melbourne Water and details of time lost through industrial accidents and disputes
- details of time lost through industrial accidents and disputes
- a list of major committees sponsored by Melbourne Water, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including the consultants/contractors engaged, services provided and expenditure committed to for each engagement.

Phone 131 7822 or (03) 9679 7100 (within the rest of Australia) or visit the Melbourne Water website[33].

[32] https://www.melbournewater.com.au/about-us/publications-and-policies/freedom-information/information
[33] https://www.melbournewater.com.au/

Public interest disclosure

The *Public Interest Disclosures Act 2012 (Vic)* (PID Act) assists people to expose wrongdoing in public life and protects them from any reprisals. The PID Act applies to Melbourne Water and members of our community must have confidence that Melbourne Water and its people are conducting themselves with integrity and accountability.

Melbourne Water does not tolerate improper conduct by employees nor reprisals against those who come forward to disclose such conduct. Melbourne Water is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, conduct involving a substantial risk to public health and safety or the environment, or other improper conduct. Our commitment is reflected in our Code of Conduct and Fraud, Corruption and Public Interest Disclosures Reporting and Investigation Procedure.

Where a disclosure is brought to Melbourne Water's attention by an investigative body, we will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. We will also afford natural justice to the person who is the subject of the disclosure to the extent legally possible.

How do I make a 'public interest disclosure'?

You can make a public interest disclosure about Melbourne Water or its Board members, officers or employees by contacting the Independent Broad-based Anti-corruption Commission (IBAC) Victoria, using the contact details provided below. Please note, Melbourne Water is not able to receive these disclosures, directly. Melbourne Water has had no incidents of corruption in this regard in 2024-25.

How can I access Melbourne Water's procedures for the protection of persons from detrimental action?

Melbourne Water has procedures in place for the protection of persons from detrimental action for making a public interest disclosure about Melbourne Water or its employees. You can access our procedures at the Melbourne Water website[34].

Contacts

Jay Dimitri
General Counsel
Melbourne Water
PO Box 4342
Melbourne VIC 3001
Phone: (03) 9473 5564

Independent Broad-based Anti-corruption Commission Victoria
Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000
GPO Box 24234
Melbourne VIC 3000
Phone: 1300 735 135

See the Independent Broad-based Anti-corruption Commission website[35] for the secure email disclosure process which also provides for anonymous disclosures.

Building compliance

Melbourne Water continues to work towards compliance with the *Building Act 1993* across our substantial property and building portfolio. We require that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by Melbourne Water and that their work and services comply with current building standards. All such consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the Building Act 1993, Building Regulations 2018 and the National Construction Code.

As part of our ongoing compliance program, we continue to obtain relevant statutory building documentation and update our Asset Management System to ensure mandatory testing and inspection is conducted to the relevant standards. These inspections inform the works program which is delivered annually through existing contracts.

In 2024-25:

- Seven minor uplift works projects undertaken (greater than $50,000)
- Three building permit and no occupancy permits or certificates of final inspection were issued in relation to buildings owned by the entity
- no emergency orders or building orders were issued in relation to buildings
- no buildings were brought into conformity with building standards during the reporting period.

[34] https://www.melbournewater.com.au/media/24696/download
[35] https://www.ibac.vic.gov.au/

Employment data

Employee-related statistics are provided as additional information in support of statutory reporting and other obligations. Employees have been correctly classified in workforce data collections and are presented in Table 17.

Table 22: Employee profile data by type for the past two years

	2024-25							2023-24						
	All employees		Ongoing			Fixed term and casual		All employees		Ongoing			Fixed term and casual	
	Number (headcount)	FTE	Full time (headcount)	Part time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE	Full time (headcount)	Part time (headcount)	FTE	Number (headcount)	FTE
Total Employees	1,469	1,399.34	1,142	175	1,272.36	152	-	1,396	1,324.11	1,071	179	1,203.60	146	120.51
Demographic data - Gender								**Demographic data - Gender**						
Male	858	842.29	754	34	780.93	70	-	825	808.76	710	43	744.46	72	64.30
Female	610	556.05	387	141	490.43	82	-	570	514.35	360	136	458.14	74	56.21
*Prefer not to say	1	1	1	0	1	0	-	1	1.00	1	0	1.00	0	0.00
Demographic data - Age								**Demographic data - Age**						
Under 25	39	34.47	19	0	19.00	20	-	37	31.88	11	1	11.60	25	20.28
25-34	253	248.29	209	12	216.88	32	-	258	252.33	202	17	214.30	39	38.03
35-44	523	496.91	405	79	462.33	39	-	520	488.81	391	88	454.73	41	34.08
45-54	421	398.41	322	59	367.76	40	-	368	349.70	295	52	334.61	21	15.09
55-64	193	185.7	159	21	175.85	13	-	174	168.29	147	18	161.22	9	7.07
Over 65	40	35.56	28	4	30.54	8	-	39	33.10	25	3	27.14	11	5.96
Classification level								**Classification level**						
Casual	31	14.03	0	0	0.00	31		35	14.84	N/A	N/A	N/A	35	14.84
Enterprise Agreement (EA) total	817	783.23	635	100	707.78	82	-	778	745.03	588	102	660.96	88	84.07
Senior managers	614	595.08	500	75	557.58	39	-	576	557.24	476	77	535.64	23	21.60
Executives	-	-	-	-	-	-	-	7	7.00	7	0	7.00	0	0.00

Notes:
- Employees on leave without pay or parental leave without pay excluded, as per FRD 29 guidance.
- Casual employees who did not receive pay in the last full pay period of 2023-24 excluded, as per FRD29 guidance.
- Employees on secondment included, as per FRD 29 guidance.
- Graduates included in workforce data, as per FRD 29 guidance.

Employment and conduct principles

Melbourne Water is committed to recruiting capable and diverse talent to join our team. The selection processes ensure the recruitment of the most suitable candidate for the position in accordance with the skills and experience required for the role, along with the Melbourne Water values and behaviours.

Local Jobs First

The Local Jobs First Policy issued under the *Local Jobs First Act 2003* supports businesses and workers by ensuring that small and medium enterprises are given full and fair opportunities to compete for large and small government contracts.

The policy comprises a Victorian Industry Participation Policy (VIPP) and a Major Project Skills Guarantee (MPSG). MPSG applies to all construction projects valued at $20 million or more.

Melbourne Water applies the Local Jobs First Policy for all procurement projects valued at $3 million or more located in Metropolitan Melbourne or statewide or $1 million or more for projects being delivered in regional Victoria.

Projects up to $50 million in value are managed as Standard Local Jobs First Projects and projects valued at or above $50 million are deemed to be Strategic Local Jobs First Projects.

Projects commenced – Local Jobs First Standard

During 2024-25, Melbourne Water commenced seven standard projects in metropolitan Melbourne, two statewide, and one regional, totalling a combined contract value of $45.7 million.

The outcomes expected from the implementation of the Local Jobs First Policy to these projects from local industry development plans, were as follows:

- commitment to an average of 94.9 per cent of local content
- a total of 83.2 annualised employee equivalent (AEE) jobs were committed to, comprising the creation of 21 AEE of new jobs, and retention of 62 AAE
- a total of 0.9 AEE of apprenticeships, cadets and trainees were committed to
- commitments totalling 336 small-to-medium sized enterprise engagements through the supply chain of these projects.

Projects completed – Local Jobs First Standard

During 2024-25, Melbourne Water completed six standard projects in metropolitan Melbourne totalling a contract value of $22.88 million.

The outcomes from the implementation of the Local Jobs First Policy to these projects where information was provided, were as follows:

- a commitment was made to 93.8 per cent average of local content across the projects and 93.7 per cent local content was achieved
- retention of a total of 34.6 AEE jobs was committed to and 56.1 AEE of jobs were reported as retained
- a commitment was made to engage 160 small-to-medium enterprises in the supply chain and the contractors confirmed engaging 63 small-to-medium sized enterprises during their project delivery.

Projects commenced – Local Jobs First Strategic

During 2024-25, Melbourne Water commenced one Local Jobs First Strategic project comprising a program of work packages to be tendered out and delivered under a supplier panel arrangement over 2025 to 2028. The outcomes committed from the initial work packages include:

- commitments to an average of 95.0 per cent of local content
- a total of 11.7 AEE jobs committed to be retained
- 0.3 AEE of apprenticeship, cadet and traineeships
- commitments to engage 63 small-to-medium sized enterprises through the supply chain of this project.

Projects completed – Local Jobs First Strategic

During 2024-25, Melbourne Water completed all activities associated with one Local Jobs First Strategic project. Two post-contract reviews were submitted covering $62.8 million of contract value.

The summary outcomes from this project were as follows:

- 99.2 per cent local content was achieved
- a local workforce totalling 165.7 AEE jobs was engaged
- a total of 5.2 AEE of apprenticeship, cadet and traineeships work was provided
- contractors reported engaging 73 small-to-medium sized enterprises through the supply chain of this project.

Social Procurement Framework

Melbourne Water embeds social and sustainable procurement into our procurement processes in line with the Victorian Government's Social Procurement Framework (SPF) and related VGPB procurement policies such as Building Equality Policy (BEP) throughout our internal procurement policy, procurement framework, sourcing and purchasing procedures, and guidelines.

Capability development in 2024-25 has included a focus on planning for social outcomes within category management and support to sourcing teams for the practical implementation of social or sustainable procurement objectives through inclusion of targeted outcomes with demonstrable value for money.

From 1 July 2025, the Recycled First Policy[36] will be expanded to apply to Melbourne Water and the other water authorities, and preparation for this commenced in late 2024-25.

Table 23: Prioritised outcomes against objectives from the Social Procurement Framework and success measures

Victorian Government's Social Procurement Framework Outcomes sought	Objective areas	Measures
Purchasing from Victorian Aboriginal businesses	Sustainable Victorian Aboriginal business sector Opportunities for Victorian Aboriginal people	Direct purchasing Indirect purchasing
Purchasing from Victorian Social Enterprises Purchasing from Australian Disability Enterprises with operations in Victoria	Sustainable Victorian Social Enterprise business sector Opportunities for Victorians with Disability	Direct purchasing Indirect purchasing
Diverse & Inclusive workforces within Victorian Government suppliers, specifically: Employment of Victorian Aboriginal people Employment of Victorians with disability Building Equality Policy actions	Opportunities for Victorian Aboriginal people Opportunities for Victorians with Disability Women's equality Building Equality Policy (mandatory for >$20 million construction projects)	Workforce data (e.g. engaged under collaborative contract models) Building Equality Policy monitoring tables
Adoption of sustainable business practices by suppliers to the Victorian Government	Environmentally sustainable business practices	Specifications, e.g. ISO14001 EMS Evaluation scorecards in tendering
Project-specific requirements to minimise greenhouse gas emissions	Climate Change Policy objectives Environmentally sustainable outputs	Project carbon footprints including Scope 1, 2 and parts of Scope 3
Project-specific commitments to use sustainable resources and to manage waste and pollution Use of recycled content in construction	Environmentally sustainable outputs Recycled First Policy (commencing 1 July 2025)	Sustainability management plans Recycled First Plans

For lower value purchases, we encourage buyers to seek quotations from capable local social enterprises, disability enterprises, or Aboriginal-owned businesses.

Standard processes for major projects for infrastructure construction and maintenance are to seek social procurement commitments for measurable outcomes as Key Performance Indicators - in many cases linked to incentives for rewarding delivering commitments and increased outcomes.

[36] https://bigbuild.vic.gov.au/about/ecologiq/recycled-first-policy

Opportunities for Victorian Aboriginal people and Aboriginal business sector

As part of our move renewed Reconciliation Action Plan, Melbourne Water has set itself Aboriginal procurement targets for direct purchasing - based on both measures of direct expenditure, and on the diversity of Aboriginal businesses and Aboriginal Community Controlled Organisations engaged with.

Melbourne Water is continuing a platinum membership of Kinaway Chamber of Commerce Victoria Ltd (Kinaway).

We have significant indirect purchasing from Aboriginal businesses in our supply chain through subcontracting from, and supply of goods and services to our major contracts for infrastructure construction and maintenance.

In addition, under our Walking Country Together leadership program we are engaged in funding and negotiating services with Traditional Owners ranging from cultural services, research projects, and through to engaging them for on-Country work.

The Narrap Team of the Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation is regularly engaged on field service works for purposes of natural resource management.

In 2024-25 Melbourne Water issued 705 requests for tender or quotation that were open to the market or by selective competitive tender, which generated 1758 tender responses, one tender response was received from Aboriginal businesses, of which none were accepted.

Women's equality and safety

In many procurements we undertake evaluations or seek commitments that ensure suppliers to Melbourne Water have in place best-practice gender equality strategies.

The Building Equality Policy (BEP) has been applied to construction projects value at $20 million or more since 2022. This sets project-specific gender equality targets for employment and training opportunities for women in non-traditional roles and the implementation of Gender Equality Action Plans (GEAPs).

Environmentally sustainable business practices and environmentally sustainable outputs

An increasing number of contracts for field services and for construction work, include contractual clauses for use of environmentally sustainable business practices.

Initiatives delivered by contractors that support circular economy principles included use of recycled high-density polyethylene corrugated drainage pipe, when the conventional design would be concrete, and use of recycled crushed glass for embedment instead of virgin mined sand.

Social Procurement Indicators

Table 24: Achievements against defined SPF outcomes

SPF Objective	SPF Outcome	Reporting Metrics	2024-25 results
Sustainable Victorian social enterprises and Aboriginal business sectors	Purchasing from Aboriginal businesses	Number of Aboriginal businesses directly engaged	12 suppliers directly engaged
		Total direct expenditure with Victorian Aboriginal businesses (excluding GST)	$2.60 million
		Number of Victorian Aboriginal businesses indirectly engaged	43 suppliers indirectly engaged
		Total indirect expenditure with Aboriginal businesses (excluding GST)	$12.47 million
	Purchasing from Victorian social enterprises and Australian Disability Enterprises	Number of social enterprises directly engaged	13 suppliers directly engaged
		Total direct expenditure with social enterprises (excluding GST)	$0.39 million
		Number of social enterprises indirectly engaged	12 suppliers indirectly engaged
		Total indirect expenditure with social enterprises (excluding GST)	$1.00 million
Opportunities for Victorian Aboriginal people	Employment of Victorian Aboriginal people by suppliers to the Victorian Government	Total number of Victorian Aboriginal people employed by Victorian Government suppliers on Victorian Government contracts	14
Opportunities for Victorians with disability	Employment of Victorians with disability by suppliers to the Victorian Government	Total number of Victorians with disability employed by Victorian Government suppliers on Victorian Government contracts	20

Ethical sourcing and Modern Slavery Statement

Melbourne Water has set out a Supplier Code of Conduct policy as a mandatory policy for suppliers doing business with Melbourne Water. We undertake due diligence of potential suppliers as part of supplier selection (tender) processes and as appropriate during contract management.

Melbourne Water's Board and leaders are committed to addressing the risk of modern slavery occurring through our operations and supply chains.

Melbourne Water have lodged annual Modern Slavery Statements since 2019-20 in response to the requirements of section 13 of the Australian Commonwealth Modern Slavery Act 2018 (Cth) (Modern Slavery Act). The 2024-25 Modern Slavery Statement will be lodged before 31 December 2025.

Our most recent Modern Slavery Statement is available on our website, and on the Modern Slavery Register[37].

[37] https://modernslaveryregister.gov.au/statements/21276/

Appendix C – Bulk entitlements

The Victorian Government introduced bulk water reforms on 1 July 2014. These reforms introduced a 'source' and 'delivery' bulk entitlements model for Melbourne, with a seasonal determination process and rights to carry over unused water allocations from year to year. The four systems currently supplying Melbourne (Thomson River, Yarra River, Silver and Wallaby creeks and Tarago and Bunyip rivers) are collectively known as the Greater Yarra System – Thomson River Pool. The grant and use of bulk entitlements is governed by the *Water Act 1989* (Vic).

Melbourne Water is assigned the source bulk entitlements to the Greater Yarra System – Thomson River Pool. The delivery bulk entitlements to the Greater Yarra System – Thomson River Pool are assigned to Barwon Water, Gippsland Water, Greater Western Water, South East Water, South Gippsland Water, Westernport Water and Yarra Valley Water (the 'primary entitlement holders' [PEHs]).

As the storage manager for the Melbourne headworks system, Melbourne Water allocates water to the PEHs by making seasonal determinations to them. Melbourne Water also has the storage manager functions specified in section 122ZL of the *Water Act 1989* and the obligations specified in bulk entitlements for the Melbourne headworks system, water from the Victorian Desalination Project and those held by the Melbourne retailers in the Goulburn headwork system. Table 25 fulfils the reporting requirements in Melbourne Water's bulk entitlements.

Table 25: Melbourne Water's bulk entitlements

Melbourne Water reporting obligation	Combined Yarra River, Silver and Wallaby creeks and Thomson River	Yarra River[2] (WSE000185)	Silver and Wallaby creeks[5] (WSE000018)	Thomson River[7] (WSE000168)	Tarago and Bunyip rivers[9] (WSE000041)
The amount of water taken by PEHs in 2024-25 (i) Total inflows[(a)]; (ii) Total storage volumes[(b)]; and (iii) Total outflows[(c)]	N/A	Clause 15.1 (a) (i) 215,090 ML (ii) 403,459 ML (iii) 328,530 ML	Clause 14.1 (a) (i) 2,966 ML (ii) No storage is available in Silver and Wallaby (iii) 2,966 ML	Clause 15.1 (a) (i) 63,839 ML (ii) 809,824 ML (iii) 201,176 ML	Clause 15.1 (a) (i) 21,752 ML (Tarago) 2,190 ML (Bunyip) (ii) 30,886 ML (Tarago) No storage is available in Bunyip (iii) 10,832 ML (Tarago) 2,190 ML (Bunyip)
Compliance with the diversion limit	391,600 ML[1]	Clause 15.1 (b) 187,458 ML[3]	Clause 14.1 (b) 5,513 ML[6]	Clause 15.1 (b) 201,176 ML[8]	Clause 15.1 (b) 11,315 ML (Tarago)[10] 2,191 ML (Bunyip)[11]
Any temporary/permanent transfer of this bulk entitlement	N/A	Clause 15.1 (c) Nil	Clause 14.1 (c) Nil	Clause 15.1 (c) Nil	Clause 15.1 (c) Nil
Any temporary/permanent transfer of a bulk entitlement which may alter the flow in the waterway	N/A	Clause 15.1 (d) Nil	Clause 14.1 (d) Nil	Clause 15.1 (d) Nil	Clause 15.1 (d) Nil
Any amendment to this bulk entitlement	N/A	Clause 15.1 (e) Nil	Clause 14.1 (e) Nil	Clause 15.1 (e) Nil	Clause 15.1 (e) Nil

Melbourne Water reporting obligation	Combined Yarra River, Silver and Wallaby creeks, Thomson River	Yarra River[2] (WSE000185)	Silver and Wallaby creeks[5] (WSE000018)	Thomson River[7] (WSE000168)	Tarago and Bunyip rivers[9] (WSE000041)
Volume of water made available to PEHs from seasonal determinations (on 1 June 2025)	N/A	Clause 15.1 (f)	Clause 14.1 (f)	Clause 15.1 (f)	Clause 15.1 (f)
		Greater Yarra System – Thomson River Pool[4] 78,075 ML (Greater Western Water) 94,158 ML (South East Water) 98,798 ML (Yarra Valley Water) 7,303 ML (Barwon Water) 456 ML (South Gippsland Water) 456 ML (Westernport Water) 1,520 ML (Gippsland Water)	N/A	N/A	N/A
Any new bulk entitlement of water granted	N/A	Clause 15.1 (g) Nil	Clause 14.1 (g) Nil	Clause 15.1 (g) Nil	Clause 15.1 (g) Nil
Any failures to comply with this bulk entitlement and any remedial action	N/A	Clause 15.1 (h) Nil	Clause 14.1 (h) Nil	Clause 15.1 (h) Nil	Clause 15.1 (h) Nil
Any difficulties experienced in complying with this bulk entitlement and any remedial action	N/A	Clause 15.1 (i) Nil	Clause 14.1 (i) Nil	Clause 15.1 (i) Nil	Clause 15.1 (i) Nil
Any other matters as required by the Minister	N/A	Clause 15.1 (j) Nil	Clause 13.1 (j) Nil	Clause 15.1 (j) Nil	Clause 15.1 (j) Nil

Note a: Total inflows for each of Melbourne Water's bulk entitlements include inflows to reservoir(s) and diversions from weirs available to Melbourne Water under its bulk entitlements.

Note b: Total storage volumes are as at 30 June 2025 for all reservoirs defined in each of Melbourne Water's bulk entitlements.

Note c: Total outflows are the volume of water diverted or released under each of Melbourne Water's bulk entitlements for consumptive and operational purposes. It excludes spills from reservoirs.

Notes for compliance with bulk entitlements

Combined Yarra River, Silver and Wallaby creeks, Thomson River

1. This is the volume diverted in 2024-25.

Yarra River

2. Melbourne Water holds the Bulk Entitlement (Yarra River – Melbourne Water) Order 2014 – WSE000185.
3. This is the volume diverted in 2024-25.

Greater Yarra System – Thomson River Pool

Greater Yarra System – Thomson River Pool

4. The Greater Yarra System – Thomson River Pool includes the following bulk entitlements held by Melbourne Water:
   a. Bulk Entitlement (Yarra River – Melbourne Water) Order 2014 – WSE000185
   b. Bulk Entitlement (Silver and Wallaby creeks – Melbourne Water) Order 2014 – WSE000018
   c. Bulk Entitlement (Tarago and Bunyip rivers – Melbourne Water) Order 2014 – WSE000041
   d. Bulk Entitlement (Thomson River – Melbourne Water) Order 2014 – WSE000168

Silver and Wallaby creeks (Goulburn Basin)

5. Melbourne Water holds the Bulk Entitlement (Silver and Wallaby creeks – Melbourne Water) Order 2014 – WSE000018.
6. Compliance with the three-year total diversion limit of 66,000 megalitres was assessed and confirmed using a three-year rolling total diversion.

Thomson River

7. Melbourne Water holds the Bulk Entitlement (Thomson River – Melbourne Water) Order 2014 – WSE000168.
8. This is the volume diverted in 2024-25.

Tarago and Bunyip rivers

9. Melbourne Water holds the Bulk Entitlement (Tarago and Bunyip rivers – Melbourne Water) Order 2014 – WSE000041.
10. Compliance with the Tarago River long-term average diversion limit of 24,950 ML was assessed and confirmed using a five-year rolling average annual diversion.
11. Compliance with the Bunyip River long-term average diversion limit of 5,560 ML was assessed and confirmed using a five- year rolling average annual diversion.

Melbourne Water's Maribyrnong Bulk Entitlement

Melbourne Water holds a Bulk Entitlement (WSE000117) to the water resources of the Maribyrnong Basin to supply irrigators diverting water from Jacksons Creek, downstream of Rosslynne Reservoir, and the Maribyrnong River between its confluence with Jacksons Creek and Shepherd Bridge.

Table 26: Compliance with the Maribyrnong River Bulk Entitlement held by Melbourne Water

Description	Clause
The volume of water taken by Melbourne Water to supply licence holders in 2024-25	Clause 19.1 (b), 221.27 ML
Compliance with the five-year rolling average annual bulk entitlement diversion limit of 1096 ML	144 ML
Melbourne Water's share of flow into Rosslynne Reservoir in 2024-25	Clause 19.1 (a,iii), 207 ML
Melbourne Water's share of storage volume in Rosslynne Reservoir at 30 June 2025	Clause 19.1 (a,ii), 1,781 ML
Transfer and operating losses within the system	Clause 19.1 (a,iv), 0 ML
Releases made from Rosslynne Reservoir to supply licence holders in 2024-25	Clause 19.1 (a,i), 0 ML
Releases from Melbourne Water's share of flow to meet minimum flows	Clause 19.1 (a,v), 165 ML
Any temporary or permanent transfers of the bulk entitlement	Clause 19.1 (c), nil
Any temporary or permanent transfer of the bulk entitlement which may alter the flow in the waterway	Clause 19.1 (d), nil
Alteration to volume of water under licences issued by Melbourne Water	Clause 19.1 (e), nil
Alteration to security of supply of entitlements under licences	Clause 19.1 (e), nil
Transfer of licences (number, amount and places)	Clause 19.1 (f), 30 (In total 20 licences were transferred to VEWH)
Any amendment to the bulk entitlement	Clause 19.1 (g), nil
Any new bulk entitlement granted to Melbourne Water	Clause 19.1 (h), nil
Implementation of metering program	Clause 19.1 (i), Yes
Any failures to comply with any provision of the bulk entitlement	Clause 19.1 (j), nil
Any difficulty experienced in complying with the bulk entitlement and if so, any remedial action taken or proposed	Clause 19.1 (k), nil

Appendix D – Compliance and enforcement: Private diversion licences

To maintain our waterway health, Melbourne Water continues to enhance our compliance and enforcement capacity. In alignment with the state government's commitment to a zero-tolerance approach towards water theft, we have implemented several initiatives to ensure compliance with water diverter obligations. These initiatives include:

- the appointment of four Authorised Water Officers
- the ability to issue penalty infringement notices for selected diversions offences resulting from the introduction of the Water (Infringement) Regulations 2020
- a continued partnership with Fines Victoria for the management of issued PINs (fines) which helps with the fine collection, reminder notices and enforcement of the fine if not complied with.
- implentation of IT system upgrade to automate data uploads to the Victorian Water Register to allow for greater reporting of unauthorised take

Reporting on unauthorised take

Table 27: Reporting on unuthorised take

	Volume				ABAs [or licences]			
Year	Volume (ML) of water taken under corporation issued shares/ licences	Volume (ML) of Unauthorised Take	Volume %	Volume % (Excluding previous FY)	Number of ABAs	Number of negative ABAs	% of negative ABAs	% of negative ABAs (Excl <1ML)
2021-22	9,920.9	-55.1	0.5	0.5	1,187	17	0.9	0.6
2022-23	9,121.01	-85.90	0.94	0.94	1,188	7	0.54	0.47
2023-24	7,893.05	-15.93	0.20	0.20	1,221	5	0.40	0.25
2024-25	8754.16	-22.503	0.28	0.28	1,315	3	0.22	0.22

Private diversion licenses

Melbourne Water manages 1825 licences to use water from farm dams and waterways in the Yarra River, Maribyrnong River, Stony Creek, Kororoit Creek, Laverton Creek and Skeleton Creek catchments. Water is mainly used for agricultural, industrial, commercial, domestic and stock purposes. The total number of 'take and use' licences (for uses such as irrigation) is 1301 with a combined volume of 34,161.33 megalitres

Melbourne Water applies permanent management trigger and restriction conditions enacted under the Diversions Drought Response Plan (A Water Sharing Plan for all Licenced Water Users) and licence conditions. Melbourne Water has not invoked any additional drought response measures outside of the plan during 2024-25. The table below details the licence type, number, volume and volume used for 2024-25.

Table 28: Licence type, number and volume used for 2024-25

Licence Totals	No. Licences	Volume (ML)	Metered Usage (ML)
Farm dam registrations	526	6,775.5	0
Farm dam licences	44	989.50	197.33
Take and use licences Yarra	1,166	32,060.73	7,118.95
Take and use licences Maribyrnong	47	1,026.0	221.27
Stormwater licences	58	3,931.60	1216.61
Environmental water licence	8	1,914.07	0

Compliance and enforcement management

Melbourne Water has delegated power and functions to undertake compliance and enforcement activities under the *Water Act 1989*. Following an independent compliance and enforcement review undertaken in 2020, Melbourne Water has been working with Department of Energy, Environment and Climate Action to review and update compliance and enforcement strategies to ensure a coordinated, risk-based and consistent statewide approach to compliance and enforcement activities.

Our Healthy Waterways Strategy and Stream Flow Management Plans provide guidance on our compliance and enforcement priorities, which is further supported by our Compliance and Enforcement Statement. The Statement is available on our website[38] and outlines our approach to compliance and enforcement and was developed in line with Department of Energy, Environment and Climate Action's Non-Urban Compliance and Enforcement Guidelines for Water Corporations 2019.

Melbourne Water is committed to continuous improvement through adopting recommendations from the 2020 Independent Review into Compliance and Enforcement. During 2024/25, Melbourne Water continued to operationalise our Compliance and Enforcement Statement by undertaking the following priority actions:

- Implementing system improvements to assist with our compliance and enforcement reporting capability and automation of consumption data to Victorian Water Register
- Upgrading meters to AS4747 meters as per our Meter Action Plan
- Continuing the rollout of automated meter reading technology to provide near-time access to water extraction data including commencement of largest rollout of devices to date.
- Continuing our communications campaign to build customer understanding of the zero-tolerance approach to improving compliance
- Building the capability of our staff to deliver a zero-tolerance approach through additional training, including the Certificate IV Government Investigations and Penalty Infringement Notice Training and Customer Interaction training
- Upgrading the Diversions Licencing database to improve fines reporting efficiency for Auditor General requirements.
- Appointing four Authorised Water Officers to support our ongoing commitment to zero tolerance on water theft.
- Participating in the Department of Energy, Environment and Climate Action-led Compliance Community of Practice, Water Compliance Communications Working Group, Authorised Officer Network, and Non-Urban Metering Working Group.
- Undertaken detailed customer feedback as part of developing the Pricing Submission for 2026-31.

Compliance and enforcement communications

Compliance and enforcement actions

A summary of the investigations into non-compliances and their resolutions over the past three years is provided in Table 21. Due to increased telemetry installations there will likely be continued increase in the number of potential breaches detected.

Reporting on compliance actions

Table 29: Compliance actions undertaken in the past three years

Compliance Actions[1] - Rural water corporations

Category	2022-23	2023-24	2024-25
Total no. of breaches	**42**	**109**	**59**
No further action required	28	99	52
Dismissed (insufficient evidence)	0	0	0
Advisory Letter	0	2	2
Formal Warning	0	3	5
Penalty Infringement Notices	0	0	0
Notice of Contravention		0	9
Notice of Entry	0	0	0
Lockdown	0	0	0
Prosecutions commenced	0	0	0
Prosecutions finalised	0	0	0
Prosecutions finalised	0	0	0

[1] These actions apply to offences under various sections of the *Water Act 1989*.

[38] https://www.melbournewater.com.au/water-and-environment/water-management/waterway-diversions/water-use-compliance

Metering activities

Melbourne Water has a zero-tolerance approach to unauthorised water take and a risk-based approach to licence management. To support this, we have developed and are delivering our Metering Action Plan, focused on continuing to improve the meter fleet with highly reliable Australian Standard AS4747 compliant meters and telemetry to provide real-time water usage data to Melbourne Water and our customers. This real-time data helps Melbourne Water with enforcement actions and strengthens our zero-tolerance approach. Rollout of our plan is progressing ahead of schedule, and we anticipate being fully compliant with the implementation program of the Victorian Metering Policy as 100 per cent of our active meter fleet have been upgraded to AS4747, which will be complemented by the installation of 252 telemetry devices on these meters by end of 2025 to reach this target. Our Non-Urban Metering Action Plan and its summary can be found on the Melbourne Water website[39].

In 2025 we updated our Metering Action Plan to reflect changes and additions to the statewide plan as well as provide an update on our progress towards achieving out metering and telemetry targets under the plan.

Managing streamflow

Melbourne Water produces streamflow management plans, local management rules and a Drought Response Plan to document the way water is managed to ensure it is shared fairly between diverters and the environment.

During 2024-25, Melbourne Water maintained streamflow management plans for seven stream systems in the Yarra catchment. The plans aim to manage the water resources of the catchments, develop sustainable allocations for agriculture and other uses and maintain an environmental water regime to sustain waterway health.

We are also working with Traditional Owners to better engage on roles and opportunities in the Stream Flow Management Plan process and to build Traditional Owner cultural values into any future amendments to management plans. In 2023-24, Melbourne Water issued our first cultural water licence to the Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation.

Table 30: Summary of licensed metered sites as of July 2025.

Category	2024-25
1. AS4747 compliant meters	555
2. Existing contemporary meters (To be upgraded to AS4747 compliant meters as per our capital program by 2025)	0
3. Exempt meters	243
Total	**798**

The 798 Melbourne Water meters range in diameters from 25 to 450 millimetres in size, with most of the meters being in the 50 to 150-millimetre range. As of June 2025, we have 100 per cent of total required meter fleet compliant with AS4747 as per Department of Energy, Environment and Climate Action requirements a year ahead of schedule.

Melbourne Water also undertakes meter validations as per AS4747. This is done on each waterway every three years by a Certified Meter Validator. During 2024-25, there were approximately 89 meters validated on-site. In addition, Melbourne Water undertakes a program of regular maintenance of meters, including regular inspections.

[39] https://www.melbournewater.com.au/services/licences-and-permits/metering-pump-and-offtake-guidelines

Public information and education campaigns

To inform customers and promote our zero-tolerance approach to water theft, Melbourne Water continues several initiatives, including developing a compliance and enforcement web page, adding zero tolerance to water theft banners on invoices, having a compliance focus for the annual StreamNews newsletter, our officers in the field having conversations with customers and creating four fact sheets. These documents can be assessed on the Melbourne Water website[40].

Melbourne Water's compliance and enforcement is a risk-based strategy to ensure that resources are used efficiently, focusing more on areas where there are the greatest compliance risks. Our approach to compliance and enforcement is risk-based and responsive, so our actions reflect the seriousness of the offence. We are committed to:

- emphasising education, community engagement, technology and monitoring programs, to encourage and assist with compliance
- maintaining a clear and logical escalation pathway in response to detected breaches
- working in good faith with all parties and using our enforcement powers only when needed
- undertaking activities in support of our Compliance Communications Strategy, including:
  - participation in the statewide Water Compliance Communications Working Group supporting implementation of the statewide water compliance communications plan and collaboration with other rural water corporations
  - participation in the Australasian Environmental Law Enforcement and Regulators (AELERT) compliance Community of Practice – an Australia-wide working group
- updating our communications plan regarding compliance and enforcing key messaging
- continuing to update compliance information on our website
- continuing our interaction with licence holders in relation to their obligations and the importance of maintaining a high level of compliance
- collaborating with Department of Energy, Environment and Climate Action to refine and expand key messaging around zero tolerance and taglines for Zero Tolerance for Water Theft banner, which have been used on water bills, factsheets and newsletters
- building up working relationships with other statutory authorities that have a compliance role within our operational area.

[40] https://www.melbournewater.com.au/water-and-environment/water-management/waterway-diversions/water-use-compliance

Bans and restrictions

Melbourne Water is transparent about our water use compliance strategies, protocols, and compliance and enforcement activities.

In addition, during drought or low flow conditions, licenced diverters' access to water may be restricted or banned to protect the environment. Our Drought Response Plan is always active and specifies how water is shared when there is not enough to meet all users' needs. It states river flow levels which trigger restrictions or bans and how these are applied to different licence types.

These trigger points have been developed together with stream flow management plans or local management rules or plans.

The status of restrictions and bans for individual catchments is posted daily on Melbourne Water's website[41] and is available by calling Melbourne Water on 131 722 during business hours or via an automated SMS services to subscribed customers.

During 2024-25, we sent approximately 6587 text messages to 305 subscribed customers advising them of waterway pumping restrictions and/or bans.

Table 31: Summary of bans and restrictions in 2024-25

Catchment	Restriction days	Ban days	Licence ban days	Days available
Arundel Creek	0	9	0	356
Cockatoo and Shepherd Creek (SFMP)	119	13	0	233
Darebin Creek	0	149	0	216
Diamond Creek	0	273	0	92
Dixons Creek (SFMP)	0	135	212	18
Don River (SFMP)	0	29	0	336
Gardiners Creek	0	0	0	365
Hoddles Creek (SFMP)	0	191	0	174
Kororoit Creek	0	0	0	365
Little Yarra River (SFMP)	111	0	0	254
Maribyrnong River (all year)	0	40	0	325
Maribyrnong River (winter-fill)	0	48	242	75
McCrae Creek (SFMP)	154	45	0	166
Merri Creek	0	20	0	345
Moonee Ponds Creek	0	9	0	356
Mullum Mullum Creek	0	50	0	315
Olinda Creek (Lower) (SFMP)	65	19	0	281
Olinda Creek (Upper) (SFMP)	15	64	0	286
Pauls Creek	0	124	212	29
Plenty River	0	147	0	218
Steels Creek	0	124	212	29
Stringybark Creek (Lower) (SFMP)	0	313	0	52
Stringybark Creek (Upper) (SFMP)	0	56	0	309
Wandin Yallock Creek (SFMP)	0	18	0	347
Watsons Creek	0	47	0	318
Watts River	0	0	0	365
Woori Yallock Creek (SFMP)	94	6	0	265
Yarra River Lower	184	13	0	168
Yarra River Upper	156	16	0	193

[41] https://www.melbournewater.com.au/water-and-environment/water-management/waterway-diversions/restriction-and-ban-status

Statewide key performance indicators

Unauthorised take performance is reported against statewide key performance indicators being:

- no more than 1 per cent of volume of total water take is taken without authorisation at any time
- no more than 3 per cent of accounts are to be in negative at any time.

Table 32 summarises performance against the Minister for Water's statewide performance targets. These key performance indicators show that we have met both in 2024-25.

Table 32: Unauthorised take key performance indicators

	ABAs [or licences]				Volume			
Year	Total number	Number of negative ABAs	ABAs%	ABAs % (Excluding <1ML)	Volume (ML) of water taken under corporation issued licences[1]	Volume (ML) of unauthorised Take	Volume %	Volume % (excluding previous FY)
2024-25	1315	3	0.22	0.22	8754.16	-22.503	0.28	0.28
2023-24	1,221	5	0.40	0.25	7,893.05	-15.93	0.20	0.20
2022-23	1,188	7	0.54	0.47	9,121.01	-85.90	0.94	0.94
2021-22	1,187	17	0.9	0.6	9,920.9	-55.1	0.5	0.5

[1] Melbourne Water reads meters at the end of licence seasons and licensed take information is not captured quarterly.

Appendix E – Catchment Condition Report

This section of the Annual Report provides an assessment of the condition and management of the region's environment and a reflection on the likely impact of annual scale actions, events, and observed change within the previous year and over the previous three years. A key purpose of monitoring changes in the operating context is to help identify opportunities for adapting and changing the way we manage the environment.

Under the *Catchment and Land Protection Act 1994*, we have an obligation to monitor and report on the condition of land and water resources in the region. This is written into the *Statement of Obligations* (CMAs) as "Monitor, evaluate and report to the Minister on objectives for the condition of land, water and biodiversity resources". This is achieved by CMAs through the Catchment Condition Report.

The report is structured in line with the statewide outcome framework that links the regional outcomes sought by catchment communities, to the high-level policy outcomes of the Victorian Government and Australian Government. These are outlined in each Regional Catchment Strategy (RCS) – website[42].

In 2024-25, reporting focused on assessing the Catchment Management Authority's (CMA) contribution to the management of land and water resources. Reporting on condition indicators will be undertaken as part of the mid-term and final review of the RCS.

How to interpret this report

The assessment is based on a set of statewide indicators outlined in the RCS outcomes framework, augmented with regionally specific indicators selected based on criteria, including availability and quality of data, and the linkages back to regional and policy outcomes.

In this report, two types of indicators make up catchment condition and management reporting: management and condition.

The management assessment for each theme assesses the delivery of CMA programs and activities. Reporting on management indicators is undertaken annually.

Reporting on condition indicators is undertaken less frequently, reflecting the timeframes to observe changes in the natural environment and the availability of the supporting data. The 2024-25 Annual Report includes a summary rating for catchment condition, building on previous years' assessments.

As much as possible, the reporting format attempts to provide a transparent path between the evidence and the assessment. The assessment is not definitive but applies to a point in time, based on the best available evidence.

Management rating#	Description
Above expectations	Delivery of activities and programs associated with this indicator is assessed as above expectations for the 12-month period (i.e. majority of activities delivered/ targets were met or exceeded)
Satisfactory	Delivery of activities and programs associated with this indicator is assessed as satisfactory for the 12-month period (i.e. targets for some activities were not achieved or the majority were almost achieved)
Below expectations	Delivery of activities and programs associated with this indicator is assessed as below expectations for the 12-month period (i.e. some critical activities/targets were not delivered, or the majority of activities/ targets were not delivered)
Not applicable	A management rating is not applicable for this indicator
Unknown	The rating for this indicator is not known or assessable

#Management - where appropriate, a management rating is provided based on comparing the delivered activities for the financial year against the funded activities for the financial year.

Condition rating*	Description
Good	The condition is classified as good
Moderate	The condition is classified as moderate
Poor	The condition is classified as poor
Not applicable	A condition rating is not applicable for this indicator

***Condition** - where appropriate, a condition rating is provided that is based on the current state of the theme. A condition rating is based on assessments of the assets and pressures represented by the theme. The assessment is based on available science, expert advice and evidence gained during the preceding year.

6-year condition trend rating^	Description
▲	The condition is moving in a positive direction over the short to medium term pending ongoing management and environmental impacts.
●	The condition is in a neutral state over the short to medium term, and is considered relatively stable pending ongoing management and environmental impacts.
▼	The condition is cause for concern over the short to medium term, and will continue to decline pending ongoing management and environmental impacts.

^The 6-year trend reflects change in condition over the short to medium term of the condition. The trend is assessed against the direction required to contribute to the achievement of regional outcomes.

[42] https://rcs.vic.gov.au/

2024-25 Catchment condition and management report

	Condition 2022-23		Management 2024-25	Summary Comment#
Theme	**Condition rating**	**Trend**	**Management rating**	
Water	Poor	▼	Satisfactory	Water for the environment is assessed as poor, and the trend is concerned. Our reliance on rivers and dams in the Port Phillip and Westernport region to provide most of our water supplies has come at a cost to the environment and to Traditional Owners, and has also affected recreational uses of waterways. Long-term water availability for the environment and river health is declining. Significant additional volumes of environmental water are required to avoid irreversible declines in river health, ensure the survival of native species and the health of water ecosystems (refer to the Port Phillip and Westernport RCS website[43]). The Central and Gippsland Regional Sustainable Water Strategy (CGRSWS), released by Department of Energy, Environment and Climate Action (DEECA) in 2022, aims to improve water efficiency and the use of manufactured water by returning river water to Traditional Owners and the environment. The targets set in the Healthy Waterways Strategy are supported by the CGRSWS, which aims to return a total of 31.3 gigalitres to rivers across the region by 2032 (refer to the CGRSWS website[44]). In relation to environmental flows, in 2024-25, full environmental flow compliance with winter/spring fresh, summer/autumn fresh, and high flow targets was achieved across the Yarra and Tarago-Bunyip systems. Due to the protracted dry and warm conditions throughout the year, this was largely achieved through the active delivery of water for the environment. This included multiple periods of low flow supplementation. In the Werribee and Maribyrnong systems, full compliance was achieved for critical summer/autumn fresh targets. System constraints, lack of appropriate allocation, and minimal unregulated flow events (below average rainfall) meant winter/spring and low flow targets were not fully achieved in the Werribee and Maribyrnong systems. In 2023-24 over 11,000 hectares of vegetation was maintained along waterways and the Yarra, Werribee and Dandenong catchments are all well on their way to managing the areas required to maintain good habitat quality. However, the Maribyrnong and Westernport catchments are significantly off-track, with factors including safety concerns around remote working (particularly in areas with high-quality vegetation) and challenges accessing private property to undertake works, both contributing to this result. The increase in deer population has been highlighted as a significant threat that has increased since 2018, especially in the Yarra, Dandenong and Westernport catchments. Whilst some good deer control projects are funded by Melbourne Water, DEECA and local government, there is no on-going coordinated funding occurring across agencies to address the problem for the region. Figures for 2024-25 were not available at the time of writing this report.
Land	Good	●	Satisfactory	The condition of soil health in the region is good, and the trend is neutral. The condition and trends of soil health using parameters such as soil acidity (pH), phosphorous and nitrogen levels, soil salinity, soil compaction, and microbial health have not been systematically recorded and mapped at landscape level. As a result, the percentage of exposed soil is used as a proxy for broad soil health and vulnerability assessment. Data has been collected and mapped nationally through the Australian National University. The data shows the proportion of exposed soil across the region over the past 20 years has been steady at between 10 and 15 per cent. This is relatively low when compared nationally (refer to the Port Phillip and Westernport RCS website[45]). In relation to improved agricultural practices, in 2024-25, Melbourne Water received some funding from the National Heritage Trust (NHT) to support farmers though industry change and promote opportunities to grow climate-smart products and improve the ecological sustainability of farming landscapes. In addition, Melbourne Water's Rural Land Program provides assistance to landholders to keep soil and nutrients on their farm and out of waterways. Farmers are provided with technical support to improve management practices and financial assistance for on-ground works, such as fencing, off-water stock watering and revegetation.

[43] https://portphillipwesternport.rcs.vic.gov.au/
[44] https://www.water.vic.gov.au/our-programs/long-term-water-resource-assessments-and-strategies/sustainable-water-strategies/central-and-gipps-sws
[45] https://portphillipwesternport.rcs.vic.gov.au/

2024-25 Catchment condition and management report (continued)

	Condition 2022-23		Management 2024-25	Summary Comment#
Theme	**Condition rating**	**Trend**	**Management rating**	
Coast and Marine	Not applicable	●	Below expectations	The condition of the coastal vegetation is unknown therefore the condition rating is not applicable. The trend is unknown/neutral. The current environmental condition of the region's coasts is variable. Some areas retain high environmental values, while others have been heavily modified by urban development, coastal settlement, and recreational use. In developing the Port Phillip and Westernport RCS, the region's coast has been divided into 11 zones delineated by significant changes in coastal characteristics and/or environmental values and where it is sensible to attach tailored environmental targets. Increased and ongoing vegetation surveys of these zones are required to determine trends and conditions (refer to the Port Phillip and Westernport RCS website[46]). In relation to vegetation, pest herbivore and predator control and weed control, in 2024-25 Melbourne Water continued to work with key stakeholders to restore estuarine and marine ecosystems within the Westernport Ramsar site. Melbourne Water established new partnership projects through the Environmental Contribution 6 (EC6) Waterway Health Program to control foxes and feral cats in order to protect resident and migratory shorebirds and waterbirds. Mangrove restoration at priority locations was also completed with the support from Bunurong Land Council and Bass Coast Landcare. State and federal funding to restore estuarine and marine ecosystems within the Westernport Ramsar site has been reduced over recent years.
Biodiversity	Poor	▼	Satisfactory	The condition of native vegetation in the region is poor and the trend is concerned. Before European settlement, approximately 1.28 million hectares were covered by diverse vegetation such as rainforest, woodlands, grasslands, heaths and marshes. Today, due to historical pressures such as land clearing and urban encroachment, an estimated 541,812 hectares of native vegetation remain (around 42 per cent of the region). A number of the ecological vegetation classes have been severely depleted in this region, including Plains Grassland, Plains Grassy Woodland and Box Ironbark Forest (refer to the Port Phillip and Westernport RCS website[47]). The condition of native animals is poor and the trend is concerned. Over the past 200 years, this region was home to an estimated 627 species of native fish, amphibians, reptiles, birds and mammals and many smaller animal species such as insects. However, the diversity of native animal species has declined due to habitat loss, pest predation, and other factors. This decline is indicated by an analysis of animal sighting data that calculated the probability that each species of native fish, amphibians, reptiles, birds and mammals was persisting in the Local Areas of this region at the end of 2016. In addition, a review of Victoria's threatened species list, completed by DEECA in 2021, found that an estimated 159 species of native animals known to occur in this region since 1980 are listed as threatened (refer to the Port Phillip and Westernport RCS website[48]). Melbourne Water has renewed its Biodiversity Conservation Action Plan (BCAP) to embed biodiversity conservation. The renewed plan expands on prioritising biodiversity assets and values within the National Resource Management Action Plan, recently developed for the Australian Government. BCAP is important for Melbourne Water to support prudent and efficient investment decisions, enabling investment for the best possible biodiversity outcomes for the Port Phillip and Westernport region and community. In relation to vegetation, pest herbivore and predator control and weed control, in 2024-25 Melbourne Water collaborated with the Department of Climate Change, Energy, the Environment, and Water (DCCEW), Parks Victoria, DEECA, French Island Landcare, and the French Island community to lead efforts to eradicate feral cats from French Island. Melbourne Water continues to support community groups and land managers to reduce the impacts of environmental weeds and priority pest animals across the region.

[46] https://portphillipwesternport.rcs.vic.gov.au/
[47] https://portphillipwesternport.rcs.vic.gov.au/
[48] https://portphillipwesternport.rcs.vic.gov.au/

	Condition 2022-23		Management 2024-25	Summary Comment[#]
Theme	**Condition rating**	**Trend**	**Management rating**	
Community	Good	▲	Above expectations	The community condition is good, and the trend is positive. Communities across the Port Phillip and Westernport region provide an immense pool of knowledge, skills, services and funds that play a vital role in achieving a better environment for the region. In relation to volunteers, at the end of 2024-25, there were 87 Landcare groups, 13 Landcare networks and one council-hosted natural resource management network in the region. Approximately 500 other community environmental groups are active in the region, such as Friends of groups, Coastcare and Committees of Management. Environmental volunteering groups contribute to on-ground improvements to waterways and land, broker community and agency partnerships and offer a healthy outlet to people wanting to support the natural world. Melbourne Water continues to support the sector through its Regional Landcare Coordination role, running the regional round of the Victorian Landcare Grants, supporting capacity building events and collecting best practice examples of Landcare in action. In the 2023-24 Victorian Landcare Group Health Survey, 205 groups in the region reported 164,870 volunteer hours, equating to a value of $7,133,925 million in economic contribution to environmental volunteering based on a value of $43.27 an hour. Figures for 2024-25 were not available at the time of writing this report. In relation to partnerships with Traditional Owners, in July 2022 Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) and Melbourne Water signed a co-developed Partnership Agreement. The agreement provides a pathway for Melbourne Water to talk about and work on ten priority commitments of mutual interest – from improved cultural understanding, recognising GLaWAC as a respected partner in land and water management, and to start the discussion about water justice. In June 2023, Wadawurrung Traditional Owners Aboriginal Corporation (WTOAC) and Melbourne Water signed a Partnership Agreement Wunggurwill Ngitj – which means Strong together[49]. This Partnership Agreement sets out the framework under which Melbourne Water and WTOAC will work together to support and implement the Paleert Tjaara Dja Wadawurrung Country Plan across the yulluks (waterways), Dja (Country) and skies of Wadawurrung Country.
Integrated catchment management	Good	▲	Above expectations	Partnerships and Integrated Catchment Management (ICM) have been assessed as good, and the trend is positive. In 2023-24, 18 formal partnerships were established or maintained between organisations and individuals under Port Phillip and Westernport CMA initiatives through state and federal government funded programs. Figures for 2024-25 were not available at the time of writing this report. In addition, Melbourne Water has been ICM approach by developing an ICM Plan for the Watts River Sub-Catchment. Building on the work already underway through the Yarra4Life partnership, Melbourne Water has led the development of a pilot planning approach, which looks holistically across the landscape, as a collaborative tool to support future partnerships and collective impact. The pilot demonstrates the benefits that could be unlocked by adopting a broader ICM approach, as well as building organisational knowledge and capacity of place-based catchment planning prior to scaling up any innovations or approaches. The Yering Gorge to Yarra Junction project is now complete. Yarra4Life received funding from Our Communities Our Catchments to deliver this project from 2022 to 2024. It was a unique opportunity to achieve multiple benefits, including biodiversity, threatened species recovery, water quality, sustainable agriculture, river health, articulating and delivering on Traditional Owner aspirations and community empowerment by working across the landscape.

[#]Reporting on management and contextual indicators is undertaken annually. Reporting on condition indicators is undertaken less frequently, therefore, the 2024-25 Annual Report includes a summary rating for catchment condition building on previous years' assessments.

[49] https://www.melbournewater.com.au/media/22336/download

Regional catchment management reporting by theme

Water

Indicator	Management rating	Comment
Environmental flow compliance	Satisfactory	In 2024-25, full environmental flow compliance with winter/spring fresh, summer/autumn fresh, and high flow targets was achieved across the Yarra and Tarago-Bunyip systems. Due to the protracted dry and warm conditions throughout the year, this was largely achieved through the active delivery of water for the environment. This included multiple periods of low flow supplementation. In the Werribee and Maribyrnong systems, full compliance was achieved for critical summer/autumn fresh targets. System constraints, lack of appropriate allocation, and minimal unregulated flow events (below average rainfall) meant winter/spring and low flow targets were not fully achieved in the Werribee and Maribyrnong systems.
Extent of protected or improved riparian land (ha)	Satisfactory	In 2023-24, over 11,000 hectares of vegetation was maintained along waterways and the Yarra, Werribee and Dandenong catchments are all well on their way to managing the areas required to maintain good habitat quality. However, the Maribyrnong and Westernport catchments are significantly off-track, with factors including safety concerns around remote working (particularly in areas with high-quality vegetation) and challenges accessing private property to undertake works, both contributing to this result. The increase in deer population has been highlighted as a significant threat that has increased since 2018, especially in the Yarra, Dandenong and Westernport catchments. While some good deer control projects are funded by Melbourne Water, DEECA and local government, there is no on-going coordinated funding occurring across agencies to address the problem for the region. Figures for 2024-25 were not available at the time of writing this report.

Land

Indicator	Management rating	Comment
Area of improved agricultural practices (ha)	Satisfactory	In 2024-25, Melbourne Water received some funding from the NHT to support farmers through industry change and promote opportunities to grow climate-smart products and improve the ecological sustainability of farming landscapes. In addition, Melbourne Water's Rural Land Program provides assistance to landholders to keep soil and nutrients on their farm and out of waterways. Farmers are provided with technical support to improve management practices, and financial assistance for on-ground works, such as fencing, off-water stock watering and revegetation.

Coast and marine

Indicator	Management rating	Comment
Vegetation, pest herbivore and predator control and weed control (ha)	Below expectations	In 2024-25, Melbourne Water continued to work with key stakeholders to restore estuarine and marine ecosystems within the Westernport Ramsar site. Melbourne Water established new partnership projects through the Environmental Contribution 6 (EC6) Waterway Health Program to control foxes and feral cats in order protect resident and migratory shorebirds and waterbirds. Mangrove restoration at priority locations was also completed with support from Bunurong Land Council and Bass Coast Landcare. State and federal funding to restore estuarine and marine ecosystems within the Westernport Ramsar site has been reduced over recent years.

Biodiversity

Indicator	Management rating	Comment
Vegetation, pest herbivore and predator control and weed control (ha)	Satisfactory	In 2024-25, Melbourne Water collaborated with Department of Climate Change, Energy, the Environment, and Water (DCCEW), Parks Victoria, DEECA, French Island Landcare, and the French Island community to lead efforts to eradicate feral cats from French Island. Melbourne Water continues to support community groups, and land managers to reduce the impacts of environmental weeds and priority pest animals across the region.

Community

Indicator	Management rating	Comment
Number of volunteers in CMA programs	Above expectations	Communities across the Port Phillip and Westernport region provide an immense pool of knowledge, skills, services and funds that play a vital role in achieving a better environment for the region. At the end of 2024-25, there were 87 Landcare groups, 13 Landcare networks and one council-hosted natural resource management network in the region. Approximately 500 other community environmental groups are active in the region, such as Friends of groups, Coastcare and Committees of Management. Environmental volunteering groups, that contribute to on-ground improvements to waterways and land, broker community and agency partnerships and offer a healthy outlet to people wanting to support the natural world. Melbourne Water continues to support the sector through its Regional Landcare Coordination role, running the regional round of the Victorian Landcare Grants, supporting capacity building events and collecting best practice examples of Landcare in action. In the 2023-24 Victorian Landcare Group Health Survey, 205 groups in the region reported 164,870 volunteer hours, equating to a value of $7.133,925 million in economic contribution to environmental volunteering based on a value of $43.27 an hour. Figures for 2024-25 were not available at the time of writing this report.
Number of formal partnership agreements with Traditional Owners/ First Nations	Satisfactory	In July 2022, GLaWAC and Melbourne Water signed a co-developed Partnership Agreement. The agreement provides a pathway for Melbourne Water to talk about and work on ten priority commitments of mutual interest – from improved cultural understanding, recognising GLaWAC as a respected partner in land and water management, and to start the discussion about water justice. In June 2023, WTOAC and Melbourne Water signed a Partnership Agreement Wunggurwill Ngitj – which means Strong together[50]. This Partnership Agreement sets out the framework under which Melbourne Water and WTOAC will work together to support and implement the Paleert Tjaara Dja Wadawurrung Country Plan across the yulluks (waterways), Dja (Country) and skies of Wadawurrung Country.

Integrated Catchment Management

Indicator	Management rating	Comment
Number of partnerships	Above expectations	In 2023-24, 18 formal partnerships were established or maintained between organisations and individuals under Melbourne Water CMA initiatives through state and federal government funded programs. Figures for 2024-25 were not available at the time of writing this report. In 2024-25, Melbourne Water used an ICM approach by developing an ICM Plan for the Watts River Sub-Catchment. Building on the work already underway through the Yarra4Life partnership, Melbourne Water have led the development of a pilot planning approach, which looks holistically across the landscape, as a collaborative tool to support future partnerships and collective impact. The pilot demonstrates the benefits that could be unlocked by adopting a broader ICM approach, as well as building organisational knowledge and capacity of place-based catchment planning prior to scaling up any innovations or approaches. The Yering Gorge to Yarra Junction project is now complete. Yarra4Life received funding from Our Communities Our Catchments to deliver this project 2022-24. It was a unique opportunity to achieve multiple benefits, including biodiversity, threatened species recovery, water quality, sustainable agriculture, river health, articulating and delivering on Traditional Owner aspirations and community empowerment by working across the landscape.

[50] https://www.melbournewater.com.au/media/22336/download

Appendix F – Environmental Disclosures

Emissions and energy

Organisational boundary

Melbourne Water calculates and reports on its energy and emissions data in accordance with the NGER (Measurement) Determination 2008. For the purpose of reporting to the Clean Energy Regulator under the NGER Scheme, Melbourne Water has four facilities under its operational control: Sewerage East Facility, Sewerage West Facility, Water Facility and Waterways and Other Facility (Corporate). This same boundary and the activities within it are used for the reporting of emissions and energy information within the Annual Report. Emissions and conversion factors used in calculations have been sourced from the National Greenhouse Accounts Factors: 2023[51] published by DEECA.

Table 33: Reporting Climate Active eligible carbon offset units retired to reduce scope 1 emissions

Name and type of project/s implemented to generate retired carbon offset units / supported by carbon offset retirement	Climate Active eligible offset unit	Offset quantity	Serial number and hyperlink to registry transaction record	Retirement date	Offset unit vintage year	Public registry
Jawoyn Fire 2 - Savanna Fire Management, NT Australia	Australian Carbon Credit Units (ACCUs)	18,854	9,020,707,368 - 9,020,726,221a	14/08/2025b	2025	ANREU
Tiwi Islands Savanna Burning for Greenhouse Gas Abatement, NT Australia	Australian Carbon Credit Units (ACCUs)	1,146	8,330,613,088 - 8,330,614,233a	14/08/2025b	2022	ANREU
Delta Blue Carbon – 1, Pakistan	Verified Carbon Units (VCUs)	30,000	17166-815576306-815606305-VCS-VCU-394-VER-PK-14-2250-01012022-31122022-1	21/07/2025	2022	Verra
Nazava Water Filter Project, Indonesia	Verified Emissions Reductions (VERs)	3,566	GS1-1-ID-GS4290-16-2023-27950-6608-10173	21/07/2025	2023	Gold Standard
Nazava Water Filter Project, Indonesia	Verified Emissions Reductions (VERs)	21,683	GS1-1-ID-GS4290-16-2022-25928-443-22125	21/07/2025	2022	Gold Standard
Nazava Water Filter Project, Indonesia	Verified Emissions Reductions (VERs)	22,813	GS1-1-ID-GS4290-16-2021-25927-466-23278	21/07/2025	2021	Gold Standard
CTL Landfill Gas Project by Ecourbis Ambiental S.A., Brazil	Verified Emissions Reductions (VERs)	33,000	GS1-1-BR-GS12062-5-2021-26983-391489-391649 GS1-1-BR-GS12062-5-2021-26983-399834-399834 GS1-1-BR-GS12062-5-2021-26983-399835-432672	10/07/2025	2021	Gold Standard
Gaizhou Landfill Gas Power Generation Project	Verified Carbon Units (VCUs)	46,059	18291-885915247-885961305-VCS-VCU-997-VER-CN-13-2468-08012022-31122022-1	21/07/2025	2022	Verra
Gaizhou Landfill Gas Power Generation Project	Verified Carbon Units (VCUs)	14,416	18292-885961306-885975721-VCS-VCU-997-VER-CN-13-2468-01012023-31122023-1	28/07/2025	2023	Verra

[51] https://www.dcceew.gov.au/climate-change/publications/national-greenhouse-accounts-factors-2024

Table 34: Scope 1 emissions by greenhouse gas (in tonnes and converted to tonnes CO_2-e)

	Scope 1 Emissions by greenhouse gas (source greenhouse gas reported in t CO_2-e)			
Service delivery category	**Carbon dioxide (CO_2) in t CO_2**	**Methane (CH_4) in t CO_2-e**	**Nitrous oxide (N_2O) in t CO_2-e**	**Other in t CO_2-e**
Water treatment and supply	72.41	0.10	0.21	0.00
Sewage collection, treatment, and recycling	1,300	191,037	42,277	14.74
Transport	2,089.7	0.3	14.1	0.00
Waterways	83.60	0.15	0.24	0.00
Other (e.g. offices, depots, etc.)	27.13	0.05	0.02	0.00
Total	**3,573**	**191,038**	**42,292**	**15**

Electricity Consumption

Table 35: Total energy storage system reporting (power capacity and total storage capacity)

Energy storage system	**2024-25 Total energy storage system power capacity (MW)**	**2024-25 Total energy storage system storage capacity (MWh)**	**Commentary**
Total: energy storage systems	N/A	N/A	*No energy storage systems installed to date.*

Table 36: Electricity consumption by service

	2023-24 Total electricity consumption (MWh)	**2024-25 Total electricity consumption (MWh)**
Water treatment and supply	59,505.00	71,865.61
Sewage collection, treatment, and recycling	281,112.70	276,299.73
Waterways	1,085.84	964.06
Other (e.g. offices, depots, etc.)	369.76	404.45
Total (by service delivery category)	**342,073**	**349,534**

Table 37: Total electricity consumption by source

Electricity Source	2023-24 Total electricity consumption (MWh)	2024-25 Total electricity consumption (MWh)	Commentary
Purchased directly through an electricity retailer	188,900	206,942	
Not directly purchased but sourced from outside the organisation	0	0	Onsite solar at ETP and Winneke have contributed to increased self-generation
Water corporation led/self-sourced activities and initiatives	153,174	143,042	
Total (all by source)	**342,073**	**349,534**	

Table 38: Total energy usage per water corporation FTE employee

Total energy usage (fuels and electricity) in GJ	Total FTE employees	Energy usage (GJ) per FTE employee	Commentary
3,145,382.90	1,399	2,244.52	

Table 39: Total electricity generation capacity and generation reporting (renewable)

Renewable electricity source	2024-25 Total on-site renewable electricity generation capacity (MW)	2024-25 Total on-site renewable electricity generated (MWh)				
		Consumed on-site	Exported	Other purposes	Total generated (By source)	Commentary
Biogas	24.44	104,911	6,518		111,430	
Hydroelectric	25.12	14	38,476		38,490	
Solar	29.12	36,849	9,087		45,936	
Wind						
Other renewable						
Total (renewable)	**78.67**	**141,775**	**54,081**		**195,856**	

Table 40: Total other (non-renewable electricity generation capacity and generation reporting)

Non-renewable electricity source	2024-25 Total on-site renewable electricity generation capacity (MW)	2024-25 Year Total on-site renewable electricity generated (MWh)				
		Consumed on-site	Exported	Other purposes	Total generated (By source)	Commentary
Non-renewable sources	9.31	1,267	0		1,267	ETP biogas generation (9.31MW) also operates on natural gas
Total (renewable)	**9.31**	**1,267**	**0**		**1,267**	

Total energy use

Table 41: Total energy usage from fuels and electricity segregated by energy source, renewable and non-renewable and per FTE employee

Total energy usage	Renewable (in GJ)	Non-renewable (in GJ)	TOTAL (in GJ)	Commentary
From fuels	1,304	41	1,345	
From electricity	48	851	899	
Total	**1,352**	**892**	**2,245**	

Stationary fuel use

Sources of emissions from stationary fuel include natural gas used in some building's heating systems, diesel back-up generators at critical facilities and fuel-powered portable equipment. Melbourne Water collected data primarily through our fuel cards transaction history.

Table 42: Total stationary fuel use in buildings and machinery

	Total stationary fuel use (buildings and machinery)		
Fuel type	**in GJ**	**in t CO_2-e**	**Commentary**
Fossil gas	23,366.68	1,204.09	
Biogas	1,841,177.53	11,838.77	
Diesel	23,465.26	1,647.26	Includes all operational fuel measures, inclusive of activity without transformative energy consumption. Excludes fleet activity.
LPG	497.76	30.16	
Petrol	366.30	24.83	
Other	0	0	
Total	**1,888,873.52**	**14,745.12**	

Transportation

Melbourne Water's fleet in 2024-25 comprised 431 vehicles essential to the provision of water, sewerage, waterways, and drainage and catchment management services. Of these, 63 per cent are goods vehicles used for operational purposes and 29 per cent are passenger vehicles for transporting staff to the wide variety of sites that Melbourne Water operate. In the last year, our percentage of battery electric passenger vehicles has increased from 43 per cent of our total fleet to 63 per cent of our total fleet, as we continue our journey to a low emission fleet. This year we expanded the boundary of our disclosures to also include our non-road transport vehicles which can be categorised as agricultural, excavation and marine.

Table 43: Total number and proportion of transportation vehicles segmented by engine/fuel type and vehicle category (as at end of reporting period)

Transportation vehicle category	Petrol	Diesel	LPG	Petrol Hybrid	Diesel Hybrid	Battery Electric	Other	Commentary
Passenger vehicles	35	2	-	14	-	86	-	
Goods vehicles	-	294	-	-	-	-	-	
Category Total (Number)	**35**	**296**	**-**	**14**	-	86	-	

Table 44: Total energy used in transportation and greenhouse gas emissions from vehicle fleet segmented by fuel type and vehicle category

Transportation vehicle category	Petrol	Diesel	Biodiesel	Renewable Diesel	LPG	Electricity	Other	Total energy use (GJ)	Total emissions (t CO_2-e)	Commentary
Passenger vehicles	2,997	386	-	-	-	-	-	3,384	230	
Goods vehicles	-	23,922	-	-	-	-	-	23,922	1,684	
Total energy use (GJ)[5]	**2,997**	**24,308**	**-**	**-**	-	-	-			
Total emissions (t CO_2-e)	**203**	**1,712**	**-**	**-**	**-**	**-**	**-**			

Table 45: Total distance travelled by commercial air travel

Commercial air travel	Passenger Kilometres (kms)	Greenhouse gas emissions (t CO_2-e)	Commentary
Commercial air travel	229,142	55.5	

Water and waste

Melbourne Water currently calculates its water consumption and waste disposal figures from data recorded at its corporate office building at 990 La Trobe St. This data is then extrapolated to create an estimate of consumption across the whole organisational boundary using FTE data. This method has been used as waste and water data at our corporate office was identified as having the highest data confidence across our portfolio of sites and also has the highest percentage of FTE. Melbourne Water is currently exploring new methods of reliable and accurate water and waste data capture across other sites in our portfolio.

Water consumption

There has been a slight decrease in water consumption between 2023-24 and 2024-25.

Table 46: Total units of metered water consumed by water source and normalised by FTE

Indicator	2024-25	2023-24
Total potable water consumption by Melbourne Water (kilolitres)	683.1	707.8
Total FTE	1,399	1324.1
Units of metered water consumed normalised by FTE	0.488	0.535

Note - the data in Table 45 has been extrapolated from Melbourne Water's corporate office consumption data to all offices.

Waste and recycling

There has been a noticeable reduction in total waste disposal in 2024-25 as Melbourne Water as waste reporting data has been optimised and no longer includes waste data from the ground flood retail tenant.

Table 47: Waste and recycling data

Indicator	2024-25	%	2023-24	%
Total units of waste disposed (kg and %)	19,878.8	100	24,225.3	100
Landfill (disposal)	10,856.0	54.6	12,226.6	50.47
Recycling / recovery (disposal)	8,066.2	40.9	11,998.7	49.53
• Food and garden organics	3,260.4	16.9	5,587.2	23.06
• Paper and cardboard	3,490.0	17.5	4,018.4	16.59
• Other mixed recyclables	986.1	5.0	2,393.1	9.88
Number of office sites which are covered by dedicated collection services[1]				
• Printer cartridges	1	6	1	6
• Batteries	0	0	0	0
• E-Waste	1	6	1	6
• Soft plastics	0	0	1	6
Total units of waste disposal	18.6		18.3	
Recycling rate		37.8		38
Landfill - Contaminated Recycling		0.9		3.0
Greenhouse gas emissions associated with waste disposal (t CO_2-e)	35		19.6	
Landfill	17.4		19.6	

[1] Melbourne Water currently only has dedicated collection services at our corporate office building at 990 La Trobe Street, Docklands. This represents 6 per cent of our 17 office sites, and 70 per cent of the total Melbourne Water FTE.

Sustainable buildings and infrastructure

In 2024-25, Melbourne Water did not acquire any new major assets or leases. Melbourne Water's corporate office building at 990 La Trobe St is leased from Charter Hall and achieved the following National Australian Built Environment Rating System (NABERS) ratings during the period.

Name of building	Building type	Rating scheme	Rating	Certificate expiry
990 La Trobe St Head Office	General Office Building	NABERS – Energy	5.5	Dec 2025
990 La Trobe St Head Office	General Office Building	NABERS – Water	6.0	Dec 2025
990 La Trobe St Head Office	General Office Building	NABERS – Waste	3.0	Oct 2025

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