

## APPENDIX F

# Water entities' major project disclosures in the BP4

Water entities are required to seek the Treasurer's approval for large capital infrastructure projects if they meet certain cost thresholds that DTF prescribes for them. If a project meets any of these cost thresholds, the entity must produce a business case and disclose it in the BP4.

Figure F1 shows that while six of the eight water sector projects we surveyed either had a business case or were developing one, these projects were not individually disclosed in the BP4.

**FIGURE F1: Water sector projects' TEIs, approval thresholds, BP4 disclosures and business case statuses in 2019–20**

Water entity	Project name	TEI (millions)	DTF approval threshold (millions)	Disclosed in 2019–20 BP4?	Business case?
Greater Western Water Corporation	Werribee West growth works	\$181.00	\$80.00 +	✓	✓
Goulburn–Murray Rural Water Corporation	Connections Project	\$1 099.99	Not applicable*	✓	✓
Melbourne Water Corporation	HBM Yarra Crossing duplication	\$180.00	\$100.00 +	~	✓
	WTP 55E ASP Upgrade	\$213.00	\$100.00 +	~	In development
	WTP Primary Treatment Augmentation	\$384.00	\$100.00 +	~	In development
	WTP Treatment Capacity Increase	\$213.00	\$100.00 +	^	✓
	Yan Yean to Bald Hill Pipeline	\$113.00	\$100.00 +	~	In development
South East Water Corporation	Boneo Water Recycling Plant Stage 4 Upgrade	\$131.00	\$80.00 +	Partially	✓

\* The government funded this project directly through the state budget process.

~ Business cases were not approved before the 2019–20 BP4 was published.

^ This project was aggregated into the 'Western Treatment Plant Projects' budget submission for 2019–20.

DTF told us that they expect water entities to individually disclose each project that the Treasurer approves. However, we note that this did not occur in the 2019–20 BP4 for six of the eight major projects in the water sector that we examined due to timing of business case approvals and aggregation of major projects into programs.

Figure F2 discusses some examples of the inconsistencies we found in water entities' disclosures.

#### FIGURE F2: **How water entities disclose major projects**

Water entities have many lower value, interrelated projects. In the BP4, disclosed program items can have from 10 to 60 smaller projects included within their TEI. The TEI for these smaller projects is usually less than \$5 million.

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During the scoping of this review, we identified 33 major projects (worth \$100 million or more) across six water entities, using the information available in the 2019–20 BP4.

After discussions with DTF and the relevant water entities, we found that a number of these projects were yearly programs funded from regulated water tariff revenue rather than individual projects. As a result, we reduced our list to eight projects across four water entities.

For example, we identified that the six Barwon Region Water Corporation projects disclosed as \$100 million or more in the budget papers are ongoing works programs made up of 20 to 60 smaller-value projects. The TEIs of these smaller projects range from \$30 000 to \$80 million.

We noted a similar situation for Yarra Valley Water Corporation. The three programs that this entity disclosed in the budget papers had 15 to 60 smaller projects within them.

South East Water Corporation had four major projects according to the 2019–20 BP4. However, we found that only one was a major project (the 'Sewer System Growth—Boneo sewage treatment plant stage 4 upgrade' project).

South East Water Corporation did not explicitly disclose this project in the BP4. Instead, it included the project, which was valued at \$126 million, in an aggregated program of nine projects with a total TEI of \$136.83 million.

Using the budget papers, we noted that Melbourne Water Corporation was delivering 18 major projects in 2019–20. However, after discussions with Melbourne Water Corporation, we found that it was only delivering five major projects at the time of our survey. None of these projects are specifically disclosed in the 2019–20 BP4 or obviously part of the 18 major projects we initially identified. Melbourne Water told us that four were due to timing differences between business case approval and the BP4 publication dates, with the fifth project reported at an aggregate level.

Two of the 33 water sector projects that we first identified as major projects were disclosed as individual projects in the 2019–20 BP4 — Goulburn–Murray Water’s Connections Project and Greater Western Water’s Werribee West Growth Works.

The Victorian and Australian governments jointly fund the Connections Project. This makes it distinct from most water sector projects that water entities fund from the collection of regulated water charges. The Greater Western Water project is now complete.

*Source: VAGO.*

During this review, we also found that water entities’ project reporting approach makes the aggregate TEI of their disclosed work programs grow and shrink each year if they add or remove projects.

This reporting approach makes it impossible for an external user of public data to track their performance against an aggregated budget item each year.

We also found that water entities are more likely to disclose completed projects as single projects rather than aggregated projects. This is because not all projects within a works program finish at the same time.

This means that the most accurate public reporting on water projects only occurs when they are practically completed. This makes it impossible for Parliament to monitor their performance, even retrospectively, because they cannot check a previous budget for any initial TEI spend targets or estimated completion dates.

When major projects are aggregated into programs, there is no way of knowing their start date, estimated cost and estimated end date. Without this information, it is impossible to monitor their performance using publicly reported data.