



**WESTERNPORT**  
WATER™



# CORPORATE PLAN 2016-21



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# 1. Statement of Corporate Intent

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Westernport Water's Corporate Plan 2016-21 has been developed in accordance with the requirement of section 247 of the Water Act 1989 (the Act).

The Corporate Plan includes the vision, undertakings and objectives of the organisation, as well as the 2016-17 Business Plan with financial statements containing the information required by the Minister for Environment, Climate Change and Water.

## Our vision



This Corporate Plan is to be considered in conjunction with Westernport Water's Water Plan 3. The Corporate Plan outlines the strategies and approaches of Westernport Water to achieve safe and reliable water and wastewater services in an efficient and affordable manner to support sustainable and liveable communities within Westernport Water's region. The plan also includes activities to ensure the corporation complies with the requirements of the Statement of Obligations (SoO) for Water Corporations.

## Business Undertakings

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The core functions of Westernport Water are to provide drinking water, recycled water, and wastewater services wherever economically, environmentally and socially practicable, to properties and communities throughout its district.

Westernport Region Water Corporation (Westernport Water) is one of 19 water corporations operating in Victoria and reports to the State Government of Victoria. Westernport Water is responsible for its own management and performance, servicing over 19,200 customers across an area of 300 square kilometres including Phillip Island and mainland communities from The Gurdies to Archies Creek.

Westernport Water accesses water from a number of diverse sources. The primary water supply is from the Tennent Creek catchment via the Candowie Reservoir, with additional entitlements from the Bass River, the Corinella Aquifer and a connection to the Melbourne pool.

Approximately 1,900 megalitres (ML) is treated annually at the Ian Bartlett Water Purification Plant at the Candowie Reservoir, then pumped to the San Remo Basin for distribution to customers within Westernport Water's district.

Westernport Water supplies wastewater services to 90 percent of properties that receive water. It operates two wastewater treatment plants, processing 1,200 ML of wastewater each year. The Cowes Wastewater Treatment Plant on Phillip Island has a capacity of 8.5ML per day and treats approximately 1050 ML annually. 80 ML is further treated to Class A standard, and a further 80 ML is used to irrigate a tree plantation at this site. The King Road Wastewater Treatment Plant in Coronet Bay has a capacity of 8.5ML per day and treats approximately 150 ML annually. All effluent is used to irrigate pasture and tree plantations at this site, making a total of 25% of all treated wastewater being beneficially reused.

It is acknowledged that Westernport Water provide services on the traditional lands of the Bunurong peoples, who played an important role over thousands of years in managing the natural resources on Phillip Island, or Millowl as it is traditionally known. We acknowledge our Traditional Owners as we continue to manage these resources.



Cowes Waste Water Treatment Plant – 2016

## 2. Corporate Focus Areas and Key Initiatives of 2016-17

Strategic Focus Area	Corporate Objectives	Strategies & Approaches
<p><b>Our Corporate Governance</b>  <i>To maintain the integrity and value of our corporation through sound governance and financial management</i></p>	<ul style="list-style-type: none"> <li>◆ Plan for our future through strategic business planning</li> <li>◆ Be financially sustainable</li> <li>◆ Regularly find ways to become more efficient</li> <li>◆ Meet our regulatory requirements</li> <li>◆ Recognise and manage risk</li> </ul>	<ol style="list-style-type: none"> <li>1. Progress the Risk Management Improvement Plan.</li> <li>2. Optimise performance of the finance system and improve reporting capabilities.</li> <li>3. Strengthen IT governance and improve system performance to meet business needs.</li> <li>4. Review the corporate governance framework and implement improvement initiatives.</li> <li>5. Strengthen relationships and identify opportunities under the Gippsland Water Corporation Strategic Alliance.</li> </ol>
<p><b>Our Customers</b>  <i>To provide quality products and services to meet our customers' expectations and needs</i></p>	<ul style="list-style-type: none"> <li>◆ Provide safe and reliable drinking water</li> <li>◆ Provide services that meet our customers needs</li> <li>◆ Continually seek opportunities to grow our business and service opportunities</li> </ul>	<ol style="list-style-type: none"> <li>6. Implement year 1 of the Water Quality Continuous Improvement Plan.</li> <li>7. Develop and commence implementation of the 2018 Pricing Submission Engagement Plan.</li> </ol>
<p><b>Our People</b>  <i>To be an innovative, high performance organisation with a reputation that is valued by current &amp; prospective employees</i></p>	<ul style="list-style-type: none"> <li>◆ Strive to be an Employer of Choice</li> <li>◆ Provide a healthy and safe working environment</li> <li>◆ Listen and respond to our people</li> </ul>	<ol style="list-style-type: none"> <li>8. Successfully negotiate a new Enterprise Agreement.</li> <li>9. Implement the Organisational Improvement Plan.</li> <li>10. Develop and implement a Diversity Action Plan.</li> </ol>
<p><b>Our Community</b>  <i>To be a valued member of the community we serve</i></p>	<ul style="list-style-type: none"> <li>◆ Improve our performance based on customer feedback</li> <li>◆ Add value to our community</li> <li>◆ Maintain strong stakeholder partnerships</li> </ul>	<ol style="list-style-type: none"> <li>11. Develop a Corporate Social Responsibility Strategy.</li> <li>12. Develop a Reconciliation Action Plan.</li> </ol>
<p><b>Our Assets</b>  <i>To enable the reliable and cost-effective delivery of products and services to our customers</i></p>	<ul style="list-style-type: none"> <li>◆ Embed whole of life asset management into daily practice</li> <li>◆ Enable reliable service delivery</li> <li>◆ Invest in treatment system and performance to optimise service delivery.</li> </ul>	<ol style="list-style-type: none"> <li>13. Deliver Year 2 of the Asset Management System Improvement Plan.</li> <li>14. Complete an options analysis for effluent refuse from the King Road Waste Water Treatment Plant.</li> <li>15. Progress security supply options for the 648mm water main across Phillip Island.</li> </ol>
<p><b>Our Environment</b>  <i>To be an environmentally sustainable organisation, reducing environmental footprint</i></p>	<ul style="list-style-type: none"> <li>◆ Minimise environmental impact</li> <li>◆ Prepare for Climate Change</li> <li>◆ Protection and enhancement</li> </ul>	<ol style="list-style-type: none"> <li>16. Develop an Urban Water Strategy.</li> <li>17. Develop a Climate Change Mitigation and Adaptation strategy.</li> </ol>

# 2016-17 Corporate Plan Performance Measures and Targets

**Table 1: 2016 – 17 Corporate Plan Performance Measures**

Corporate Plan Performance Measure		Target
1.	<b>Delivery of the Corporate Plan Strategies and Approaches</b> <i>To achieve safe and reliable water and wastewater services to support sustainable and liveable communities.</i>	Successful completion of the 17 identified strategies inline with the program for delivery.
2.	<b>Maintain the Corporation's AA rating</b> <i>To ensure Westernport Water continues to demonstrate sound financial performance.</i>	Maintain the current AA rating
3.	<b>Customer Survey – Satisfaction result</b> <i>To understand customer perceptions and overall satisfaction of our customers with Westernport Water as a service provider.</i>	>90% Satisfaction
4.	<b>Compliance – Enforcement action</b> <i>To measure compliance with legislation by ensuring no enforcement action such as a penalty infringement or abatement notice, direction or an enforceable undertaking.</i>	Target = 0 regulator actions
5.	<b>Employee Satisfaction - People Matter Survey</b> <i>To measure the level of engagement of employees to provide an indication of their commitment to the organisation's goals and values and their motivation to contribute to the organisation's success.</i>	Achieve an employee engagement index of $\geq 69\%$
6.	<b>Water Quality compliance with Safe Drinking Water Regulations</b> <i>To ensure for the provision and supply of safe drinking water in accordance with the regulations.</i>	100% compliance
7.	<b>Environment Impact - Compliance with EPA Licence</b> <i>To measure compliance at Westernport Water's 2 Licenced wastewater treatment plant sites</i>	100% compliance
8.	<b>Customer Service level - Guaranteed service level payment</b> <i>To measure the level of service to customers the ESC sets out provision for payments to customers for failure to meet Guaranteed service level.</i>	$\leq 3$ payments in the 2016-17 year



## Our Corporate Governance

*To maintain the integrity and value of our corporation through sound governance and financial management*

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The 2016-17 focus will be on reviewing and improving key corporate governance functions within the organisation to ensure business readiness for the upcoming Victorian Government's new Victorian water plan setting the strategic direction for water management in Victoria.

In order to deliver these improvements, the Corporation has identified the following Corporate Plan strategies or initiatives to meet the objective of maintaining sound governance and financial management.

### 1. Progress the Risk Management Improvement Plan.

The Corporation will continue to progress the Risk Management Improvement Plan (RMIP) to ensure we are consistent with the risk management principles of the Victorian Government Risk Management Framework. The RMIP will ensure the Corporation:

- Achieves its objectives and performance targets
- Ensures informed decision making
- Identifies uncertainty and vulnerabilities
- Adopts a consistent approach to managing risks.

### 2. Optimise performance of the finance system and improve reporting capabilities.

Westernport Water has stable and reliable financial reporting systems. Periodically these systems require a refresh to ensure they support efficient work processes and provide the business with relevant information. During 2016-17 the Finance team will review the current business corporate reporting requirements and align our systems for optimal efficiency.

### 3. Strengthen IT governance and improve system performance to meet business needs.

We will strengthen the IT governance framework by aligning to the ISO 38500 standard. Using an ICT Steering Committee, who will provide direction on long-term planning, strategic initiatives, policy and operations in order to manage risks, add value and meet corporate objectives.

### 4. Review the corporate governance framework and implement improvement initiatives.

The Corporation will undertake a review of the corporate governance framework to ensure the policies and guidance are in place to meet our governance obligations and are best practice. The Board and Executive is committed to ensuring that all those involved in activities of the Corporation understand the processes and standards of conduct required within the governance framework.

Ongoing improvement to governance processes will strengthen abilities to meet regulatory requirements Improvement opportunities identified will be incorporated into Westernport Water's governance framework during the planning period.

### 5. Strengthen relationships and identify opportunities under the Gippsland Water Corporation Strategic Alliance.

Gippsland Water, in partnership with East Gippsland Water, South Gippsland Water, Westernport Water, and more recently, Southern Rural Water, continue to proactively engage in delivering efficiencies and service improvements for water customers across the region as part of its industry-leading Memorandum of Understanding. We are committed to strengthening relationships with the Gippsland water corporations to identify efficiencies and improvements across areas such as procurement, electricity forward contracts, fleet management, customer services, training, engineering and emerging issues within water system operations.





## Our Customers

*To provide quality products and services to meet our customers' expectations and needs*

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We are committed to providing customer focused services. Our customers are always considered when planning and introducing new services and systems and we consult wherever possible to better understand customer needs and expectations.

### 1. Implement Year 1 of the Water Quality Continuous Improvement Plan.

The 2016-17 CAPEX program focuses on continuous improvement of our already high quality water produced consistently from the Ian Bartlett Water Purification Plant.

Year 1 (2016-17) of the Water Quality Continuous Improvement Plan will include:

- Install a filter to waste system providing the ability to waste off-spec water from water treatment plant filters and return to the reservoir, eliminating the risk of breakthrough of potential contaminants to the drinking water system.
- Installation of ultraviolet disinfection (UV) to provide an additional barrier to the removal of harmful pathogens and ensure ongoing regulatory compliance in the delivery of safe drinking water. Planning and design will be undertaken in 2016-17 with construction in 2017-18.
- San Remo Basin chloramination improvements, involving the relocation of chlorine and ammonia dosing to the interior of the basin as well as the installation of a mixer. This will remove any short-circuiting of water age and provide water of a more consistent quality to our customers.

### 2. Develop and commence implementation of the 2018 Pricing Submission Engagement Plan.

Westernport Water is guided by the community through evidence based consultation and input. We are committed to delivering engagement in accordance with the International Association Public Participation (IAP2) core values for community participation and the associated engagement framework whilst determining the next pricing submission. We will develop a comprehensive engagement plan which will ensure clear messages are provided to our customers and deliver feedback that is meaningful and identifies the actions or response by the corporation.



## Our People

*To be an innovative, high performance organisation with a reputation that is valued by current & prospective employees*

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The People and Culture portfolio looks after a range of functions and responsibilities that impact how we manage our team. Westernport Water has a vision to see the development/evolution of Human Resources and Organisational Development strategically, and to build the People and Culture function to better support and enable the business. This includes leading, engaging and developing our people to enhance capability and performance, connecting our people to drive the business strategy, and creating and sustaining a culture that we are all proud of.

### 1. Successfully negotiate a new Enterprise Agreement.

During the 2016-17 year the organisation will negotiate a new Enterprise Agreement. A detailed project plan has been created, and resources have been dedicated to the project, with the aim to see a smooth and timely negotiation process. The organisation aims to reach agreement in good faith bargaining with limited delays in the process, and a timely submission of the Enterprise Agreement to the Fair Work Commission.

### 2. Implement the Organisational Improvement Plan.

The Organisational Improvement Plan (OIP) has evolved from an engagement specific focus to a more whole of business approach to ensure ongoing development and organisational maturity with a continuous improvement approach. The core areas for improvement are: People and Culture, Leadership Development, Change Management, Systems and Processes.

To ensure readiness for this program, Westernport Water is undertaking an organisation realignment to ensure that our organisational structure supports our strategic goals, including the implementation of the OIP. The realignment will also address the need for strong leaders to provide a strengthened foundation for risk management and governance, community engagement, relationship building, and a focus on environment and people and culture.

The 2016-17 priorities of the OIP include embedding the new organisational structure, consultation to confirm the priorities for each core focus area, and establishing a detailed plan to roll out the OIP.

### 3. Develop and implement a Diversity Action Plan.

The corporation will develop and implement a Diversity Action Plan in response to the Minister for Environment Climate Change and Water correspondence on 12 February 2016 and in line with the guiding principles developed by the sector and address diversity in the industry, particularly gender equity.



## Our Community

*To be a valued member of the community we serve*

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Ensure Westernport Water's social initiatives are aligned with its corporate goals, demonstrating it is responsive to community and environment (both ecological and social). Opportunities include but are not limited to; waste management, environment protection, health, education, tourism and economic development.

### 1. Develop a Corporate Social Responsibility (CSR) Strategy.

Through a process of consultation we will develop a clear statement of business commitment to CSR that outlines our corporate intent to be a valued member of our community.

### 2. Develop a Reconciliation Action Plan.

During 2016-17 Westernport water is committed to developing a Reconciliation Action Plan (RAP) to provide a framework to realise our vision for reconciliation with Aboriginal and Torres Strait Islander Australians. A RAP is a practical plan of action built on relationships, respect and opportunities.



## Our Assets

*To enable the reliable and cost- effective delivery of products and services to our customers*

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### 1. Deliver Year 2 of the Asset Management System Improvement Plan.

The Corporation made significant progress in 2015-16 to enhance the accuracy of asset data. The intention of the Asset Management System Improvement Plan in 2016-17 is to refine processes in order to:

- Optimise the utilisation of this newly acquired data
- Increase certainty in asset planning
- Enable appropriate expenditure and financial sustainability
- Enhance reliability of services

### 2. Complete an options analysis for effluent reuse from the King Road Wastewater Treatment Plant.

Further investigation into long term effluent disposal options for this facility will be undertaken as highlighted in the Master Plan completed in 2015 for this facility.

### 3. Progress security supply options for the 648mm water main across Phillip Island.

Detailed options analysis is to be undertaken for this critical pipeline following a study in 2016 that reviewed all fault data, hydraulic assessment of pipeline capacity and expected growth across a 50 year planning horizon.



## Our Environment

*To be an environmentally sustainable organisation, reducing environmental footprint*

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Westernport Water is conscious that our operations can have an impact on the environment, so are committed to protecting and enhancing the local environment in which we operate.

We do this by:

- Investing in best practice technology
- Monitoring our plants and the environment
- Utilising an Environmental Management System to manage environmental risks
- Working with local environment groups on environmental issues of regional significance.

In 2016-17 along with our ongoing land management programs, Westernport Water will be initiating development of two major strategies that will assist in planning our future response to environmental challenges.

1. Develop an Urban Water Strategy.

As outlined in the SoO, Westernport Water is required to develop an Urban Water Strategy for our water supply district taking into account the requirements outlined in the obligation to consider all aspects of urban water cycle, including integrated water cycle management, planning scheme considerations, and climate change adaptation. The Strategy will be consistent with the SoO and be across a 50 year planning horizon.

2. Develop a Climate Change Mitigation and Adaptation Strategy.

Westernport Water will develop a Climate Change Mitigation and Adaptation Strategy to meet community expectations to reduce emissions in readiness for future government targets. The corporation will work with water industry partners to ensure consistent approaches to reduction strategies and identify potential community partnerships with shared benefits for opportunities to mitigate climate change impact.

## Significant Variations to Water Plan 3 (2013-18)

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Westernport Water is tracking closely to its intentions outlined in Water Plan 3, with the successful completion of the following projects:

- Candowie Reservoir Upgrade
- Cowes Wastewater Treatment Plant Upgrade

And the successful progression of the following projects:

- Wastewater Future – Cowes Reticulation, namely upgrades to Church St and Chapel St Sewer Pump Stations in Cowes
- Water Main Replacement Programs have been refined, initially targeting highest risk and are now ongoing.

Significant Variations to Water Plan 3 include the following:

### 1. Wastewater Future – Cowes Reticulation Project

This project was detailed in Water Plan 3 with an anticipated spend of \$8.75M. Recent upgrades to pump stations have exceeded design expectations and closer analysis of population growth has enabled the staging of the sewer rising mains associated with this project to be adjusted accordingly. The capacity increase gained from Stage 1 is sufficient to defer the construction of Stage 2 for 7-10 years.

### 2. Cross Island Sewer System Project

This is a new project. The creation of the Cross Island Sewer System Project acknowledges that the Wastewater Future – Cowes Reticulation Project was limited to the sewer systems within the Cowes Township. The Cross Island Sewer System Project addresses the various other systems that deliver sewage to the Cowes Wastewater Treatment Plant. Investigations during 2015-16 confirmed further improvements required in 2016-17 and an ongoing program of works into future years.

### 3. King Road Storage Lagoon

This project has been deferred due to recent additions to irrigation and subsequent plantations that have increased our capacity to dispose of effluent. Additional irrigation infrastructure in 2016-17 will further reduce the urgency of this project and enable options analysis to occur, with the resulting solutions implemented in the next Pricing Submission.

### 4. San Remo Basin Cover Replacement

This project has been deferred. Further investigation has demonstrated that all failures have been in the vicinity of the inlet, therefore the revised intention is to replace the floor and cover material only in the proximity of the inlet pipe. The removed material is to be analysed in order to reassess the remaining life of the polypropylene floor lining and floating cover, then plan its replacement accordingly.

## Key business drivers of Corporate Plan 2016-21

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### Debt Management

Outstanding debt is forecast to be \$9.2M at 30 June 2016. This Corporate Plan predicts debt to decline each year to \$5.5M by 30 June 2021.

Key to the decline in the levels of debt, the Corporation has a modest capital expenditure plan over the next five years which will be fully funded internally, no new debt is required, although some maturing debt will be refinanced. After covering the capital plan, it is expected cash from net operating activities will also allow debt levels to reduce to \$5.5M by 2021.

The table shows the level of debt for the Corporation over the five year Corporate Plan period.

**Table 2: Total Corporation Debt**

Debt	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Forecast	Budget \$ 000				
Total Debt	9,190	9,140	8,140	7,640	5,950	5,450

Approaching the next regulatory Pricing Plan, new capital projects may be considered which could change the funding requirements for Westernport Water and consequently the requirements to seek new debt. This is not seen as a risk to the business as debt has been reduced over the last two years and the Corporation has maintained its AA credit rating.

### Risk Assessment

The 2016-17 Corporate Plan has been developed with consideration to the Corporation's operational risk register, the Board developed strategic risk register along with ongoing monitoring of emerging risks. The Risk management plan aims to achieve alignment between business strategic focus areas, identification of opportunities and risk management strategies.

The Corporation has a Risk Management Framework inline with the applicable standards, including the Victorian Managed Insurance Authority's Victoria Government Risk Management Framework. The Improvement plan identified in the 2016-17 Corporate Plan strategies and approached will continue to ensure consistency. And ensure the Board and Management effectively manage the corporation's risks and understand the nature of risks impacting the corporation.

Narrative and information on analysis of factors likely to affect efficiency targets, and /or create significant financial risk for the corporation are covered in the section entitled; *Financial Sensitivity Analysis* on Page 18.

### Financial analysis, considerations and projections

The financial business targets for the Corporation are set out in Appendix A1. The key finance ratios show a steady improvement in the liquidity measures while the profitability ratios remain steady over the five year corporate plan.

Westernport Water has not made any provision for a dividend payment. An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer. The net result for the Corporation is determined on an after tax basis. However the Corporation has sufficient carry forward tax losses consequently there is provision for payment of tax in this corporate plan.

Quarterly financial projections for the first year of the planning period are detailed in appendix A2.

There are several key planning variables which may impact the forecast financial results. In the section headed Financial Sensitivity Analysis (see below) these variables are identified along how they may impact the financial result.





Candowie Reservoir – February 2016

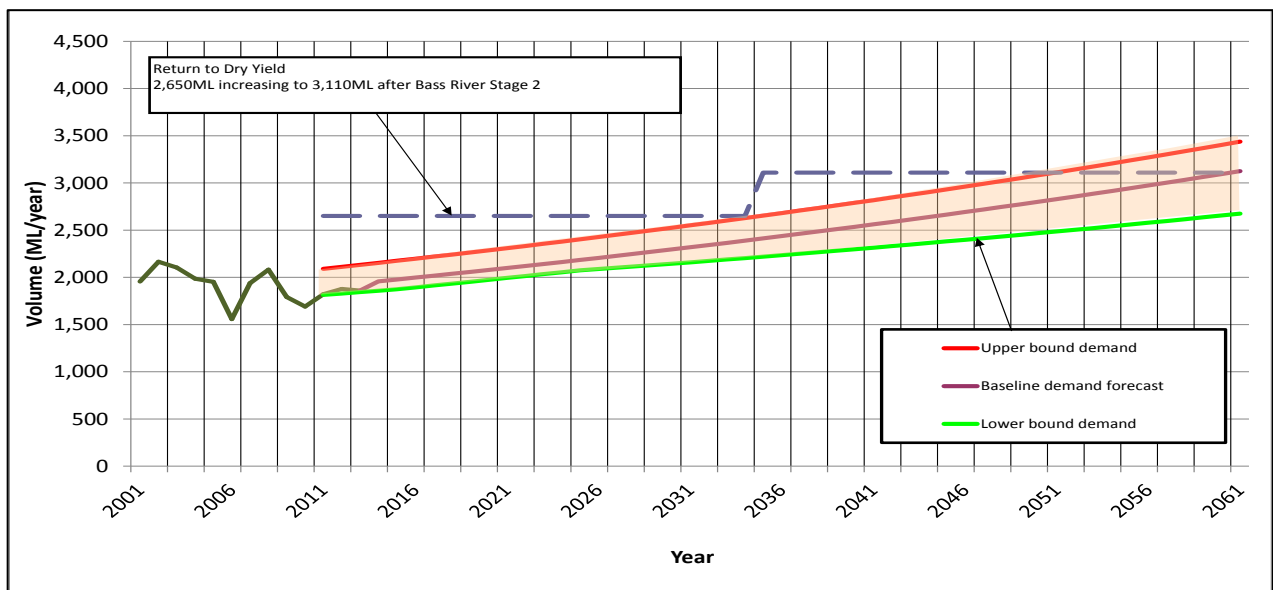
### 3. Planning Assumptions

#### Water Allocations

Westernport Water has secured access water from a diverse range of sources. The Bulk Entitlements we currently hold are 2,911ML from Tennent Creek, 3,000ML from the Bass River, a 1,000ML allocation from the Metropolitan Pool via a connection to the Desalination Plant pipeline to Melbourne and a licence for 491ML of groundwater from the Corinella Aquifer. In total Westernport Water has access to over 7,400ML of water compared to a forecast demand for 2016-17 of 1,905ML.

For the combined locally available water sources, excluding water sourced from the Metropolitan Pool, it was assessed that the available yield under a “Return to Dry” or drought scenario is 2,650ML with 95% annual reliability

The growth in demand and Westernport Water’s supply capacity is shown in Graph 1:



Graph 1: Water Supply and Demand projections

Demand over the past 2 years has rebounded to the baseline expected demand curve. The year 2015/16 has been the largest yearly demand for 12 years with a record high demand in October reflecting the lower rainfall and higher temperatures over the past 18 months. It is Westernport Water’s assessment that sufficient water is available from Tennent Creek and Bass River over the winter spring period, based on the prediction from Bureau of Meteorology (BOM) attributed to *La Nina* and the corresponding average to above average rainfall, to meet all community needs, without restrictions over the 2016-17 period.

Westernport Water receives a Water Allocation as part of the Metropolitan Pool Bulk Entitlement based on the filling and/or spilling of reservoirs in the Melbourne Water supply area. The current Water Allocation (as of 1 April 2016) is for 1,651ML that we may use or trade within the water grid of the connected water authorities.

**Table 3: Tariff schedule 2016 - 17**

		2016-17	2017-18	2018-19	2019-20	2020-21
<b>CPI%</b>						
CPI % assumptions		1.7	2	2	2	2
<b>Water &amp; Recycled Water Volumetric pricing per kl</b>						
Potable	Residential	\$1.9633	\$2.0026	\$2.0426	\$2.0835	\$2.1252
Potable	Non Residential	\$1.9633	\$2.0026	\$2.0426	\$2.0835	\$2.1252
Recycled Water	Residential	\$1.0611	\$1.0824	\$1.1040	\$1.1261	\$1.1486
Recycled Water	Non Residential less than 5,000kL p.a.	\$0.5162	\$0.5266	\$0.5371	\$0.5478	\$0.5588
Recycled Water	Non Residential more than 5,001kL p.a.	\$0.4244	\$0.4329	\$0.4415	\$0.4504	\$0.4594
<b>Connected Fixed Charges \$ per annum</b>						
<b>Residential</b>						
Water		\$381.35	\$388.98	\$396.76	\$404.70	\$412.79
Waste		\$589.01	\$600.79	\$612.80	\$625.06	\$637.56
Reuse		\$26.52	\$27.05	\$27.59	\$28.15	\$28.71
<b>Non Residential</b>						
Water (20mm tapping)		\$381.35	\$388.98	\$396.76	\$404.70	\$412.79
Water (25mm tapping)		\$687.00	\$700.74	\$714.76	\$729.05	\$743.64
Water (32mm tapping)		\$1,298.62	\$1,324.59	\$1,351.08	\$1,378.10	\$1,405.67
Water (40mm tapping)		\$2,368.50	\$2,415.87	\$2,464.19	\$2,513.47	\$2,563.74
Water (50mm tapping)		\$4,241.00	\$4,325.82	\$4,412.34	\$4,500.59	\$4,590.60
Water (65mm tapping)		\$8,444.54	\$8,613.43	\$8,785.70	\$8,961.41	\$9,140.64
Water (80mm tapping)		\$14,635.27	\$14,927.98	\$15,226.54	\$15,531.07	\$15,841.69
Water (100mm tapping)		\$26,328.83	\$26,855.40	\$27,392.51	\$27,940.36	\$28,499.17
Water (150mm tapping)		\$60,683.80	\$61,897.48	\$63,135.43	\$64,398.13	\$65,686.10
Waste		\$589.01	\$600.79	\$612.80	\$625.06	\$637.56
Waste (> 2 cistern per property)		\$217.55	\$221.90	\$226.34	\$230.86	\$235.48
<b>Unconnected Fixed Charges \$ per annum</b>						
Water		\$190.32	\$194.13	\$198.01	\$201.97	\$206.01
Waste		\$295.02	\$300.92	\$306.94	\$313.08	\$319.34
Reuse - Unconnected		-	-	-	-	-

Note: The Tariff schedule for 2016-17 above (Table 3) has been calculated on an assumed CPI increase of 1.7%. The actual CPI figure will be released by the Essential Services Commission through the tariff approval process.

## Customer Impact Table

Table 4: Customer Impact 2016 - 17

Average Residential Account (80kL)					
	2016-17	2017-18	2018-19	2019-20	2020-21
Water Fixed	\$381.35	\$388.98	\$396.76	\$404.70	\$412.79
Volumetric	\$157.07	\$160.21	\$163.41	\$166.68	\$170.01
Waste Fixed	\$589.01	\$600.79	\$612.80	\$625.06	\$637.56
Total	\$1,127.43	\$1,149.97	\$1,172.97	\$1,196.43	\$1,220.36
% Change	1.7%	2%	2%	2%	2%
Average Non Residential Account (435kL)					
Water Fixed	\$381.35	\$388.98	\$396.76	\$404.70	\$412.79
Volumetric	\$854.04	\$871.12	\$888.55	\$906.32	\$924.44
Waste Fixed	\$589.01	\$600.79	\$612.80	\$625.06	\$637.56
Total	\$1,824.40	\$1,860.89	\$1,898.11	\$1,936.07	\$1,974.79
% Change	1.7%	2%	2%	2%	2%
Average Tenant Account (80kL)					
Volumetric	\$157.07	\$160.21	\$163.41	\$166.68	\$170.01
% Change	1.7%	2%	2%	2%	2%

## Operating Environment Assumptions 2016-17

Westernport Water does not envisage any significant change in the economy which may adversely impact the operations of the business during 2016-17. Development activity is forecast to be in line with recent years, which is for steady growth but at rates below the growth experienced in Melbourne.

The business is not planning to commence any major capital projects during 2016-17 which may change the underlying financial strength of the business by adversely impacting liquidity.

There is no allowance for dividend payments.

## Finance Assumptions 2016-17

The financial assumptions set out below form the basis for the budgeted net profit after tax result of \$353K and a strong positive net cash flow from operating activities.

## Revenue Assumptions

Service Charges:

- CPI uplift of 1.7%
- Customer growth of 1.4%

Customer Rebate:

- Maintenance of the commitment to provide a rebate to customers of \$29.80

Water Usage:

- Will return to average patterns after the higher usage in 2015-16
- Domestic water consumption, 80KL per connection
- Non Domestic water consumption, 435KL per connection

Developer Income:

- Creation of 147 new allotments

## OPEX Assumptions

Staff Cost:

- Increases in wage and salaries are in line with the current Enterprise Agreement
- CPI uplift for future years is 2%
- No cost allocation for the use of metropolitan pool water
- Measures taken to reduce chemical usage have been applied to this Corporate Plan
- Electricity consumption has been reduced over recent years and together with lower tariffs from a new contract are reflected in this Corporate Plan

Insurance costs are contained through the benefit of the state wide contract.

Financial KPIs are set out in Appendix B

## Financial Sensitivity Analysis

This Corporate Plan is forecasting a Net Profit After Tax (NPAT) of \$353K. As noted above this forecast result has been derived using a number of assumptions. Within these assumptions there are several which could have a material impact on the financial outcome for 2016-17. A sensitivity analysis has been prepared to highlight the impact of the key variables on our forecast result.

On the basis of the sensitivity analysis the NPAT result could range from a loss of \$356K to a profit of \$1,062K. The following tables provide the details of the key variables attributable to the potential movement in the profit result.

**Table 5: Sensitivity analysis 2016 – 17**

Variable	Sensitivity	Comments
Capital Revenue	50% loss of revenue - Cash component - Contributed Assets	Revenue subject to local and nationwide economic factors, beyond the control of WPW. No sign of imminent loss of revenue.
Water Usage	A 10% change in consumption will impact revenue by \$346K.	Customer water consumption subject to seasonal condition over summer.
Electricity	A 10% change in usage will impact expenditure by \$61K.	A wet winter / spring period is a casual factor in an increase in electricity usage.

Each risk has been assessed in terms of the consequence on the business should the risk emerge and the potential likelihood that the risk may emerge. The risk rating score for each risk is considered moderate for the business. The table below shows the risk rating scores.

**Table 6: Risk Rating Score Sheet**

Variable	Consequence	Likelihood	Risk
Capital Revenue			
- Cash	Moderate (\$100K to \$500K Loss)	Possible (Once every 5 years)	Moderate
- Contributed Assets	Moderate (\$100K to \$500K Loss)	Possible (Once every 5 years)	Moderate
Water Usage	Moderate (\$100K to \$500K loss)	Possible (Once every 5 years)	Moderate
Electricity	Minor (Less than \$100K)	Possible (Once every 5 years)	Moderate

## Profit Sensitivity – Down Side Assumption

If all the down side risks were to occur the forecast NPAT result would decline by \$709K to a loss of \$356K. It is considered to be unlikely that all risks would arise simultaneously and at their respective maximum points of impact. In addition the drivers behind each risk are different which do not create direct links between each risk, such that if one risk were to arise it would not necessarily imply the other risks would emerge.

The table below provides the details on the forecast result on before and after tax basis.

**Table 7: Forecast result before and after Tax for 2016 -17**

Profit & Loss	2016-17 Budget	Capital Revenue	Water Usage	Electricity	Net Result
\$ 000					
Total Revenue	21,598				21,598
Revenue Adj		(605)	(346)		(952)
Total Opex	(21,094)				(21,094)
Opex Adj.				(61)	(61)
NPBT	504	(605)	(346)	(61)	(509)
Tax	(151)				153
NPAT	353				(356)

## Profit Sensitivity – Up Side Assumption

The same business risks have the potential to generate an upside result for the Corporation. As with the downside risk above the business drivers for each risk are different so it would be unlikely the NPAT would increase from \$353K to \$1,062K during 2016-17.

The table below provide the detail on how the profit upside may eventuate.

**Table 8: Profit Sensitivity up-side assumptions**

Profit & Loss	2016-17	Capital Revenue	Water Usage	Electricity	Net Result
\$ 000					
Total Revenue	21,598				21,598
Revenue Adj		605	346		952
Total Opex	(21,094)				(21,094)
Opex Adj.				61	61
NPBT	504	605	346	61	1,516
Tax	(151)				(455)
NPAT	353				

## Customer and Demand Assumptions 2016-17

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### Property Forecast 2016-17

The major assumptions driving the property forecast are:

- Growth in residential properties of 1.4% from 2015-16
- Reduction in unconnected vacant residential land of 1.4%
- No significant growth in commercial properties.

Growth particularly on Phillip Island is steady and running slightly lower than Water Plan 3 which assumed 2% growth. Forward projections for growth will remain at this lower rate.

**Table 9: Growth Projections**

Property Type	Property Numbers 2016-17	Water Plan 3 Submission Year 4	Variance from WP3
Residential	15,296	15,552	-1.7%
Vacant Land	1,558	1,500	3.7%
Commercial	1,112	1,117	0%
<b>TOTAL PROPERTIES</b>	<b>17,966</b>	<b>18,234</b>	<b>-1%</b>

### Customer Demand Forecast 2016-17

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Customer demand for potable water continues to grow ahead of the forecast used to prepare the Water Plan 3 submission. Although we expect demand to decrease during 2016-17 when compared to 2015-16 which was drier than normal over the summer period.

The demand for 2016-17 has been based upon three recent years of water consumption excluding 2015-16 high usage. The three individual years forming the average all exceeded the water usage assumed for Water Plan 3.

**Table 10: Customer demand**

Customer Type	Demand (ML)	Water Plan 3 (ML)	Variance %
Residential	1,286	1,126	12%
Commercial	458	596	-30%
<b>TOTAL CUSTOMER DEMAND</b>	<b>1,744</b>	<b>1,722</b>	<b>1%</b>

## Recycled Water Assumptions 2016-17

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The Class A recycled water scheme has been servicing residential and commercial customers since July 2012. Major consumers of recycled water are the commercial customers, mainly (60%) by Philip Island Golf Club. In 2014-15 commercial customers used 77.3 ML compared to 6.4 ML by the residential customers. Weather condition is the main factor that affects reuse demand by the commercial customers. A substantial increase in residential development is necessary to grow the base demand to partially offset the climatic effect.

The number of residential customers is growing slower than forecasted. In 2014-15, 217 residential customers were connected to the Class A scheme and the average consumption was 30KL/annum/property. This is significantly less than the average consumption by the metropolitan households. Seasonal population movement and high number of holiday homes contribute to the low average use.

The key to increased reuse is to attract commercial customers, especially those using recycled water independent of weather conditions. Initial investment is a major limiting factor in attracting new customers. Westernport Water has recognised this and has taken steps to provide financial and technical assistance to eligible commercial customers.





## Appendix A – Financial Templates

Table A1 - Operating Revenue

<b>OPERATING STATEMENT</b>	<b>2015-16 Forecast \$ 000</b>	<b>2016-17 Budget \$ 000</b>	<b>2017-18 Budget \$ 000</b>	<b>2018-19 Budget \$ 000</b>	<b>2019-20 Budget \$ 000</b>	<b>2020-21 Budget \$ 000</b>
<b>Revenue</b>						
Service Charges	15,801	16,318	16,643	17,528	17,879	18,236
Usage Charges	3,552	3,545	3,616	3,688	3,762	3,837
Developer Contribution	651	561	572	584	595	607
Developer Contribution - Gifted Assets	649	649	662	675	689	703
Investment Interest	56	-	-	-	-	-
Other Revenue	435	412	421	429	438	446
<b>Total Revenue</b>	<b>21,145</b>	<b>21,486</b>	<b>21,914</b>	<b>22,905</b>	<b>23,363</b>	<b>23,830</b>
<b>Expense</b>						
Operating & Maintenance Expense	1,715	1,088	1,109	1,132	1,154	1,177
Administration Expense	3,850	3,380	3,447	3,516	3,587	3,658
Environmental Contributions	794	794	794	794	794	794
Borrowing Cost / Interest Expense	419	396	343	295	270	222
Depreciation / Amortisation	5,743	6,104	6,274	6,451	6,623	6,780
IT	561	1,373	1,401	1,429	1,457	1,486
Labour	6,349	7,546	7,772	8,005	8,245	8,493
Consultants	585	414	270	275	280	286
<b>Total Expense</b>	<b>20,016</b>	<b>21,094</b>	<b>21,409</b>	<b>21,897</b>	<b>22,411</b>	<b>22,896</b>
Net Operating Profit Before Tax	<b>1,129</b>	<b>392</b>	<b>505</b>	<b>1,008</b>	<b>952</b>	<b>934</b>
Non Operating Items						
Profit on sale of disposal of assets	85	112	90	25	25	-
<b>Net Profit Before Tax</b>	<b>1,214</b>	<b>504</b>	<b>594</b>	<b>1,033</b>	<b>977</b>	<b>934</b>
Tax	<b>(365)</b>	<b>(151)</b>	<b>(178)</b>	<b>(310)</b>	<b>(293)</b>	<b>(280)</b>
<b>Net Profit After Tax</b>	<b>849</b>	<b>353</b>	<b>416</b>	<b>723</b>	<b>684</b>	<b>654</b>
Dividend Expense		-	-	-	-	-
Transfers to / from reserves		-	-	-	-	-
Other adjustments		-	-	-	-	-
<b>Net Profit - Retained Earnings</b>	<b>849</b>	<b>353</b>	<b>416</b>	<b>723</b>	<b>684</b>	<b>654</b>
Retained Earnings - Opening Balance	<b>60,346</b>	<b>61,195</b>	<b>61,548</b>	<b>61,964</b>	<b>62,687</b>	<b>63,371</b>
<b>Retained Earnings - Closing Balance</b>	<b>61,195</b>	<b>61,548</b>	<b>61,964</b>	<b>62,687</b>	<b>63,371</b>	<b>64,025</b>

Table A2 - Operating Revenue by Quarter for 2016-17

<b>OPERATING STATEMENT - 2016-17</b>	<b>Q 1</b>	<b>Q2</b>	<b>Q2</b>	<b>Q3</b>	<b>Q3</b>	<b>Q4</b>	<b>Q4</b>
	<b>Period</b>	<b>Period</b>	<b>YTD</b>	<b>Period</b>	<b>YTD</b>	<b>Period</b>	<b>YTD</b>
	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>
<b>Revenue</b>							
Service Charges	4,274	3,899	8,173	4,067	12,240	4,078	16,318
Usage Charges	716	847	1,562	1,038	2,600	945	3,545
Developer Contribution	82	69	151	145	296	265	561
Developer Contribution - Gifted Assets	-	-	-	50	50	599	649
Investment Interest	-	-	-	-	-	-	-
Other Revenue	183	77	259	77	336	77	412
<b>Total Revenue</b>	<b>5,254</b>	<b>4,892</b>	<b>10,146</b>	<b>5,377</b>	<b>15,522</b>	<b>5,964</b>	<b>21,486</b>
<b>Expense</b>							
Operating & Maintenance Expense	286	269	555	263	818	269	1,088
Administration Expense	949	837	1,786	767	2,552	827	3,380
Environmental Contributions	-	265	265	265	529	265	794
Borrowing Cost / Interest Expense	103	99	201	95	297	99	396
Depreciation / Amortisation	1,508	1,519	3,028	1,531	4,558	1,546	6,104
IT	646	262	908	251	1,159	214	1,373
Labour	2,026	1,695	3,721	1,989	5,710	1,835	7,546
Consultants	52	45	98	182	280	134	414
<b>Total Expense</b>	<b>5,570</b>	<b>4,991</b>	<b>10,561</b>	<b>5,343</b>	<b>15,904</b>	<b>5,191</b>	<b>21,094</b>
Net Operating Profit Before Tax	<b>(316)</b>	<b>(99)</b>	<b>(416)</b>	<b>34</b>	<b>(381)</b>	<b>773</b>	<b>392</b>
Non Operating Items							
Profit on sale of disposal of assets	56	56	112	-	112	-	112
Net Profit Before Tax	<b>(260)</b>	<b>(44)</b>	<b>(304)</b>	<b>34</b>	<b>(270)</b>	<b>773</b>	<b>504</b>
Tax	78	13	91	(10)	81	(232)	(151)
Net Profit After Tax	<b>(182)</b>	<b>(31)</b>	<b>(213)</b>	<b>24</b>	<b>(189)</b>	<b>541</b>	<b>353</b>
Dividend Expense							
Transfers to / from reserves							
Other adjustments							
Net Profit - Retained Earnings	<b>(182)</b>	<b>(31)</b>	<b>(213)</b>	<b>24</b>	<b>(189)</b>	<b>541</b>	<b>353</b>
Retained Earnings - Opening Balance	61,195	61,013	61,195	60,982	61,195	61,006	61,195
Retained Earnings - Closing Balance	<b>61,013</b>	<b>60,982</b>	<b>60,982</b>	<b>61,006</b>	<b>61,006</b>	<b>61,548</b>	<b>61,548</b>

Table A3 - Balance Sheet

<b>BALANCE SHEET</b>	<b>2015-16 Forecast \$ 000</b>	<b>2016-17 Budget \$ 000</b>	<b>2017-18 Budget \$ 000</b>	<b>2018-19 Budget \$ 000</b>	<b>2019-20 Budget \$ 000</b>	<b>2020-21 Budget \$ 000</b>
<b>Current Assets</b>						
Cash & Cash Equivalents	1,143	791	1,282	1,303	1,055	1,231
Receivables	3,608	3,678	3,727	4,254	4,150	4,280
Inventories	379	409	409	409	412	412
Prepayments	318	318	318	318	318	318
<b>Total Current Assets</b>	<b>5,448</b>	<b>5,196</b>	<b>5,736</b>	<b>6,284</b>	<b>5,936</b>	<b>6,241</b>
<b>Non-current Assets</b>						
Property Plant & Equipment	199,792	205,043	211,259	218,010	224,915	232,190
Less Accumm Depreciation	(28,200)	(34,304)	(40,578)	(47,029)	(53,652)	(60,432)
PP&E at WDV	171,592	170,739	170,681	170,982	171,263	171,758
Work In Progress	4,056	5,586	5,266	4,971	4,351	4,006
Intangibles	1,532	1,532	1,532	1,532	1,532	1,532
Receivables	61	61	61	61	61	61
<b>Total Non-current Assets</b>	<b>177,241</b>	<b>177,918</b>	<b>177,540</b>	<b>177,546</b>	<b>177,207</b>	<b>177,357</b>
<b>Total Assets</b>	<b>182,689</b>	<b>183,114</b>	<b>183,275</b>	<b>183,830</b>	<b>183,142</b>	<b>183,599</b>
<b>Current Liabilities</b>						
Borrowings	500	2,700	2,200	2,200	1,700	1,700
Employee Benefits	1,264	1,264	1,264	1,264	1,264	1,264
Payables	628	599	1,166	1,187	1,212	1,235
Unearned Income	1,619	1,619	1,619	1,619	1,619	1,619
Other	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>4,011</b>	<b>6,182</b>	<b>6,249</b>	<b>6,270</b>	<b>5,795</b>	<b>5,818</b>
<b>Non-current Liabilities</b>						
Borrowings	8,690	6,440	5,940	5,440	4,250	3,750
Employee Benefits	246	246	246	246	246	246
Unearned Income	-	-	-	-	-	-
Deferred Tax Liability	25,128	25,279	25,457	25,767	26,061	26,341
Other	-	-	-	-	-	-
<b>Total Non-current Liabilities</b>	<b>34,064</b>	<b>31,965</b>	<b>31,643</b>	<b>31,453</b>	<b>30,557</b>	<b>30,337</b>
<b>Total Liabilities</b>	<b>38,075</b>	<b>38,147</b>	<b>37,893</b>	<b>37,724</b>	<b>36,352</b>	<b>36,155</b>
<b>Net Assets</b>	<b>144,614</b>	<b>144,967</b>	<b>145,383</b>	<b>146,106</b>	<b>146,790</b>	<b>147,444</b>
<b>Equity</b>						
Retained Earnings	61,195	61,548	61,964	62,687	63,371	64,025
Asset Revaluation Reserve	32,096	32,096	32,096	32,096	32,096	32,096
Contributed Capital	51,323	51,323	51,323	51,323	51,323	51,323
<b>Total Equity</b>	<b>144,614</b>	<b>144,967</b>	<b>145,383</b>	<b>146,106</b>	<b>146,790</b>	<b>147,444</b>

Table A4 - Balance Sheet by Quarter for 2016-17

BALANCE SHEET - 2016-17	Q 1	Q2	Q3	Q4
	\$ 000	\$ 000	\$ 000	\$ 000
<b>Current Assets</b>				
Cash & Cash Equivalents	316	408	634	791
Receivables	3,593	3,716	3,777	3,678
Inventories	379	394	409	409
Prepayments	318	318	318	318
<b>Total Current Assets</b>	<b>4,606</b>	<b>4,836</b>	<b>5,138</b>	<b>5,196</b>
<b>Non-current Assets</b>				
Property Plant & Equipment	201,023	202,150	203,277	205,043
Less Accumm Depreciation	(29,708)	(31,228)	(32,758)	(34,304)
PP&E at WDV	171,315	170,922	170,519	170,739
Work In Progress	4,456	4,661	4,956	5,586
Intangibles	1,532	1,532	1,532	1,532
Receivables	61	61	61	61
<b>Total Non-current Assets</b>	<b>177,364</b>	<b>177,176</b>	<b>177,068</b>	<b>177,918</b>
<b>Total Assets</b>	<b>181,970</b>	<b>182,012</b>	<b>182,206</b>	<b>183,114</b>
<b>Current Liabilities</b>				
Borrowings	1,000	1,700	1,700	2,700
Employee Benefits	1,264	1,264	1,264	1,264
Payables	1,169	554	714	599
Unearned Income	1,619	1,619	1,619	1,619
Other	-	-	-	-
<b>Total Current Liabilities</b>	<b>5,052</b>	<b>5,137</b>	<b>5,297</b>	<b>6,182</b>
<b>Non-current Liabilities</b>				
Borrowings	7,190	7,190	7,190	6,440
Employee Benefits	246	246	246	246
Unearned Income	-	-	-	-
Deferred Tax Liability	25,050	25,037	25,047	25,279
Other	-	-	-	-
<b>Total Non-current Liabilities</b>	<b>32,486</b>	<b>32,473</b>	<b>32,483</b>	<b>31,965</b>
<b>Total Liabilities</b>	<b>37,538</b>	<b>37,610</b>	<b>37,781</b>	<b>38,147</b>
<b>Net Assets</b>	<b>144,432</b>	<b>144,401</b>	<b>144,425</b>	<b>144,967</b>
<b>Equity</b>				
Retained Earnings	61,013	60,982	61,006	61,548
Asset Revaluation Reserve	32,096	32,096	32,096	32,096
Contributed Capital	51,323	51,323	51,323	51,323
<b>Total Equity</b>	<b>144,432</b>	<b>144,401</b>	<b>144,425</b>	<b>144,967</b>

Table A5 - Cash Flow Statement

<b>CASH FLOW</b>	<b>2015-16 Forecast \$ 000</b>	<b>2016-17 Budget \$ 000</b>	<b>2017-18 Budget \$ 000</b>	<b>2018-19 Budget \$ 000</b>	<b>2019-20 Budget \$ 000</b>	<b>2020-21 Budget \$ 000</b>
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers	20,387	20,980	21,474	21,951	23,157	23,339
Receipts from Government	-	712	704	716	728	740
Payments to Suppliers and Employees	(16,493)	(16,594)	(16,153)	(17,113)	(17,583)	(17,965)
Refund from ATO	1,283	1,158	1,051	1,052	1,174	1,180
Interest Received	26	-	-	-	-	-
Interest Paid	(343)	(325)	(272)	(239)	(220)	(189)
FAL Paid	(27)	(102)	(79)	(63)	(54)	(40)
<b>Net Cash from Operating Activities</b>	<b>4,833</b>	<b>5,830</b>	<b>6,724</b>	<b>6,303</b>	<b>7,202</b>	<b>7,064</b>
<b>Cash Flows from Investing Activities</b>						
Payments for Property, Plant & Equipment	(3,952)	(6,084)	(5,140)	(5,640)	(5,755)	(6,376)
Projects funded by Developer Contributions	6	(160)	(163)	(166)	(170)	(173)
Proceeds from Sale of Property, Plant & Equip.	206	112	70	25	165	161
<b>Net Cash from / (Used in) Investing Activities</b>	<b>(3,740)</b>	<b>(6,132)</b>	<b>(5,233)</b>	<b>(5,781)</b>	<b>(5,760)</b>	<b>(6,388)</b>
<b>Cash Flows from Financing Activities</b>						
Proceeds from Borrowings	2,250	2,200	250	750	-500	500
Repayment of Borrowings	(3,050)	(2,250)	(1,250)	(1,250)	(1,190)	(1,000)
<b>Net Cash from Financing Activities</b>	<b>(800)</b>	<b>(50)</b>	<b>(1,000)</b>	<b>(500)</b>	<b>(1,690)</b>	<b>(500)</b>
<b>Net Increase (Decrease) For Year</b>	<b>293</b>	<b>(352)</b>	<b>491</b>	<b>21</b>	<b>(248)</b>	<b>175</b>
<b>Opening Cash Balance</b>	<b>850</b>	<b>1,143</b>	<b>791</b>	<b>1,282</b>	<b>1,303</b>	<b>1,055</b>
<b>Closing Cash Balance</b>	<b>1,143</b>	<b>791</b>	<b>1,282</b>	<b>1,303</b>	<b>1,055</b>	<b>1,231</b>

Table A6 - Cash Flow Statement by Quarter for 2016-17

<b>CASH FLOW - 2016-17</b>	<b>Q 1</b>	<b>Q2</b>	<b>Q2</b>	<b>Q3</b>	<b>Q3</b>	<b>Q4</b>	<b>Q4</b>
	<b>Period</b>	<b>Period</b>	<b>YTD</b>	<b>Period</b>	<b>YTD</b>	<b>Period</b>	<b>YTD</b>
	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>
<b>Cash Flows from Operating Activities</b>							
Receipts from Customers	5,722	4,937	10,659	5,101	15,759	5,220	20,980
Receipts from Government	193	173	366	173	539	173	712
Payments to Suppliers and Employees	(4,314)	(4,526)	(8,840)	(3,899)	(12,739)	(3,855)	(16,594)
Refund from ATO	238	331	569	257	826	333	1,158
Interest Received	-	-	-	-	-	-	-
Interest Paid	(5)	(165)	(170)	(10)	(180)	(144)	(325)
FAL Paid	(30)	(26)	(56)	(23)	(79)	(23)	(102)
<b>Net Cash from Operating Activities</b>	<b>1,804</b>	<b>724</b>	<b>2,528</b>	<b>1,598</b>	<b>4,126</b>	<b>1,704</b>	<b>5,830</b>
<b>Cash Flows from Investing Activities</b>							
Payments for Property, Plant & Equipment	(1,672)	(1,362)	(3,034)	(1,328)	(4,362)	(1,722)	(6,084)
Projects funded by Developer Contributions	(15)	(25)	(40)	(45)	(85)	(75)	(160)
Proceeds from Sale of Property, Plant & Equip.	56	56	112	-	112	-	112
<b>Net Cash from / (Used in) Investing Activities</b>	<b>(1,631)</b>	<b>(1,332)</b>	<b>(2,963)</b>	<b>(1,373)</b>	<b>(4,335)</b>	<b>(1,797)</b>	<b>(6,132)</b>
<b>Cash Flows from Financing Activities</b>							
Proceeds from Borrowings	500	700	1,200	-	1,200	1,000	2,200
Repayment of Borrowings	(1,500)	-	(1,500)	-	(1,500)	(750)	(2,250)
<b>Net Cash from Financing Activities</b>	<b>(1,000)</b>	<b>700</b>	<b>(300)</b>	<b>-</b>	<b>(300)</b>	<b>250</b>	<b>(50)</b>
<b>Net Increase (Decrease) For Period</b>	<b>(827)</b>	<b>92</b>	<b>(735)</b>	<b>226</b>	<b>(509)</b>	<b>157</b>	<b>(352)</b>
<b>Opening Cash Balance</b>	<b>1,143</b>	<b>316</b>	<b>1,143</b>	<b>408</b>	<b>1,143</b>	<b>634</b>	<b>1,143</b>
<b>Closing Cash Balance</b>	<b>316</b>	<b>408</b>	<b>408</b>	<b>634</b>	<b>634</b>	<b>791</b>	<b>791</b>

## Appendix B – Regulatory Performance Indicators

Table B1- Financial Performance Indicators

Financial KPI		2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Forecast	2016-17 Budget	2017-18 Proj	2018-19 Proj	2019 – 20 Proj	2020-21 Proj
F1	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax / net interest payments	58.90	61.22	10	16.9	10.9	14.7	20.1	21.8	27.3	31.7
F2	<b>Gearing Ratio</b> (Total debt (including finance leases) / total assets) * 100	2.6%	3.6%	6.6%	5.5%	5.9%	5.0%	4.4%	4.2%	3.2%	3.0%
F3	<b>Internal Financing Ratio</b> (Net operating cash flows less dividends / net capital expenditure) * 100	77.3%	78.2%	47.6%	127.1%	111.6%	95.1%	128.5%	109.0%	125.0%	110.6%
F4	<b>Current Ratio</b> Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.45	0.32	0.84	0.89	0.56	0.8	0.9	1.0	1.01	1.1
F5	<b>Return on Assets</b> (Earnings before net interest and tax / average assets) * 100	1.9%	0.8%	1.1%	1.5%	0.8%	0.5%	0.5%	0.7%	0.5%	0.5%
F6	<b>Return on Equity</b> (Net profit after tax / average total equity) *100	2.1%	0.8%	0.7%	1.4%	0.7%	0.2%	0.3%	0.5%	0.5%	0.4%
F7	<b>EBITDA Margin</b> (Earnings before interest, tax, depreciation and amortisation / total revenue) *100	36.5%	31.2%	36%	40%	TBA	32.3%	32.7%	33.8%	33.5%	33.2%

Table B2 - Water & Sewer Services Performance Indicators

Water Service KPI		2016-17 Target	2015-16 Projection	2014-15 Actual	2013-14 Actual	2012-13 Actual	2011-12 Actual
WS1	<b>Unplanned water supply interruptions</b> No. of customers receiving more than 1 unplanned water interruptions in the year per 1000 customers	1500	1,500	1,500	572	1,286	NA
WS2	<b>Unplanned water interruption time</b> Average duration of unplanned water supply interruptions	90	90	103.4	92.3	124.4	175
WS3	<b>Restoration of unplanned water supply</b> Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruption) *100	100	100	98	100	97.3	95
Sewerage Service KPI		2016-17 Target	2015-16 Projection	2014-15 Actual	2013-14 Actual	2012-13 Actual	2011-12 Actual
SS1	<b>Containment of sewer spills</b> (Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers) *100	100	100	100	91	100	# 16
SS2	<b>Sewer supply interruptions</b> No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours/ total number of residential sewerage customers affected by sewerage interruptions) *100	100	100	100	86	100	88



Table B3 - Customer Responsiveness & Environmental Performance Indicators

Customer responsiveness KPI (per 1000 customers)		2016-17 Target	2015-16 Projection	2014-15 Actual	2013-14 Actual	2012-13 Actual	2011-12 Actual
CR1	<b>Water Quality complaints</b> No of complaints per 1000 customers	2.4	2.1	1.5	5.6	1.01	2.54
CR2	<b>Sewerage service quality complaints</b> No of complaints per 1000 customers	0	0	0	0	0	0.1
CR3	<b>Sewerage odours complaints</b> No of complaints per 1000 customers	0	0	0.03	0.08	1.06	1.36
CR4	<b>Billing/ payment issue complaints</b> No of complaints per 1000 customers	1	1	0.7	1.2	1.01	0.195
Environmental KPI		2016-17 Target	2015-16 Projection	2014-15 Actual	2013-14 Actual	2012-13 Actual	2011-12 Actual
E1	<b>Effluent re-use volume (end use)</b> Percentage recycled (%)	24	23%	20	17.5	18	9.2
E2	<b>Total net CO<sub>2</sub> equivalent emissions</b> Net tonnes CO <sub>2</sub> equivalent (tonnes)	6400	6,400	6,473	6,455	6,260	7,280

# Appendix C – Capital Expenditure detail



## Capital Program 2016 - 2021

Project Driver	Project Name	Strategic Focus Area	2015-20 Corporate Plan indicative budget for 16/17 \$	Water Plan 3		Water Plan 4		
				2016/17 Draft Budget \$	2015-20 Corporate Plan indicative budget for 17/18 \$	2015-20 Corporate Plan indicative budget for 18/19 \$	2015-20 Corporate Plan indicative budget for 19/20 \$	Indicative budget for 20/21 \$
Compliance	Sludge Management Program	Assets	80,000	125,000	100,000	60,000	60,000	60,000
	OH&S Compliance Program	People	-	77,000	30,000	30,000	30,000	30,000
	Water Quality Compliance & Safety Program	Customers	-	1,150,000	1,000,000	400,000	300,000	600,000
	Green Building Program - (Government Energy Efficiency program- Ministerial Direction).	Assets	-	100,000	-	-	-	-
<b>Compliance Total</b>			<b>80,000</b>	<b>1,452,000</b>	<b>1,130,000</b>	<b>490,000</b>	<b>390,000</b>	<b>690,000</b>
Growth	Cowes Class A extension link main	Customers	30,000	40,000	-	-	-	-
	King Road WWTP Irrigation	Assets	150,000	250,000	-	-	-	-
	King Road Storage Lagoon	Assets	200,000	-	-	-	200,000	3,000,000
	Drink Fountains	Assets	-	14,000	15,000	15,000	15,000	15,000
	Wastewater Future Cowes SPS Upgrades	Assets	4,454,400	735,000	1,335,000	-	-	-
	<b>Growth Total</b>			<b>4,834,400</b>	<b>1,039,000</b>	<b>1,350,000</b>	<b>15,000</b>	<b>215,000</b>
Improved Services	Medium Pressure Pump Station Alarms	Assets	180,000	-	80,000	100,000	-	-
	R & D contributions	Assets	25,000	-	-	-	-	-
	Sewer Main Improvement	Corporate Governance	50,000	100,000	100,000	100,000	100,000	100,000
	Carry over projects / Contingencies	N/A	300,000	-	-	-	-	-
	Cross Island Sewer System	Customers	-	170,000	200,000	300,000	400,000	100,000
	Depot Improvement Project	Assets	-	90,000	-	-	-	-
	IBWPP Plant Improvements	Customers	-	286,000	-	150,000	-	-
	Newhaven to Cowes 648mm supply main	Assets	-	100,000	-	-	-	-
Cowes WWTP upgrade Stage 2	Assets	-	-	340,000	1,800,000	1,400,000	600,000	
<b>Improved Services Total</b>			<b>555,000</b>	<b>746,000</b>	<b>720,000</b>	<b>2,450,000</b>	<b>1,900,000</b>	<b>800,000</b>
Renewals	Software Applications	Assets	-	100,000	100,000	100,000	100,000	100,000
	Building Asset Management Plan	People	-	350,000	150,000	20,000	20,000	20,000
	Hardware Replacement	Assets	-	50,000	50,000	50,000	50,000	50,000
	Generator Replacement Program	Assets	-	200,000	50,000	-	-	-
	PLC upgrades	Assets	-	60,000	100,000	-	-	-
	Meter Replacement	Customers	20,000	20,000	20,000	20,000	20,000	20,000
	Cowes WWTP Civil, Mech & Electrical Works	Environment	50,000	110,000	60,000	60,000	60,000	60,000
	IBWPP Civil, Mech & Electrical Works	Assets	60,000	200,000	200,000	100,000	100,000	100,000
	King Road WWP Civil, Mech & Electrical Works	Assets	20,000	60,000	30,000	30,000	30,000	30,000
	SPS Civil, Mech & Electrical Works	Assets	150,000	150,000	150,000	100,000	100,000	100,000
	Water Dist System Civil, Mech & Electrical Works	Assets	50,000	50,000	50,000	50,000	50,000	50,000
	Water Main Replacement Program	Assets	-	425,000	350,000	500,000	500,000	500,000
	Motor Vehicle Replacements Program (Fleet)	People	50,000	375,000	150,000	125,000	450,000	175,000
San Remo Basin Cover & Liner Replacement	Assets	105,000	50,000	-	1,000,000	1,100,000	-	
<b>Renewals Total</b>			<b>505,000</b>	<b>2,200,000</b>	<b>1,460,000</b>	<b>2,155,000</b>	<b>2,580,000</b>	<b>1,205,000</b>
<b>Total Capital Program for 2016 - 2021</b>			<b>5,974,400</b>	<b>5,972,000</b>	<b>5,085,000</b>	<b>5,630,000</b>	<b>5,605,000</b>	<b>6,230,000</b>