



WESTERNPORT
WATER™

Corporate Plan

**2017
to
2022**



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1. Statement of Corporate Intent

The Westernport Region Water Corporation (Westernport Water) Corporate Plan 2017-22 has been developed in accordance with the requirement of section 247 and 248 of the Water Act 1989.

The Corporate Plan includes the vision, undertakings and objectives of the organisation, as well as the 2017-18 Business Plan with financial statements containing the information required by the Minister for Water.

Our vision

Westernport Water leads through collaboration and innovation to deliver sustainable water and wastewater services that improve the health and liveability of our community.

The Corporate Plan outlines the strategies and approaches of Westernport Water to achieve its vision. The plan also includes activities to ensure compliance with the requirements of the Statement of Obligations (SoO) for Water Corporations.

2. Business Undertakings

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.

It is acknowledged that Westernport Water provide services on the traditional lands of the Bunurong and Boonwurrung 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.

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 19,300 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 water supply system.

On average 1,986 mega litres (ML) is treated annually at the Ian Bartlett Water Purification Plant (IBWPP) at Candowie Reservoir, then pumped to the San Remo Basin for distribution to customers within Westernport Water's service area.

Westernport Water supplies wastewater services to 90 per cent of properties that receive water. It operates two wastewater treatment plants, processing 1,330 ML of wastewater each year. The Cowes Wastewater Treatment Plant (CWTP) on Phillip Island has a capacity of 8.8 ML per day and treats approximately 1148 ML annually. On average, 70 ML is further treated to Class A standard, and a further 72 ML is used to irrigate a tree plantation at this site. The King Road Wastewater Treatment Plant (KRWTP) in Coronet Bay has a capacity of 0.95 ML per day and treats approximately 183 ML annually. 22 per cent of all treated wastewater is beneficially reused to irrigate pasture and tree plantations at this site.

Corporate Focus Areas and Key Initiatives of 2017-18

	Strategic Focus Areas	Corporate Objectives	Corporate Initiatives
Innovation	Our Customers <i>Provide products and services that meet our customers' expectations for quality, accessibility and affordability</i>	<ul style="list-style-type: none"> Provide reliable services that meet our customers' needs Empower customers with accessible services and information to manage their water use Provide and promote flexible payment options for customers experiencing hardship Continually seek opportunities to deliver increased value for our customers 	<ol style="list-style-type: none"> Develop 3-Year Customer Service Strategy. Implement Year 2 of the Water Quality Continuous Improvement Plan. Finalise and lodge the 2018 Price Submission.
	Our People <i>Be an innovative organisation with a reputation that is valued by current and prospective employees</i>	<ul style="list-style-type: none"> Be an Employer of Choice Reflect the diverse community we serve through inclusion, participation and engagement Provide a safe and healthy work environment Empower each other to respond to future challenges 	<ol style="list-style-type: none"> Develop and implement a People and Culture Strategy. Implement the Organisational Improvement Plan (Phase 3). Implement the Diversity and Inclusion Plan. Deliver Year 2 of the Building Asset Management Plan.
Liveability	Our Assets <i>Enable the sustainable delivery of products and services to our customers</i>	<ul style="list-style-type: none"> Foster an engaged culture of asset management Enable reliable service delivery in an increasingly variable climate Provide safe, sustainable and reliable water and wastewater services 	<ol style="list-style-type: none"> Deliver Year 3 of the Asset Management System Improvement Plan to meet the requirements of the AMAF. Progress options for the 648mm water main across Phillip Island. Develop an Integrated Water Management Plan.
	Our Community <i>Be a valued member of the community we serve</i>	<ul style="list-style-type: none"> Support a more liveable and resilient community through affordable and efficient services Communicate and engage effectively and openly with all areas of our community Build strong community partnerships focused on shared liveability benefits Contribute to community wellbeing through opportunities that support social and recreational benefits 	<ol style="list-style-type: none"> Scope and deliver initiatives to maximise recreational benefits from our land and assets. Implement the Reconciliation Action Plan. Implement the Corporate Social Responsibility Strategy.
Sustainability	Our Environment <i>Be an environmentally sustainable organisation</i>	<ul style="list-style-type: none"> Minimise environmental impacts Mitigate and adapt to Climate Change Protect and enhance our environment Empower the community to use water in a sustainable manner 	<ol style="list-style-type: none"> Develop Business Cases to meet Emissions Reduction Pledge Finalise the Climate Change mitigation and adaptation strategy and develop project options. Develop a Recycled Water strategy.
	Our Business <i>Maintain the integrity and value of our business through sound governance and financial management</i>	<ul style="list-style-type: none"> Plan for our future through strategic business planning Be financially sustainable Regularly find ways to reduce costs and become more efficient Recognise and manage risk, while meeting our regulatory requirements 	<ol style="list-style-type: none"> Commence Phase Two of the ICT Systems and Services Plan. Identify opportunities for collaboration and innovation through the Gippsland Regional Water Alliance

3. Water for Victoria

Water for Victoria will achieve a water system that is modern, efficient, innovative, future focused and affordable with the support of Westernport Water and alignment of our priorities. The table below shows alignment of Westernport Water's Strategic Focus Areas and Key Initiatives with Water for Victoria's Priority Policy Areas.

Water for Victoria Priority Policy Area	Westernport Water Corporate Initiative
Climate Change Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies.	<ul style="list-style-type: none"> • Develop Business Cases to meet Emissions Reduction Pledge • Finalise the Climate Change mitigation and adaptation strategy and develop project options • Develop a Recycled Water Strategy
Customer and Community Outcomes All aspects of service delivery will be customer and community centred.	<ul style="list-style-type: none"> • Develop 3-year Customer Service Strategy • Implement Year 2 of the Water Quality Continuous Improvement Plan • Implement the Corporate Social Responsibility Strategy
Water for Aboriginal cultural, spiritual and economic values Recognise and support Aboriginal cultural values and economic inclusion in the water sector.	<ul style="list-style-type: none"> • Implement the Reconciliation Action Plan • Implement the Diversity and Inclusion Plan
Recognise Recreational Values Support the wellbeing of rural and regional communities by considering recreational values in water management.	<ul style="list-style-type: none"> • Scope and deliver initiatives to maximise recreational benefits from our land and assets
Resilient and liveable cities and towns Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.	<ul style="list-style-type: none"> • Scope and deliver initiatives to maximise recreational benefits from our land and assets • Finalise and lodge the 2018 Price Submission • Develop 3-Year Customer Service Strategy • Develop an Integrated Water Management Plan
Leadership and Culture Water corporations reflect the needs of our diverse communities.	<ul style="list-style-type: none"> • Implement the Diversity and Inclusion Plan • Implement the Organisational Improvement Plan (Phase 3)
Financial Sustainability Delivering safe and cost-effective water and wastewater services in a sustainable way.	<ul style="list-style-type: none"> • Deliver Year 3 of the Asset Management System Improvement Plan to meet the requirements of the AMAF • Identify opportunities for collaboration and innovation through the Gippsland Regional Water Alliance

Corporate Plan Performance Measures and Targets 2017-18

Corporate Plan Performance Measure		Target
1.	Delivery of the Corporate Plan Strategies and Approaches <i>To achieve safe and reliable water and wastewater services to support sustainable and liveable communities.</i>	Successful completion of the 18 identified strategies in line with the program for delivery.
2.	Maintain the Corporation's AA rating <i>To ensure Westernport Water continues to demonstrate sound financial performance.</i>	Maintain the current AA rating
3.	Customer Survey – Satisfaction result <i>To understand customer perceptions and overall satisfaction of our customers with Westernport Water as a service provider.</i>	>90% Satisfaction
4.	Compliance – Enforcement action <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.	Employee Satisfaction - People Matter Survey <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 $\geq 76\%$
6.	Water quality compliance with Safe Drinking Water Regulations <i>To ensure the provision and supply of safe drinking water in accordance with the regulations.</i>	100% compliance
7.	Environment Impact - Compliance with EPA Licence <i>To measure compliance at Westernport Water's two Licensed wastewater treatment plant sites.</i>	100% compliance
8.	Customer Service level - Guaranteed service level payment <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>	≤ 3 payments in the 2017-18 year

4. Our Customers

Provide products and services that meet our customers' expectations for quality, accessibility and affordability

We are committed to providing customer focused services while empowering customers with accessible services and information to manage their water use. The Corporation will provide and promote flexible options for customers experiencing hardship whilst continuing to seek opportunities to deliver increased value for all our customers.

1. Develop 3-Year Customer Service Strategy

The Customer Service Strategy will identify the current and emerging needs of our customers and how each service channel can be improved to meet customer expectations over three years, from 2018-2021.

The Strategy will also identify key success measures for each channel to monitor our progress and consider associated costs to ensure that the recommended approach represents increased value for customers.

The Strategy is intended to drive improved accountability and efficiency.

This corporate initiative aims to address Strategic Risk 7700: Our Customers – Failure to meet customer and regulatory expectations.

2. Implement year two of the Water Quality Continuous Improvement Plan

The 2017-18 CAPEX program focuses on year two of the continuous improvement in water quality produced from the Ian Bartlett Water Purification Plant.

Year two (2017-18) of the Water Quality Continuous Improvement Plan includes:

- Filter to Waste: Construction Phase of the 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.
- Ultraviolet Disinfection (UV) Treatment Facility: The planning and design of the Ultraviolet (UV) disinfection facility to provide an additional barrier for the removal of harmful pathogens and ensure ongoing regulatory compliance in the delivery of safe drinking water has been completed. The construction and commissioning phase of the new treatment facility is expected to be completed by November 2017.
- San Remo Basin Chloramination Continuous Improvements. This will remove any short-circuiting of water age and provide water of a more consistent quality to our customers. The 2017-18 projects will involve installation of new mixers and the relocation of chlorine and ammonia dosing to the interior of the basin.

This corporate initiative aims to address Strategic Risks:

- 7700: Our Customers – Failure to meet customer and regulatory expectations, and
- 689: Water supply contamination causing public health issue.

3. Finalise and Lodge the 2018 Price Submission

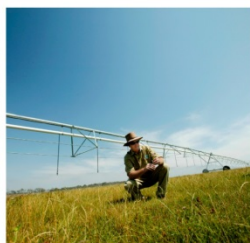
Westernport Water is required to submit its 2018 Price Submission in September 2017 for the consideration of the State's economic regulator, the Essential Services Commission (the Commission). The submission will be considered by the Commission in determining the maximum

prices that customers will pay from 2018 to 2023.

The draft submission will be presented to the community and customers for comment prior to submission and clearly and succinctly identify and explain how proposals demonstrate value for money for customers.

The final decision and price determination will be released by the Essential Services Commission by June 2018.

This corporate initiative aims to address Strategic Risk 7700: Our Customers – Failure to meet customer and regulatory expectations.



5. Our People

Be an innovative, organisation with a reputation that is valued by current and prospective employees

The People and Culture portfolio includes a range of functions and responsibilities that impact how we manage our people. Westernport Water has a vision to strengthen leadership capability and strategically build a culture of excellence through the delivery of a People and Culture Strategy. Continuous improvement in Human Resource Management practices and Organisational Development will 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 we are all proud of.

Westernport Water is committed to being an employer of choice, attracting and retaining a high performing workforce that reflects the diversity of the community we serve.

4. Develop and implement a People and Culture Strategy

An effective People and Culture strategy will provide a vision and pathway to ensuring we attract, retain, motivate, inspire, build capability, monitor and improve our people and ensure best practice in Human Resources Management and approaches. The People and Culture Strategy will be aligned with our corporate and business planning initiatives and governance frameworks to ensure a consistent and integrated approach. This strategy will also include an Employee Health and Wellbeing Plan focused on safety and enhancing the health and wellbeing of all employees.

We recognise that the health and wellbeing of employees directly impacts their performance at work. Healthier, more motivated people will deliver better, safer, high quality work on a more consistent basis. We will develop a framework that takes a proactive and engaging approach to enhancing the health and wellbeing of our staff. This will be achieved through wellbeing initiatives, employee support mechanisms and strengthening the safety culture across the organisation.

The outcomes of the strategy will be minimising the negative impacts of poor health on our employees and ensuring everyone is safe, every day at work. We will do this by continuing to provide a safe and healthy working environment, assisting employees to improve their physical and emotional wellbeing and encouraging the development of a healthy lifestyle.

This corporate initiative aims to address Strategic Risks:

- 7555: Our People – Failure to provide a positive workplace culture, and
- 1696: Our People – Failure to provide a safe workplace.

5. Implement the Organisational Improvement Plan (Phase 3 – Leadership Competency and Development, Process Improvement, Cultural Change, Clear and Compelling Direction)

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

The Organisational Realignment Phase of the OIP has resulted in a new Organisational Structure. The new structure aligns strategy with function, providing clear accountabilities and giving adequate

resource to key areas of the business. The next phase of the OIP will be focussed on enhanced leadership capability and ongoing process improvement across the business.

This corporate initiative aims to address Strategic Risk 7555: Our People – Failure to provide a positive workplace culture.

6. Implement the Diversity and Inclusion Plan

The Corporation has developed a Diversity and Inclusion Plan in response to the Minister for Water's direction and in line with the guiding principles developed by the sector to address diversity in the industry. We recognise the benefits of diversity within the workplace and strive to ensure our workforce reflects more closely, the community we serve.

Workplace diversity and inclusion delivers benefits in capturing the diverse skills and perspectives of people regardless of their gender, age, cultural, religious or sexual orientation. There will be an initial focus on gender equity across leadership levels and in non-traditional roles where female participation is low. Inclusion of different cultural backgrounds is also a focus, with the creation of trainee positions targeted at Indigenous Australians.

This corporate initiative aims to address Strategic Risks:

- 7555: Our People – Failure to provide a positive workplace culture, and
- 1696: Our People – Failure to provide a safe workplace.

7. Deliver year two of the Building Asset Management Plan

To achieve the targets set out in the Diversity and Inclusion Plan, Westernport Water will progress the second stage of the Building Asset Management Plan. Stage two will prioritise accessibility improvements and amenities in our Newhaven office. The project will also consider maintenance and renewal requirements relating to the northern side of the office building.

This corporate initiative aims to address Strategic Risk 1696: Our People – Failure to provide a safe workplace.



6. Our Assets

Enable the sustainable delivery of products and services to our customers

We aim to create a vibrant and engaged culture of asset management, enabling reliable service delivery in a warmer and drier climate, whilst continuing to provide reliable safe drinking water and sustainable wastewater treatment and disposal services.

8. Deliver year three of the Asset Management System Improvement Plan to meet the requirements of the AMAF

Year three of the Asset Management System Improvement Plan will concentrate on the implementation of actions to ensure compliance with the attestation requirements of the Department of Treasury and Finance - Asset Management Accountability Framework. Implementation of the actions will assist Westernport Water in driving a customer centric asset management culture and deliver prudent and efficient investment options.

This corporate initiative aims to address Strategic Risk 7561: Our Assets – Critical asset failure.

9. Progress options for the 648mm water main across Phillip Island

Westernport Water has assessed redundancy options for our water supply (648 water main) across Phillip Island. The next step is to build a business case for the preferred option that delivers the optimal service delivery outcome for our customers.

This corporate initiative aims to address Strategic Risk 7561: Our Assets – Critical asset failure.

10. Develop an Integrated Water Management Plan

Westernport Water will make the most of our investment in reuse and recycled water to assist in responding to climate change and population growth. By working together with our stakeholders, Westernport Water will contribute to our regional urban landscape by assisting the achievement of greener environments and healthier waterways.

This corporate initiative aims to address Strategic Risk 1699: Our Environment – Failure to manage business activity to protect the environment.



7. Our Community

Be a valued member of the community we serve

We will ensure that we communicate and engage effectively and transparently and build strong partnerships across our customers and community. In addition, we will deliver shared benefits through water management opportunities that support social and recreational benefits and create a more liveable and resilient community.

11. Scope and deliver initiatives to maximise recreational benefits from our land and assets

Westernport Water manages a number of significant sites across its service area. As a first step to recognising and maximising recreational opportunities, we will deliver an options paper that will investigate possible initiatives at our sites which will promote and support community wellbeing. These benefits may be delivered through infrastructure upgrades and better information, or alternative support and assistance our communities to achieve their existing objectives.

This corporate initiative aims to address Strategic Risk 1685: Our Community – Failure to meet or manage community expectations or loss of community support.

12. Implement the Reconciliation Action Plan

Westernport Water will obtain accreditation for its Reconciliation Action Plan and implement the actions and initiatives committed to in the Plan. Along the journey, the Corporation will carry out meaningful and ongoing engagement, strengthen relationships with Traditional Owners, and build greater capacity to increase Aboriginal participation in water management.

This corporate initiative aims to address Strategic Risk 1685: Our Community – Failure to meet or manage community expectations or loss of community support.

13. Implement the Corporate Social Responsibility Strategy

Westernport Water will implement actions included in the Corporate Social Responsibility Strategy to positively contribute to the health and wellbeing of our people, our environment and our community. The Strategy recognises the broader responsibilities of our business, outside the immediate delivery of water and wastewater services.

This corporate initiative aims to address Strategic Risk 1685: Our Community – Failure to meet or manage community expectations or loss of community support.



8. Our Environment

Be an environmentally sustainable organisation

Westernport Water is conscious that our operations impact the environment and we are committed to protecting and enhancing the environment in which we operate. We will support our community in providing opportunities that build social and recreational benefits.

We do this by:

- Investing in best practice technology
- Monitoring our treatment facilities and the environment
- Utilising an Environmental Management System to manage environmental risks
- Working with local environment groups on environmental issues of regional significance
- Considering recreational values and integrated water management.

In 2017-18, 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.

14. [Develop Business Cases to meet the Emissions Reduction Pledge](#)

The Corporation has developed an Emissions Reduction Pledge in response to the Department of Environment, Land, Water and Planning (DELWP) direction and in line with the guiding principles developed by the water sector to address emissions reduction.

Westernport Water will be establishing measures to achieve net zero emissions by 2050 in accordance with the Victorian Government's Water for Victoria, Water Plan and the Take 2 Pledge.

Compared to the baseline, Westernport Water pledges to reduce its carbon emissions by eight per cent by 2025. To ensure the Corporation achieves the objectives and supports the government policy we will be further implementing a Climate Change Mitigation and Adaptation Strategy. The strategy will incorporate the Emissions Reduction Pledge reduction by 2025 and outline the steps to achieve net zero by 2050.

Westernport Water has identified a number of actions to achieve its emissions reduction over the 2018-25 pledge period. During 2017-18 the Corporation will further develop and solidify our approaches, strategies and activities to ensure delivery of value for customers and to meet the pledge projected emissions reduction.

This corporate initiative aims to address Strategic Risks:

- 1699: Our Environment – Failure to manage business activity to protect the environment, and
- 1700: Our Environment – Failure to identify and respond to business and environmental impacts of climate change.

15. [Finalise the Climate Change mitigation and adaptation strategy and develop project options](#)

The Climate Change Mitigation and Adaptation Strategy will review the current operating environment, highlighting our unique issues and set out a plan for action to mitigate Westernport Water's emissions and adapt current activities to respond to potential impacts from climate change on our operations.

In 2017-18 the strategy will be finalised to deliver short to medium term actions and targets for emissions reduction from operations as well as inform longer term strategic direction for the organisation for energy management and preparedness for climate change impacts.

Further investigation will continue to identify opportunities for larger scale solar projects on Westernport Water land with management of Large Scale Generation Certificates.

The Corporation will continue to work closely with the Gippsland Strategic Water Alliance to leverage off projects being undertaken at neighbouring water corporation's, learn from their experience and understand the challenges associated with these projects.

Westernport Water is a participant in the Large Scale Solar Water Industry IWN research project and has committed to involvement in the early stages of project conception for increased renewable energy in the water sector. Consideration for the project will take into account local community support, customer impact and contribution to the corporation's individual emissions reduction.

During 2017-18, Westernport Water will be investigating the potential carbon offset and carbon sequestration potential of native revegetation sites, catchment revegetation, agforestry sites and soil carbon potential to address scope one emissions and contribute to emissions reduction as required by our Emissions Reduction Pledge.

This corporate initiative aims to address Strategic Risk 1700: Our Environment – Failure to identify and respond to business and environmental impacts of climate change.

16. Develop a Recycled Water Strategy

Westernport Water will develop and progress its Recycled Water Strategy which aims to grow reuse of its wastewater delivering better outcomes for the community, its commercial customers and the environment.

The development of a Recycled Water Strategy will assist Westernport Water to establish an agreed approach to the management and development of its recycled water supplies. The options presented with the strategy will be consulted with the community to inform an approved action plan.

This corporate initiative aims to address Strategic Risk 1699: Our Environment – Failure to manage business activity to protect the environment.



9. Our Business

Maintain the integrity and value of our business through sound governance and financial management

The 2017-18 focus will be on reviewing and improving key corporate governance functions within the organisation to ensure business readiness to deliver the Victorian Government's Victorian Water Plan, which sets the strategic direction for water management in Victoria.

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

17. Commence phase two of the ICT Systems and Services Plan

The Corporation has reviewed system needs and requirements and will work towards optimising the services available to employees and customers to ensure enhanced performance. This optimisation process will ensure that systems are aligned and integrated where needed, eliminate the need for double handling and rework and ensure the quality and availability of our data.

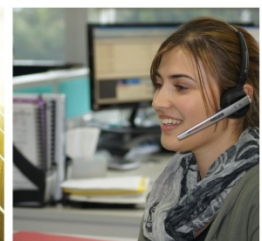
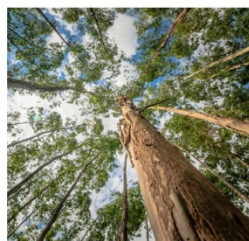
Westernport Water will deliver Phase Two of the ICT Systems and Services Plan, which will ensure customer billing, purchasing, payroll and financial support systems are reviewed and upgraded to meet the business requirements of employees and the evolving expectations of customers for accessible, efficient and timely information and services. The project will be delivered in a manner that minimises impacts to staff and customers whilst meeting our statutory reporting requirements.

This corporate initiative aims to address Strategic Risk 1690: Our Assets – Failure of critical IT (ICT) and Business Systems and process data/record management.

18. Identify opportunities for collaboration and innovation through the Gippsland Regional Water Alliance

Westernport Water will continue to drive business improvements and efficiencies through its ongoing partnership with South Gippsland Water, East Gippsland Water, Gippsland Water and Southern Rural Water. The partnership represents a unique collaboration of regional water businesses that delivers improvement opportunities through collaboration that ultimately benefits staff, customers and the Gippsland community.

This corporate initiative aims to address Strategic Risk 7565: Our Business – Failure of corporation governance and decision making.



10. Significant Variations to Water Plan 3 (2013-18)

Westernport Water is progressing well with completing its Key Capital Projects outlined in Water Plan 3. The following Major Projects have been successfully completed in 2016-17 financial year:

- Cowes Wastewater Treatment Plant Upgrade
- Wastewater Future – Cowes Reticulation. Upgrades to the major pump stations in Cowes Wastewater service including Church St and Chapel St Sewer Pump Stations
- Water Main Replacement Programs in Dalyston, Corinella and Bass townships, initially targeting highest risk single supply pipelines.

The following Key Projects are in progress and expected successful completion by end of 2017-18:

- Wastewater Futures – Cowes Reticulation Project: Final activities of Stage 1 including upgrades to part of Church St. Sewer rising main have been commenced in 2016-17 and will continue to 2017-2018.
- Water Treatment Scheduled Works: Implementation of Capital projects outlined in Westernport Water's Water Quality Continuous Improvement Program have commenced. The design and construction of Ultra Violet disinfection to the treatment process at the Ian Bartlett Water Purification Plant is in progress and expected to be completed by end of December 2017

Significant Variations to Water Plan 3 include the following:

1. **Wastewater Future – Cowes Reticulation Project**

This project was detailed in Water Plan 3 and Water Plan 4. Recent upgrades to Church St. and Chapel St. sewer pump stations have exceeded design expectations and closer analysis of population growth has enabled the delaying the Capital investment on the Chapel St. diversion and regional outfall pump station associated with this project. The completion of Stage 1 will complete the Waste Water Future Project for Water Plan 3 and 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 Project commenced in 2016-17. The Cross Island Sewer System Project addresses the various other systems that deliver sewage from San Remo reticulation to the Cowes Wastewater Treatment Plant. Majority of the improvements to Woolamai and Rhyll Road pump stations identified in 2015-16 has been implemented in 2016-17 and remaining improvements will be addressed in 2017-16. Deferred Capital funds from Wastewater futures was utilised in Cross Island Sewer System upgrades.

3. **King Road Storage Lagoon**

This project has been deferred due to recent additions to irrigation and subsequent plantations that have increased the Corporations 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, and then plan its replacement accordingly.



11. Key Business Drivers of Corporate Plan 2017-22

Regulatory Price Pathway

The Regulatory Price Pathway will be finalised and submitted for price determination in September 2017. Current indications are that the price path will remain static with an increase for CPI. This is subject to customer consultation, ensuring that price control will remain a key priority for Westernport Water and its customers.

Debt Management

Debt management remains a key focus in maintaining the financial stability of the Corporation, with a trend over recent years of reducing debt levels as cash balances permit. The Corporate Plan is consistent with continuing this active management of debt levels and balancing debt against capital program requirements. Short term borrowings and investment are utilised to smooth cash flow, with longer term borrowings directed towards the financing of the capital program.

The capital program is at a modest level that is currently being funded through internally generated funds. This use of internal funds has meant no new debt is being forecast, although some existing debt may require refinancing. The forecast of no new borrowings is subject to pricing plan requirements for major capital works.

The Pricing Plan requirements are not seen as a risk to the business as debt has been reduced over the last three years and the Corporation has maintained its AA credit rating. The five year outlook has predicted a gradual reduction in debt levels as cash flow permits. The table shows the level of debt for the Corporation over the five year Corporate Plan period.

Table 2: Total Corporation Debt

Debt	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Forecast	Budget \$ 000				
Total Debt	8,440	8,190	7,940	7,750	7,250	6,250

Risk Assessment

The 2017-18 Corporate Plan has been developed with consideration to the Corporation's operational risk register, the strategic risk register and 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, in order to implement a holistic assessment of risks, controls and treatment plans to reduce risk.

The Corporation has a Risk Management Framework in line 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 will be further embedded in business approaches to effectively manage the Corporation's risks and understand the nature of these risks. 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*.

Financial analysis, considerations and projections

The financial targets and ratio analysis is set out in Appendix B. These ratios are consistent across the five year outlook.

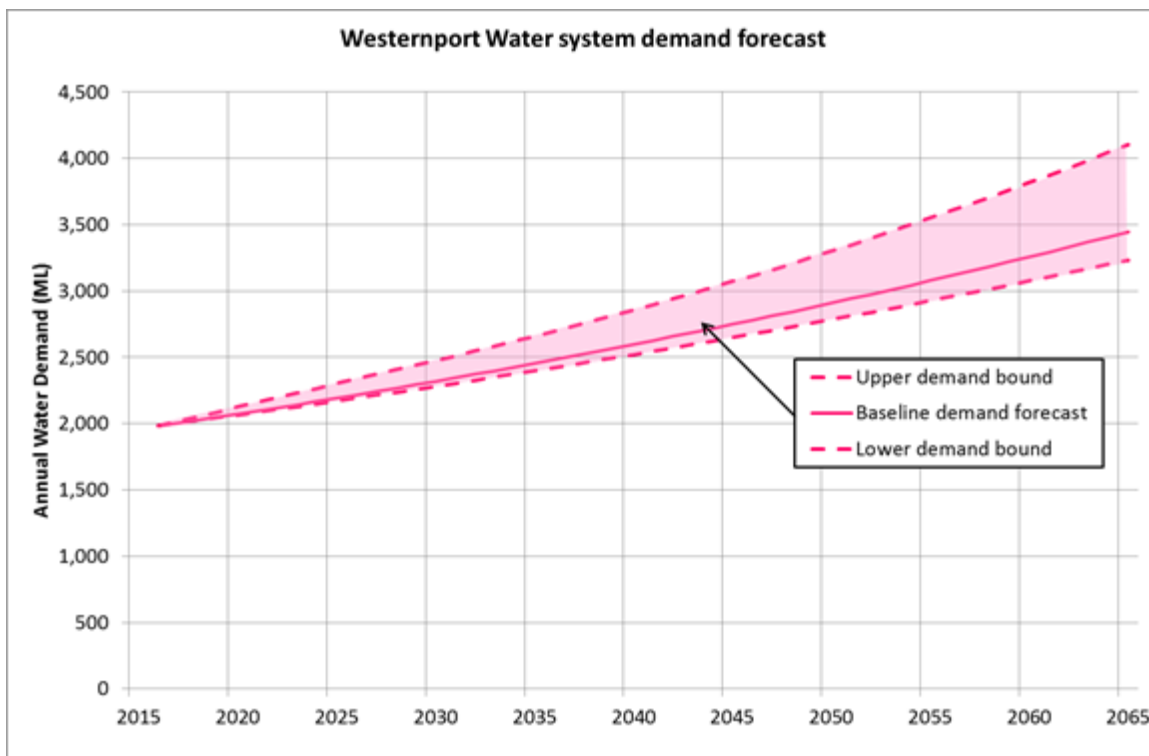
In line with previous years, no provision has been made for payment of a dividend. The Corporation has significant tax losses that are envisaged to cover any prospective dividend requirement over the course of

this Corporate Plan. Dividends are only payable after consultation with the Portfolio Minister and Treasurer, based on the notional tax position of the organisation. The analysis tables and quarterly breakdown is attached (Appendix A) to display the financial sensitivities of key planning variables and projected impacts on results.

12. Planning Assumptions

Water Allocations

An Urban Water Strategy (UWS) was completed in March 2017 to plan for the supply of water and future growth in population and connections to the water supply system. The growth has been based on Victoria in the Future (VIF) projections for the Westernport Water region. The demand forecast provides an upper and lower band limit from the expected or baseline demand. The baseline demand was developed based on a 1.2 per cent per annum increase in residential demand and a 1 percent increase in non residential demand. The graph below shows the demands until the year 2065.



Westernport Water accesses water from a diverse range of resources. Bulk entitlements are held for 2,911 ML from Tennent Creek in Candowie Reservoir, 3,000 ML from the Bass River and 1,000 ML from the Melbourne Water Supply System.

Climate change is predicted to affect the yield from our water sources but to what extent is uncertain. The yields have been assessed according to DELWP's Guidelines for assessing the impact of climate change on water supplies in Victoria and reflect the scenarios recommended in the guidelines. The baseline is based on historical inflows from July 1975 to present, a step climate change and a low, medium and high climate change.

The UWS indicates that the water supply system will be robust for the next 10 years supplying all the forecast demands. The UWS also identified two augmentations to the water supply system.

- Source additional water from the Melbourne Water Supply System
- Bass River Pump Station infrastructure improvements.

13. Recycled Water Assumptions 2017-18

The Class A recycled water scheme has been servicing residential and commercial customers since July 2012. Commercial customers are the current major users of recycled water (forecast to use 85% of recycled water provided to the customer base).

The number of residential customers is slowly increasing with 288 residential customers connected to the Class A scheme using an average of 39 KL/annum/property in 2015-16. Seasonal population movement and high number of holiday homes contribute to the relatively low average use by residential customers.

The key to increasing reuse is to attract additional commercial customers from the existing recycled water network, especially those using recycled water independent of weather conditions. In addition Westernport Water will explore opportunities to expand its current recycled water supplies to customers addressing affordability and ensuring the reuse is fit for purpose through its Recycled Water Strategy.

14. Pricing

Table 3: Tariff schedule 2017 - 18

		2017-18	2018-19	2019-20	2020-21	2021-22
CPI%						
CPI % assumptions		1.5	2	2	2	2
Water & Recycled Water Volumetric pricing per kl						
Potable	Residential	\$1.9851	\$2.0248	\$2.0653	\$2.1066	\$2.1488
Potable	Non Residential	\$1.9949	\$2.0348	\$2.0755	\$2.1170	\$2.1593
Recycled Water	Residential	\$1.0781	\$1.0997	\$1.1217	\$1.1441	\$1.1670
Recycled Water	Non Residential less than 5,000kL p.a.	\$0.5245	\$0.5350	\$0.5457	\$0.5566	\$0.5678
Recycled Water	Non Residential more than 5,001kL p.a.	\$0.4312	\$0.4398	\$0.4486	\$0.4575	\$0.4667
Connected Fixed Charges \$ per annum						
Residential						
Water		\$387.50	\$395.25	\$403.15	\$411.22	\$419.44
Waste		\$598.48	\$610.45	\$622.66	\$635.11	\$647.82
Reuse		\$26.95	\$27.49	\$28.04	\$28.60	\$29.17
Non Residential						
Water (20mm tapping)		\$387.50	\$395.25	\$403.15	\$411.22	\$419.44
Water (25mm tapping)		\$698.07	\$712.03	\$726.27	\$740.79	\$755.61
Water (32mm tapping)		\$1,319.52	\$1,345.91	\$1,372.83	\$1,400.29	\$1,428.29
Water (40mm tapping)		\$2,406.63	\$2,454.76	\$2,503.86	\$2,553.93	\$2,605.01
Water (50mm tapping)		\$4,309.28	\$4,395.46	\$4,483.37	\$4,573.04	\$4,664.50
Water (65mm tapping)		\$8,580.47	\$8,752.08	\$8,927.13	\$9,105.67	\$9,287.78
Water (80mm tapping)		\$14,870.87	\$15,168.28	\$15,471.65	\$15,781.08	\$16,096.70
Water (100mm tapping)		\$26,752.65	\$27,287.70	\$27,833.46	\$28,390.13	\$28,957.93
Water (150mm tapping)		\$61,660.64	\$62,893.86	\$64,151.73	\$65,434.77	\$66,743.46
Waste		\$598.48	\$610.45	\$622.66	\$635.11	\$647.82
Waste (> 2 cistern per property)		\$221.05	\$225.47	\$229.98	\$234.58	\$239.27
Unconnected Fixed Charges \$ per annum						
Water		\$193.39	\$197.26	\$201.21	\$205.23	\$209.33
Waste		\$299.77	\$305.76	\$311.88	\$318.12	\$324.48
Reuse - Unconnected		-	-	-	-	\$0.00

Note: The Tariff Schedule for 2017-18 above (Table 3) has been calculated on an estimated CPI increase of 1.5 per cent and includes an adjustment due to carbon tax savings. Adjustments may be required once actual CPI figures are released by the Essential Services Commission through the tariff approval process.

Customer Impact Table

Table 4: Customer Impact 2017-18

Average Residential Account (83kL)					
	2017-18	2018-19	2019-20	2020-21	2021-22
Water Fixed	\$387.50	\$395.25	\$403.15	\$411.22	\$419.44
Volumetric	\$164.77	\$168.06	\$171.42	\$174.85	\$178.35
Waste Fixed	\$598.48	\$610.45	\$622.66	\$635.11	\$647.82
Total	\$1,150.75	\$1,173.76	\$1,197.24	\$1,221.18	\$1,245.60
% Change	1.5%	2%	2%	2%	2%
Average Non Residential Account (441kL)					
Water Fixed	\$387.50	\$395.25	\$403.15	\$411.22	\$419.44
Volumetric	\$879.75	\$897.35	\$915.30	\$933.60	\$952.27
Waste Fixed	\$598.48	\$610.45	\$622.66	\$635.11	\$647.82
Total	\$1,865.73	\$1,903.05	\$1,941.11	\$1,979.93	\$2,019.53
% Change	1.5%	2%	2%	2%	2%
Average Tenant Account (83kL)					
Volumetric	\$164.77	\$168.06	\$171.42	\$174.85	\$178.35
% Change	1.5%	2%	2%	2%	2%

15. Operating Environment Assumptions 2017-18

Westernport Water is facing similar economic constraints to the previous periods with a low level of tariff increase. Development activity remains subdued with low growth in new connections expected, in line with previous years. This projection of minimal increases in revenue base means a strong focus on cost containment in order to maintain a profitable position.

The Corporation has undertaken an organisational improvement project over the course of 2016-17 with a realignment of the organisational structure to be fully implemented effective 1 July 2017. The purpose of the restructure is to drive operational efficiencies and align function with strategy. The labour budget remains unchanged, with an increase of 3% applied in line with Enterprise Agreement salary assumptions.

Westernport Water is currently in negotiations with staff over a new Enterprise Agreement. It is anticipated that these negotiations will be finalised in 2016-17 financial year, with implementation across the 2017-18 financial year.

The business is not planning any major capital projects which may change the underlying financial strength of the organisation. The capital program is being driven by operational need in conjunction with the constraints of Water Plan 3 requirements and limits. Key projects are outlined in the Capex tables and include further enhancement of Cowes Wastewater Treatment activities, implementation of UV filtering to improve water quality and a review of ICT systems to provide operational improvements in data capture, analysis, security and actions.

16. Finance Assumptions 2017-18

The financial assumptions set out below form the basis for the budgeted net profit after tax result of \$419K and a strong positive net cash flow from operating activities.

Revenue Assumptions

Service Charges:

- CPI uplift of 1.5%
- Residential customer growth of 1.4%

Customer Rebate:

- Maintenance of the commitment to provide a rebate to customers of \$30.45

Water Usage:

- Will return to average patterns after the higher usage in 2015-16 and remain in line with 2016-17 current forecast
- Domestic water consumption, 83KL per connection
- Non Domestic water consumption, 441KL per connection

Developer Income:

- Creation of 149 new allotments

OPEX Assumptions

Staff Cost:

- Increases in wage and salaries are in line with the current Enterprise Agreement negotiations (around a 3% increase in base rates and allowances)
- Non labour CPI uplift for future years is 2%
- No cost allocation for the use of metropolitan pool water
- Electricity consumption has been reduced over recent years with the implementation of variable speed aerators at treatment plants and other operational efficiencies. An increase in consumption is expected with the UV treatment plant commissioning. New contract arrangements for supply have provided for a lower level of tariff which is reflected in this Corporate Plan. Specific pledge impacts around the implementation of renewable energy sources have not been incorporated into the 2017-18 assumptions on the basis that the impacts will be experienced in outer years.
- Insurance costs are contained through the benefit of the state wide contract.

Financial KPIs are set out in Appendix B

17. Financial Sensitivity Analysis

This Corporate Plan is forecasting a Net Profit After Tax (NPAT) of \$419K. 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 2017-18. 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 \$304K to a profit of \$1,133K. The following tables provide the details of the key variables attributable to the potential movement in the profit result.

Table 5: Sensitivity analysis 2017–18

Variable	Sensitivity	Comments
Capital Revenue	50% loss of revenue (\$606k) - 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 \$358k	Customer water consumption subject to seasonal condition over peak periods.
Electricity	A 10% change in usage will impact expenditure by \$59k	A wet winter/spring period is a casual factor in an increase in electricity usage. New contracts and uncertain pricing may impact costs however, MOU procurement savings will mitigate this risk.

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

18. Profit Sensitivity – Down Side Assumption

If all the down side risks were to occur the forecast NPAT result would decline by \$723K to a loss of \$304K. 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 for 2017 -18 downside assumptions

Profit & Loss	2017-18 Budget	Capital Revenue	Water Usage	Electricity	Net Result
	\$,000				
Total Revenue	22,000				22,000
Revenue Adj	91	(606)	(358)		(964)
Total Opex	(21,405)				(21,405)
Opex Adj.				(59)	(59)
NPBT	595				(428)
Tax	(176)				128
NPAT	419				(304)

19. 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 \$419K to \$1.133M during 2017-18.

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

Table 8: Profit Sensitivity up-side assumptions

Profit & Loss	2017-18	Capital Revenue	Water Usage	Electricity	Net Result
	\$,000				
Total Revenue	22,000				22,000
Revenue Adj		606	358		964
Total Opex	(21,405)				(21,405)
Opex Adj.				59	59
NPBT	589				1,618
Tax	(170)				(485)
NPAT	419				1,133

20. Customer and Demand Assumptions 2017-18

Property Forecast 2017-18

The major assumptions driving the property forecast are:

- Growth in residential properties of 1.4 per cent from 2016-17
- Reduction in unconnected vacant residential land
- No significant growth in commercial properties.

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

Table 9: Growth Projections

Property Type	Property Numbers 2017-18	Water Plan 3 Submission Year 5	Variance from WP3
Residential	15,449	15,552	-1.0%
Vacant Land	1,558	1,500	3.7%
Commercial	1,115	1,117	0%
TOTAL PROPERTIES	18,122	18,234	-1%

Customer Demand Forecast 2017-18

Customer demand for potable water continues to grow ahead of the forecast used to prepare the Water Plan 3 submission. Although as expected, residential demand decreased during 2016-17 when compared to 2015-16 which was drier than normal over the summer period. The 2017/18 demand is expected to remain in line with 2016/17 volumes.

The demand for 2017-18 has been based upon three recent years of water consumption. 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	1,166	1,115	4%
Commercial	613	602	2%
TOTAL CUSTOMER DEMAND	1,780	1,717	3.5%

21. Appendix A – Financial Templates

Table A1 - Operating Revenue

OPERATING STATEMENT	2016-17 Forecast	2017-18 Budget	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget
	\$ 000					
Revenue						
Service Charges	16,255	16,699	17,203	17,721	18,255	18,806
Usage Charges	3,525	3,578	3,649	3,722	3,796	3,872
Developer Contribution	561	567	578	590	602	614
Developer Contribution - Gifted Assets	649	649	662	675	689	703
Investment Interest	-	-	-	-	-	-
Other Revenue	450	416	424	432	441	450
Total Revenue	21,440	21,909	22,516	23,141	23,784	24,445
Expense						
Operating & Maintenance Expense	1,088	1,068	1,040	1,073	1,106	1,139
Administration Expense	3,376	3,488	3,558	3,629	3,701	3,775
Environmental Contributions	794	794	794	794	794	794
Borrowing Cost / Interest Expense	320	355	343	342	343	350
Depreciation / Amortisation	6,100	6,132	6,574	6,751	6,924	7,080
IT	1,295	1,401	1,429	1,457	1,486	1,516
Labour	7,546	7,772	8,006	8,246	8,493	8,748
Consultants	414	395	402	410	419	427
Total Expense	20,933	21,405	22,145	22,702	23,265	23,829
Net Operating Profit Before Tax	508	504	372	439	519	616
Non Operating Items						
Profit on sale of disposal of assets	150	91	93	95	95	97
Net Profit Before Tax	658	595	465	534	614	713
Tax	(197)	(176)	(219)	(160)	(184)	(214)
Net Profit After Tax	461	419	245	374	430	499
Dividend Expense	-	-	-	-	-	-
Transfers to / from reserves	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Net Profit - Retained Earnings	461	419	245	374	430	499
Retained Earnings - Opening Balance	60,346	60,825	61,244	61,489	61,863	62,293
Retained Earnings - Closing Balance	60,825	61,244	61,489	61,863	62,293	62,792

Table A2 - Operating Revenue by Quarter for 2017-18

OPERATING STATEMENT - 2017-18	Q 1 Period	Q2 Period	Q2 YTD	Q3 Period	Q3 YTD	Q4 Period	Q4 YTD
	\$ 000						
Revenue							
Service Charges	4,258	4,084	8,342	4,151	12,493	4,206	16,699
Usage Charges	716	847	1,562	1,017	2,579	998	3,578
Developer Contribution	82	69	151	145	296	271	567
Developer Contribution - Gifted Assets				50	50	599	649
Investment Interest							
Other Revenue	183	77	259	77	336	81	416
Total Revenue	5,238	5,076	10,314	5,440	15,754	6,155	21,909
Expenses							
Operating & Maintenance Expense	277	267	544	260	804	264	1,068
Administration Expense	976	851	1,827	777	2,604	883	3,488
Environmental Contributions	-	265	265	265	529	265	794
Borrowing Cost / Interest Expense	93	89	182	87	262	93	355
Depreciation / Amortisation	1,496	1,540	3,036	1,530	4,566	1,566	6,132
IT	651	273	923	251	1,174	226	1,401
Labour	2,087	1,703	3,789	2,093	5,882	1,890	7,772
Consultants	52	45	98	162	260	135	395
Total Expense	5,632	5,033	10,665	5,425	16,082	5,323	21,405
Net Operating Profit Before Tax	(394)	43	(351)	15	(327)	832	505
Non Operating Items							
Profit on sale of disposal of assets	56	35	91	-	91	-	91
Net Profit Before Tax	(338)	78	(260)	15	(237)	832	595
Tax	(101)	26	(75)	5	76	(250)	(176)
Net Profit After Tax	(439)	104	(335)	20	(161)	582	419
Dividend Expense	-	-	-	-	-	-	-
Transfers to / from reserves	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Net Profit - Retained Earnings	(439)	104	(335)	20	(161)	582	419
Retained Earnings - Opening Balance	60,825	60,386	60,825	60,490	60,825	60,664	60,825
Retained Earnings - Closing Balance	60,386	60,490	60,490	60,510	60,664	61,246	61,244

Table A3 - Balance Sheet

BALANCE SHEET	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Forecast	Budget	Budget	Budget	Budget	Budget
	\$,000					
Current Assets						
Cash & Cash Equivalents	2,887	1,898	3,232	3,201	3,656	2,836
Receivables	3,761	3,827	3,984	4,424	4,318	4,452
Inventories	344	374	374	374	377	377
Prepayments	138	138	138	138	138	138
Total Current Assets	7,130	6,237	7,728	8,136	8,489	7,803
Non-current Assets						
Property Plant & Equipment	232,552	237,803	244,019	250,770	257,675	264,950
Less Accumm Depreciation	(31,605)	(37,625)	(43,815)	(50,182)	(56,722)	(63,418)
PP&E at WDV	200,947	200,178	200,204	200,588	200,952	201,532
Work In Progress	3,515	5,045	4,725	4,430	3,810	3,465
Intangibles	1,223	871	1,532	1,532	1,532	1,532
Receivables	58	58	58	58	58	58
Total Non-current Assets	205,743	206,152	206,519	206,608	206,352	206,587
Total Assets	212,873	212,389	214,246	214,744	214,842	214,391
Current Liabilities						
Borrowings	1,250	1,250	1,250	1,250	1,250	1,250
Employee Benefits	1,384	1,384	1,384	1,384	1,384	1,384
Payables	842	632	1,249	1,280	1,310	1,327
Unearned Income	2,642	2,642	2,642	2,642	2,642	2,642
Other	-	-	-	-	-	-
Total Current Liabilities	6,118	5,908	6,525	6,556	6,586	6,603
Non-current Liabilities						
Borrowings	7,190	6,940	6,690	6,500	6,000	5,000
Employee Benefits	247	247	247	247	247	247
Unearned Income	-	-	-	-	-	-
Deferred Tax Liability	33,854	33,847	33,907	34,025	34,081	34,125
Other	-	-	-	-	-	-
Total Non-current Liabilities	41,291	41,034	40,844	40,772	40,328	39,372
Total Liabilities	47,409	46,942	47,369	47,329	46,913	45,975
Net Assets	165,464	165,447	166,877	167,416	167,928	168,416
Equity						
Retained Earnings	60,825	60,808	61,077	61,353	61,482	61,585
Asset Revaluation Reserve	53,406	53,406	53,406	53,406	53,406	53,406
Contributed Capital	51,323	51,323	51,323	51,323	51,323	51,323
Total Equity	165,554	165,537	165,806	166,082	166,211	166,314

Table A4 - Balance Sheet by Quarter for 2017-18

BALANCE SHEET - 2017-18	Q 1	Q2	Q3	Q4
	\$ 000			
Current Assets				
Cash & Cash Equivalents	2,290	1,681	1,794	1,898
Receivables	3,740	3,864	3,918	3,827
Inventories	344	359	374	374
Prepayments	138	138	138	138
Total Current Assets	6,512	6,042	6,224	6,237
Non-current Assets				
Property Plant & Equipment	233,783	234,910	236,037	237,803
Less Accum Depreciation	(33,097)	(34,601)	(36,095)	(37,625)
PP&E at WDV	200,685	200,309	199,942	200,178
Work In Progress	3,915	4,120	4,415	5,045
Intangibles	1,159	1,063	967	871
Receivables	58	58	58	58
Total Non-current Assets	205,817	205,550	205,382	206,152
Total Assets	212,330	211,592	211,606	212,389
Current Liabilities				
Borrowings	1,250	1,250	1,250	1,250
Employee Benefits	1,384	1,384	1,384	1,384
Payables	1,164	556	719	632
Unearned Income	2,642	2,642	2,642	2,642
Other	-	-	-	-
Total Current Liabilities	6,440	5,832	5,995	5,908
Non-current Liabilities				
Borrowings	6,690	6,690	6,690	6,940
Employee Benefits	247	247	247	247
Unearned Income	-	-	-	-
Deferred Tax Liability	33,744	33,706	33,661	33,847
Other	-	-	-	-
Total Non-current Liabilities	40,681	40,643	40,598	41,034
Total Liabilities	47,122	46,474	46,593	46,942
Total Assets	165,208	165,117	165,013	165,447
Retained Earnings	60,569	60,478	60,375	60,808
Asset Revaluation Reserve	53,406	53,406	53,406	53,406
Contributed Capital	51,323	51,323	51,323	51,323
Total Equity	165,298	165,207	165,104	165,537

Table A5 - Cash Flow Statement

CASH FLOW	2016-17 Forecast	2017-18 Budget	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget
\$ 000						
Cash Flows from Operating Activities						
Receipts from Customers	21,782	20,900	21,799	21,933	23,048	23,221
Receipts from Government	-	712	702	716	731	745
Payments to Suppliers and Employees	(15,749)	(17,016)	(16,390)	(17,419)	(17,912)	(18,319)
Refund from ATO	908	1,180	1,051	1,052	1,179	1,187
Interest Received	24	-	-	-	-	-
Interest Paid	(350)	(284)	(261)	(256)	(247)	(209)
FAL Paid	-	(98)	(85)	(86)	(83)	(58)
Net Cash from Operating Activities	6,615	5,394	6,817	5,941	6,715	6,568
Cash Flows from Investing Activities						
Payments for Property, Plant & Equipment	(5,520)	(6,084)	(5,140)	(5,640)	(5,755)	(6,376)
Projects funded by Developer Contributions	-	(160)	(163)	(166)	(170)	(173)
Proceeds from Sale of Property, Plant & Equipment	116	112	70	25	165	161
Net Cash from / (Used in) Investing Activities	(5,404)	(6,132)	(5,233)	(5,781)	(5,760)	(6,388)
Cash Flows from Financing Activities						
Proceeds from Borrowings	1,000	1,000	1,000	1,000	1,000	0
Repayment of Borrowings	(1,500)	(1,250)	(1,250)	(1,190)	(1,500)	(1,000)
Net Cash from Financing Activities	(500)	(250)	(250)	(190)	(500)	(1,000)
Net Increase (Decrease) For Year	711	(988)	1,334	(31)	456	(820)
Opening Cash Balance	2,176	2,887	1,898	3,232	3,201	3,656
Closing Cash Balance	2,887	1,898	3,232	3,201	3,656	2,836

Table A6 - Cash Flow Statement by Quarter for 2017-18

CASH FLOW - 2017-18	Q 1	Q2	Q2	Q3	Q3	Q4	Q4
	Period	Period	YTD	Period	YTD	Period	YTD
\$ 000							
Cash Flows from Operating Activities							
Receipts from Customers	5,712	4,920	10,632	5,071	15,703	5,196	20,900
Receipts from Government	193	173	366	173	539	173	712
Payments to Suppliers and Employees	(4,600)	(4,525)	(9,126)	(3,993)	(13,118)	(3,898)	(17,016)
Refund from ATO	259	331	591	257	847	333	1,180
Interest Received	-	-	-	-	-	-	-
Interest Paid	-	(152)	(152)	-	(152)	(132)	(284)
FAL Paid	(30)	(23)	(53)	(22)	(76)	(22)	(98)
Net Cash from Operating Activities	1,534	723	2,257	1,486	3,743	1,651	5,394
Cash Flows from Investing Activities							
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
Net Cash from / (Used in) Investing Activities	(1,631)	(1,332)	(2,963)	(1,373)	(4,335)	(1,797)	(6,132)
Cash Flows from Financing Activities							
Proceeds from Borrowings	-	-	-	-	-	1,000	1,000
Repayment of Borrowings	(500)	-	(500)	-	(500)	(750)	(1,250)
Net Cash from Financing Activities	(500)	-	(500)	-	(500)	250	(250)
Net Increase (Decrease) For Period	(597)	(608)	(1,205)	113	(1,092)	104	(988)
Opening Cash Balance	2,887	2,290	2,887	1,681	2,887	1,794	2,887
Closing Cash Balance	2,290	1,681	1,681	1,794	1,794	1,898	1,898

22. Appendix B – Regulatory Performance Indicators

Table B1-Financial Performance Indicators

Financial KPI		2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Forecast	2017-18 Budget	2018-19 Proj	2019-20 Proj	2020-21 Proj	2021-22 Proj
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	61.22	10	16.9	21.0	21.3	15.1	20.7	18.4	21.4	25.7
F2	Gearing Ratio (Total debt (including finance leases) / total assets) * 100	3.6%	6.6%	5.5%	4.3%	4.0%	3.9%	3.7%	3.6%	3.4%	2.9%
F3	Internal Financing Ratio (Net operating cash flows less dividends / net capital expenditure) * 100	78.2%	47.6%	127.1%	139.0%	122%	88.0%	130.3%	102.8%	116.6%	102.8%
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.32	0.84	0.89	1.09	1.2	1.1	1.2	1.2	1.3	1.2
F5	Return on Assets (Earnings before net interest and tax / average assets) * 100	0.8%	1.1%	1.5%	0.1%	0.5%	0.1%	0.4%	0.3%	0.1%	0.1%
F6	Return on Equity (Net profit after tax / average total equity) *100	0.8%	0.7%	1.4%	-0.1%	0.4%	0.1%	0.2%	0.2%	0.1%	0.1%
F7	EBITDA Margin (Earnings before interest, tax, depreciation and amortisation / total revenue) *100	31.2%	36%	40%	30%	33.0%	31.0%	32.9%	32.5%	31.8%	31.4%

Table B2 - Water & Sewer Services Performance Indicators

Water Service KPI		2017-18 Target	2016-17 Projection	2015-16 Actual	2014-15 Actual	2013-14 Actual	2012-13 Actual	2011-12 Actual
WS1	Unplanned water supply interruptions No. of customers receiving more than 1 unplanned water interruptions in the year per 1000 customers	93	1500	27%	1,500	572	1,286	NA
WS2	Unplanned water interruption time Average duration of unplanned water supply interruptions	120	90	80.2	103.4	92.3	124.4	175
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruption) *100	100	100	99	98	100	97.3	95
Sewerage Service KPI		2017-18 Target	2016-17 Projection	2015-16 Actual	2014-15 Actual	2013-14 Actual	2012-13 Actual	2011-12 Actual
SS1	Containment of sewer spills (Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers) *100	100	100	85	100	91	100	# 16
SS2	Sewer supply interruptions 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	83	100	86	100	88

Table B3 - Customer Responsiveness & Environmental Performance Indicators

Customer responsiveness KPI (per 1000 customers)		2017-18 Target	2016-17 Projection	2015-16 Actual	2014-15 Actual	2013-14 Actual	2012-13 Actual	2011-12 Actual
CR1	Water Quality complaints No of complaints per 1000 customers	2.5	2.4	0.21	1.5	5.6	1.01	2.54
CR2	Sewerage service quality complaints No of complaints per 1000 customers	0	0	0	0	0	0	0.1
CR3	Sewerage odours complaints No of complaints per 1000 customers	0	0	0.06	0.03	0.08	1.06	1.36
CR4	Billing/ payment issue complaints No of complaints per 1000 customers	1	1	0.05	0.7	1.2	1.01	0.195
Environmental KPI		2017-18 Target	2016-17 Projection	2015-16 Actual	2014-15 Actual	2013-14 Actual	2012-13 Actual	2011-12 Actual
E1	Effluent re-use volume (end use) Percentage recycled (%)	24	24	22	20	17.5	18	9.2
E2	Total net CO₂ equivalent emissions Net tonnes CO ₂ equivalent (tonnes)	6000	6400	6,053	6,473	6,455	6,260	7,280

23. Appendix C – Capital Expenditure detail

DRAFT Capital Program PS1 2017-2018			Water Plan 3			
Project Driver	Project Name	Strategic focus area	2016/17 Budget	2016/17 Forecast	2016-21 Corporate Plan 2017/18 Budget	2017/18 Budget
Compliance	Sludge Management Program	Our Assets	125,000	120,424	100,000	75,000
	OH&S Compliance Program	Our People	77,000	86,700	30,000	93,000
	Diversity & Inclusion Plan – Facility Improvement	Our Assets				400,000
	Green Building Program - (Government Energy Efficiency Program)	Our Environment	100,000	100,000		160,000
	Automatic Meter Reading Pilot Project (AMR) High Risk Meter Reads	Our People				20,000
	Water Quality Compliance Program	Our Customers	1,150,000	764,000	1,000,000	753,000
Compliance Total			1,452,000	1,071,124	1,130,000	1,501,000
Growth	Cowes Class A Extension	Our Environment	40,000	40,000		75,000
	Wastewater Future Cowes SPS Upgrade	Our Assets	735,000	615,261	1,335,000	870,000
	Automated Water Filling Station	Our Assets				45,000
	Community Refill Stations, Water efficiency for accommodation providers & Potable Hydration Stations	Our Customers	14,000	14,000	15,000	15,000
Growth Total			1,039,000	894,171	1,350,000	1,005,000
Improved Services	Security Upgrade Project - Key Replacement	Our Assets				150,000
	IBWPP Plant Improvements	Our Assets	286,000	130,000		60,000
	Sewer Main Improvement	Our Assets	100,000	196,991	100,000	200,000
	Cross Island Sewer System	Our Customers	170,000	175,713	200,000	200,000
Improved Services Total			746,000	913,109	720,000	610,000
Renewals	Software Application	Our Assets	100,000	41,007	100,000	100,000
	Hardware Replacement	Our People	50,000	49,668	50,000	50,000
	PLC Upgrades	Our Assets	60,000	60,000	100,000	100,000
	Water Main Replacement Program	Our Assets	425,000	424,247	350,000	350,000
	Phase 2 : Systems Services Plan	Our Assets				400,000
	Building Asset Management Plan	Our Assets	350,000	349,951	150,000	150,000
	SPS Civil, Mech & Electrical Works	Our Assets	150,000	152,212	150,000	150,000
	Cowes WWTP Civil, Mech & Electrical Works	Our Assets	110,000	110,009	60,000	60,000
	IBWPP Civil, Mech & Electrical Works	Our Assets	200,000	175,032	200,000	150,000
	Water Dist System Civil, Mech & Electrical Works	Our Assets	50,000	58,926	50,000	50,000
	Water Meter Replacement	Our Assets	20,000	24,009	20,000	20,000
	King Road WWP Civil, Mech & Electrical Works	Our Assets	60,000	34,116	30,000	30,000
	Plant Replacement - Fleet & Equipment	Our People	375,000	350,000	150,000	346,000
Renewals Total			2,200,000	2,049,483	1,460,000	1,956,000
Other	Capex Labour Allocation (Project Works)	Our People	535,000	520,666	425,000	520,000
Total			5,972,000	5,448,553	5,085,000	5,592,000
Total Capital Program for 2017-18						5,592,000

DRAFT Capital Program PS1 2017-2018			Pricing Submission 1					
Project Driver	Project Name	Strategic focus area	PS 1 Year 1 Indicative budget for 18/19 \$	PS 1 Year 2 Indicative budget for 19/20 \$	PS 1 Year 3 Indicative budget for 20/21 \$	PS 1 Year 4 Indicative budget for 21/22 \$	PS 1 Year 5 Indicative budget for 22/23 \$	Total PS1
Compliance	Sludge Management Program	Our Assets	72,000	72,000	72,000	72,000	72,000	360,000
	OH&S Compliance Program	Our People	40,000	40,000	40,000	30,000	30,000	180,000
	Potable Water Storage Tank at Wimbledon Heights	Our Customers	500,000	1,500,000	500,000			2,500,000
	Diversity & Inclusion Plan – Facility Improvement	Our Assets	200,000					200,000
	Climate Change Adaptation	Our Environment	60,000	40,000	30,000	160,000	80,000	370,000
	Water Quality Compliance Program	Our Customers	246,550	5,000				251,550
Compliance Total			1,118,550	1,657,000	642,000	262,000	182,000	3,861,550
Growth	Sustainable Water Reuse Pilot Project	Our Environment	100,000	330,000	300,000			730,000
	King Road WWTP – Master Plan Upgrade Stage 1	Our Assets			150,000			150,000
	Depot Improvement Master Plan to incorporate Diversity & Inclusion	Our Assets	208,500	261,000				469,500
	Community Refill Stations, Water efficiency for accommodation providers & Potable Hydration Stations	Our Customers	24,000	42,000				66,000
	Community education display at Cowes	Our Customers	20,000					20,000
Growth Total			352,500	633,000	450,000	0	0	1,435,500
Improved Services	Odour and Corrosion Management	Our Assets	200,000	50,000	110,000			360,000
	Water Quality Improvement Program	Our Customers	250,000	250,000				500,000
	GIS-AMIS Strategy Implementation	Our Assets	50,000	50,000	50,000	50,000	50,000	250,000
	Cowes WWTP upgrade Stage 2	Our Environment	150,000	1,200,000	2,550,000			3,900,000
	Septic Tanker Discharge Pump Station	Our Assets	150,000	-	-			150,000
	Bass River Pump Station Bund	Our Assets	80,000					80,000
	Enlighten 3.1.3 to 3.3 Software Upgrade	Our Assets	25,000					25,000
	IBWPP Emergency Control Room	Our Assets	180,000	-	-			180,000
	Zone Metering and Pressure Management	Our Assets	120,000	240,000	120,000	120,000	240,000	840,000
	Customer Service Strategy	Our Customers	20,000					20,000
Improved Services Total			1,225,000	1,790,000	2,830,000	170,000	290,000	6,305,000
Renewals	Software Application	Our Assets	60,000	50,000	50,000	50,000	50,000	260,000
	Hardware Replacement	Our People	50,000	50,000	50,000	50,000	50,000	250,000
	Water Main Replacement Program	Our Assets	300,000	300,000	300,000	300,000		1,200,000.00
	Phase 2 : Systems Services Plan	Our Assets	700,000	300,000				1,000,000.00
	Sewer Junction Rebuild	Our Assets	200,000	200,000	200,000	200,000	200,000	1,000,000.00
	SPS Electrical Switchboard upgrades	Our Assets	200,000	200,000	300,000	20,000		720,000.00
	SCADA Strategy Implementation	Our Assets	100,000	100,000	100,000	100,000	100,000	500,000.00
	Refurbishment of Bridge Pipelines	Our Assets				500,000	460,000	960,000.00
	648 Refurbishment SRB to Cowes	Our Assets	300,000	100,000	100,000			500,000.00
	SPS Civil, Mech & Electrical Works	Our Assets	100,000	100,000	100,000	100,000	100,000	500,000.00
	Cowes WWTP Civil, Mech & Electrical Works	Our Assets	100,000	100,000	100,000	100,000	100,000	500,000.00
	IBWPP Civil, Mech & Electrical Works	Our Assets	100,000	100,000	100,000	100,000	100,000	500,000.00
	Sewer mains Renewals	Our Assets	50,000	100,000	100,000	100,000	50,000	400,000.00
	Water Dist System Civil, Mech & Electrical Works	Our Assets	50,000	50,000	50,000	50,000	50,000	250,000.00
	Water Meter Replacement	Our Assets	22,500	22,500	22,500	22,500	22,500	112,500.00
	SPS SCADA PLC Upgrades	Our Assets	60,000					60,000.00
	King Road WWP Civil, Mech & Electrical Works	Our Assets	10,000	10,000	10,000	10,000	10,000	50,000.00
	Plant Replacement - Fleet & Equipment	Our People	150,000	471,000	247,000	548,000		1,416,000.00
	San Remo Basin Cover & Liner Replacement	Our Assets			300,000	1,000,000	1,000,000	2,300,000.00
Renewals Total			2,552,500	2,253,500	2,129,500	3,250,500	2,292,500	12,478,500
Other	Capex Labour Allocation (Project Works)	Our People	580,000	580,000	580,000	580,000	580,000	2,900,000
Total Capital Program for 2017-2022			5,828,550	6,913,500	6,631,500	4,262,500	3,344,500	26,980,550