

Corporate Plan

2018-23



WESTERNPORT
WATER™

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Statement of Corporate Intent

The Westernport Region Water Corporation (Westernport Water) Corporate Plan 2018-23 has been developed in accordance with the requirements of section 247 and 248 of *the Water Act 1989*.

The Corporate Plan includes the vision, undertakings and objectives of the Corporation, as well as the 2018-19 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 all water corporations in Victoria.

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 Peoples, who played an important role over thousands of years in managing the natural resources around the waterline areas of Western Port and Millowl, otherwise known as Phillip Island. We acknowledge our Traditional Owners and will work together as we continue to manage the land and water resources today.

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 20,266 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 2,015 megalitres (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 approximately 1,400ML of wastewater each year. The Cowes Wastewater Treatment Plant (CWWTP) on Phillip Island has a capacity of 8.6ML per day and treats approximately 1,200ML annually. On average, 70ML is further treated to Class A standard, and a further 56 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 0.95ML per day and treats approximately 170ML annually. 100 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 2018-19

	Strategic Focus Areas	Corporate Objectives	Corporate Initiatives
Innovation	<p>Our Customers</p> <p><i>Provide products and services that meet our customers' expectations for quality, accessibility and affordability</i></p>	<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"> 1. Deliver Customer Data Continuous Improvement Program 2. Implement Year Three of the Water Quality Continuous Improvement Plan
	<p>Our People</p> <p><i>Be an innovative corporation with a reputation that is valued by current and prospective employees</i></p>	<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"> 3. Deliver Year One of the Organisational Development Strategy 4. Deliver Year One of the Workplace Health & Safety Improvement Plan
Liveability	<p>Our Assets</p> <p><i>Enable the sustainable delivery of products and services to our customers</i></p>	<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"> 5. Deliver Year One of the Phillip Island Water Security Supply Project 6. Continue participation in the Integrated Water Management Program
	<p>Our Community</p> <p><i>Be a valued member of the community we serve</i></p>	<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"> 7. Deliver Year Two of the Reconciliation Action Plan 8. Commence Choose Tap Hospitality Program
Sustainability	<p>Our Environment</p> <p><i>Be an environmentally sustainable corporation</i></p>	<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"> 9. Deliver Year One of the Emissions Reduction Pledge Program 10. Improved Environmental Management System
	<p>Our Business</p> <p><i>Maintain the integrity and value of our business through sound governance and financial management</i></p>	<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"> 11. Deliver Improved Value through the Gippsland Regional Water Alliance 12. Deliver Year Two of the Business Transformation Project 13. Deliver IT Managed Services Upgrade

Water for Victoria

Victoria has a long and proud history of effectively managing its water resources. With the support of Westernport Water and alignment of our Corporate Plan priorities, the water policy will deliver a water system that is modern, efficient, innovative, future focused and affordable. The table below shows alignment of Westernport Water's Strategic Focus Areas and Key Initiatives with Water for Victoria's Priority Policy Areas. Where applicable, some Corporate Initiatives cover multiple Water for Victoria Policy Areas.

Water for Victoria Priority Policy Area	Westernport Water Corporate Initiative
<p>Climate Change</p> <p>Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies and actions.</p>	<ul style="list-style-type: none"> • Deliver Year One of the Emissions Reduction Pledge Program • Improved Environmental Management System
<p>Customer and Community Outcomes</p> <p>All aspects of service delivery will be customer and community centred.</p>	<ul style="list-style-type: none"> • Deliver Customer Data Continuous Improvement Program • Implement Year Three of the Water Quality Improvement Program • Commence Choose Tap Hospitality Program • Deliver Year Two of the Business Transformation Project • Deliver IT Managed Services Upgrade
<p>Water for Aboriginal cultural, spiritual and economic values</p> <p>Recognise and support Aboriginal cultural values and economic inclusion in the water sector.</p>	<ul style="list-style-type: none"> • Deliver Year Two of the Reconciliation Action Plan • Continue participation in the Integrated Water Management Program
<p>Recognise Recreational Values</p> <p>Support the wellbeing of rural and regional communities by considering recreational values in water management.</p>	<ul style="list-style-type: none"> • Deliver Year One of the Phillip Island Water Security Supply Project
<p>Resilient and liveable cities and towns</p> <p>Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.</p>	<ul style="list-style-type: none"> • Commence Choose Tap Hospitality Program • Improved Environmental Management System
<p>Leadership and Culture</p> <p>Water corporations reflect the needs of our diverse communities.</p>	<ul style="list-style-type: none"> • Deliver Year One of the Organisational Development Strategy • Deliver Year One of the Workplace Health & Safety Improvement Plan • Deliver Year Two of the Reconciliation Action Plan
<p>Financial Sustainability</p> <p>Delivering safe and cost-effective water and wastewater services in a sustainable way.</p>	<ul style="list-style-type: none"> • Improved Environmental Management System • Deliver Improved Value through the Gippsland Regional Water Alliance • Deliver IT Managed Services Upgrade

Corporate Plan Performance Measures and Targets 2018-19

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 13 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 2018-19 year

Our Customers

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

Westernport Water is committed to providing products and services that meet customer expectations. We will do so by understanding and learning from our customers, valuing our customers through a positive customer-first culture, striving to continually improve the quality of our water and serving our customers with accessible and consistent information. We will continue to provide and promote flexible payment options for customers experiencing hardship, whilst continuing to seek opportunities to deliver increased value.

1. Deliver Customer Data Continuous Improvement Program

The accuracy and completeness of our customer data is integral to customer confidence. As outlined in our Customer Service Strategy 2018-21, we are committed to ensuring that customer information and the application of fees and charges are accurate and consistent. Continuous improvement will be achieved through:

- improved reporting and analytics that will identify inconsistencies by comparing traditionally disparate datasets;
- investigating and resolving inconsistencies against adopted policies; and
- updating customer contact information via facilitated cross-media prompts.

This corporate initiative aims to address the Customer Strategic Risk: *Decline in operational excellence negatively impacts customer experience.*

2. Implement Year Three of the Water Quality Continuous Improvement Plan

The 2018-19 program focuses on operational improvements in water quality. This will be primarily through our distribution system to customers and building upon our knowledge of raw water supply in Candowie Reservoir. Our program includes the following.

Backflow prevention program - Backflow is identified as a potential source of contamination to the distribution network. This program will be rolled out starting with the agricultural sector following a recent assessment identifying high risks sites.

Upgrade Powdered Activated Carbon (PAC) dosing – The upgrade of the PAC system used to control algae and compounds that can cause taste and odour issues will improve the mixing of PAC and reduce variability and inconsistency in PAC dosing.

Distribution system maintenance - Repairing a water main after a burst or leak has the potential for microbial contaminants to enter the distribution network resulting in illness. To improve management of repairs we will adopt the industry best practice 5C principle to water hygiene. A water quality distribution management plan will be developed and equipment purchased to implement the plan. Upgrades will be undertaken to enable swabbing of mains during 2018-19. Additionally the air scouring and flushing program within the distribution system continues as per routine maintenance activities.

Continuous vertical profile monitoring - The continuous vertical profiler will be a key information source on raw water quality in the Candowie Reservoir. It will be used as an early warning for algal blooms, real time performance of aeration systems and operational decisions based on raw water quality.

IBWPP Master Plan – A master plan will be developed to provide a large scale review of the plant. This will provide a roadmap for the future and will provide a plan for structural renewal/upgrade to align with future pricing submissions.

Improved oversight to operational and verification systems – This includes upgrade of Grantville storage tank monitoring system, additional chloramination analysers within the distribution network and a water quality database to manage operational and verification data.

This corporate initiative aims to address the two Product Quality Strategic Risks: *Quality of drinking water does not meet or exceed customer expectations for taste and odour* and *Serious illness or death in the community as a result of a water supply contamination*.

Our People

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

Westernport Water has a vision to be a great place to work where our people go home safe and well every day. In 2018-19, we will build on our progress to reflect the diverse community we serve through inclusion, participation and engagement. We will continue a journey of cultural and organisational improvement that will set us on a path to achieving our goals and creating a culture we can all be proud of. We recognise the benefits of a diverse, inclusive and healthy workforce. We also know that workplace safety and employee wellbeing, strong employee engagement, and clear accountabilities are critical for a high-performance culture.

3. Deliver Year One of the Organisational Development Strategy

An Organisational Development Strategy was developed in 2017-18 to provide a roadmap for our Corporation, positioning us for long term sustainability and success. Our strategy is aligned to four key commitments as we strive to be a great place to work:

- Our people go home safe and well;
- Our people are confident to lead and coach;
- Our people are set up to succeed; and
- Our people are diverse and capable.

Year One of the Organisational Development Strategy will see us deliver a number of programs that build on these commitments:

Leadership Development Program - Commence creation of a suite of leadership development opportunities and programs suitable for all employees.

Refresh our values - Revisit our corporate values and align them to the new Westernport Water and our current objective to be a great place to work.

Learning and Development Plan - Create an inclusive and consistent plan that provides all staff with opportunities for personal and professional development.

Diversity and Inclusion Plan - Continue to deliver on the targets and goals in our Diversity and Inclusion Plan to strive for a more inclusive workplace.

This corporate initiative aims to address the People Strategic Risk: *Not delivering on the people vision of being a high performing corporation*.

4. Deliver Year One of the Workplace Health & Safety Improvement Plan

A focus on Health, Safety & Wellbeing in 2017-18 saw the delivery of Phase One of the Workplace Health & Safety Improvement Project. This delivered a fit-for-purpose WHS Management System consistent with relevant standards and legislative obligations. Phase Two of the Workplace Health & Safety Improvement Project is to develop and implement an improvement plan that provides a clear pathway forward for change and embeds a safety culture throughout the Corporation. The plan will commence in 2018-19 and conclude in 2019-20, and include education and training for all staff to enable them to champion workplace health, safety and wellbeing as Westernport Water's number one priority ensuring our people go home safe and well every day.

This corporate initiative aims to address the Health and Safety Strategic Risk: *Serious injury (physical or mental) or death to employees, contractors or the community.*

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.

5. Deliver Year One of Phillip Island Water Security Supply Project

Westernport Water has assessed redundancy options for our water supply (648 water main) across Phillip Island. This project constructs a storage tank in the Cowes water supply zone providing service reliability and operational flexibility. Year One of the Phillip Island Water Supply Security Project will include design of the new storage and pipeworks and procurement approval.

This corporate initiative aims to address the Strategy Strategic Risk: *Inadequate planning to support future demand of drinking and wastewater.*

6. Continue participation in the Integrated Water Management Program (IWM)

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 with the achievement of greener environments and healthier waterways.

This corporate initiative aims to address the Strategy Strategic Risk: *Inadequate planning to support future demand of drinking and wastewater.*

Our Community

Be a valued member of the community we serve

Westernport Water will engage effectively and transparently with our community, building strong partnerships to work collaboratively to meet our strategic objectives. We will seek to represent and reflect our community's priorities. In addition, we will deliver shared benefits through water management opportunities that support social and recreational benefits to create a more liveable and resilient community.

7. Deliver Year Two of the Reconciliation Action Plan

Westernport Water is committed to building resilient, liveable and healthy communities that recognise and respect Aboriginal and Torres Strait Islander cultures, histories and achievements. Our first Reconciliation Action Plan (RAP) was endorsed by Reconciliation Australia in 2017-18 and sets out our commitment, whilst acknowledging the past, and provides a roadmap for the future. We will deliver our commitments outlined in our RAP and report publicly against our progress.

This corporate initiative aims to address the Stakeholder Strategic Risk: *Not meeting or exceeding stakeholder expectations erodes confidence.*

8. Commence Choose Tap Hospitality Program

Westernport Water will expand its Choose Tap education program to include partnering cafes and hospitality venues. The program will embed the Choose Tap message every day through the provision of glass water pitchers for customers. The program is designed to promote the use of drinking water and the associated health benefits, reduce the consumption of single-use plastics and improve customer perceptions of drinking water.

This corporate initiative aims to address the Stakeholder Strategic Risk: *Not meeting or exceeding stakeholder expectations erodes confidence.*

Our Environment

Be an environmentally sustainable corporation

Westernport Water is conscious that our operations have the potential to impact the environment and we are committed to protecting and enhancing our service area. 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; and
- Considering recreational values and integrated water management.

In 2018-19, along with our ongoing land management programs, Westernport Water will be focusing on delivering Year One of the Emissions Reduction Pledge Program, with projects and renewed emphasis on improving the Environmental Management System.

9. Deliver Year One of the Emissions Reduction Pledge Program

Westernport Water has developed an Emissions Reduction Pledge Program that identifies measures to be achieved by 2025 in accordance with;

- the Victorian Government's *Water for Victoria*;
- Take2 Victoria's climate change pledge; and
- direction from the Department of Environment, Land, Water and Planning (DELWP).

Our Climate Change Strategy 2017-23 pledges to reduce our carbon emissions by eight per cent by 2025, compared to the baseline. This strategy incorporates the Emissions Reduction Pledge

Program and also outlines the steps to achieve net zero by 2050, including a number of identified actions, relating to efficiencies, and a two-stage capital program focussing on renewable solar.

Year One of Westernport Water's Emissions Pledge Program prioritises low payback installations, providing us with the best value for money investment.

This corporate initiative aims to address the Climate Change Strategic Risk: *Failure to adequately plan and respond to Climate Change*

10. Improved Environmental Management System (EMS)

The Environmental Management System provides the framework for responsible environmental management and is an integral part of the Corporation's overall management system. In 2018-19 Westernport Water will undertake an external review and gap analysis of the current system and develop an action plan that includes a refreshed training program, with support from an engagement and communication plan.

The renewed focus on the Environmental Management System will ensure delivery of the recently revised and approved Environmental Policy, update environmental knowledge, capacity and skills across the whole Corporation and respond to emerging environmental areas, such as Climate Change adaptation and mitigation.

This corporate initiative aims to address the Climate Change Strategic Risk: *Failure to adequately plan and respond to Climate Change* and the Environmental Strategic Risk: *Our operations negatively impact the environment*.

Our Business

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

Westernport Water will continue to meet stakeholder expectations through a focus on our core systems, processes and governance. In addition, we will deliver improved customer value by building partnerships across the Victorian water sector to drive innovation, collaboration and efficiencies.

11. Deliver Improved Value 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 alliance 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 the Financial Strategic Risk: *Ability to maintain adequate financial health*.

12. Deliver Year Two of the Business Transformation Project

Westernport Water will address key risks associated with its existing corporate systems through the replacement of our finance, payroll and HR systems in Year Two of the Business Transformation Project. Renewed systems will meet the business requirements of employees and the evolving expectations of our stakeholders for timely, consistent and accurate information and services. The change will be effectively managed to minimise impacts for our staff and stakeholders, whilst meeting our statutory reporting requirements.

This corporate initiative aims to address the Technology Strategic Risk 7: *Operating system and technology limitations restrict the achievement of objectives*.

13. Deliver IT Managed Services Upgrade

Westernport Water will successfully manage the transition to a new IT Managed Services agreement, which will deliver enhancements to information security and improved IT performance. The agreement will include managed desktop services, formalised disaster recovery infrastructure with annual testing, detailed performance reporting, improved service levels, and increased internet bandwidth.

This corporate initiative aims to address the Technology Strategic Risk 7: *Operating system and technology limitations restrict the achievement of objectives.*

Significant Variations to Water Plan 3 (2013-18)

Westernport Water has successfully completed five out of six of its Key Capital Projects outlined in Water Plan 3.

The following Major Projects have been successfully completed in the 2017-18 financial year:

Water Quality Compliance Program:

Implementation of key capital projects outlined in Westernport Water's Water Quality Continuous Improvement Program has been completed.

Ultra Violet (UV) disinfection and Filter to Waste have now been embedded to the treatment process at the Ian Bartlett Water Purification Plant. New UV disinfection will provide a secondary barrier to the existing treatment process and increases our ability to protect the safety of our water. The Filter to Waste system, installed at our Ian Bartlett Water Purification Plant, will increase the operational flexibility of our treatment system in the event of treatment break through.

A mechanical mixer has been installed in our San Remo Basin storage reservoir. The new mixer will provide continuous mixing of water inside the basin and improve the water quality.

Wastewater Futures – Cowes Reticulation Project:

This project comprised of two rising main upgrades. Upgrades to the Church Street Sewer rising has now been completed. The laying of 2.6km of 500mm diameter new sewer rising main was completed in 2017-18. The Chapel Street rising main has been deferred until Price Submission 2 (PS2).

Main Replacement Program

Corinella Stage Two water main upgrade has been completed in the 2017-18 financial year.

Significant Variations to Water Plan 3 include the following:

Wastewater Futures – Cowes Reticulation Project

This project was detailed in Water Plan 3 and Price Submission 1 (PS1). Recent upgrades to Church Street and Chapel Street sewer pump stations have exceeded design expectations and closer analysis of population growth has enabled the delay of the capital investment on the Chapel Street diversion and regional outfall pump station associated with this project. The completion of the Church Street rising main concludes the Wastewater Futures Project for Water Plan 3. The capacity increase gained from Stage 1 is sufficient to defer the construction of the Chapel Street rising main until Price Submission 2 (PS2).

Cross Island Sewer System Project

The Cross Island Sewer system project addresses the various other systems that deliver sewage from San Remo reticulation to the Cowes Wastewater Treatment Plant. Improvements to Woolamai and Rhyll Road pump stations identified in the 2015-16 financial year have been implemented. Deferred Capital funds from Wastewater Futures was utilised in Cross Island Sewer system upgrades.

King Road Storage Lagoon

This project has been deferred due to recent additions to irrigation and subsequent plantations that have increased the Corporation's capacity to dispose of effluent. The \$130K of unused CAPEX from this project was reallocated to additional irrigation infrastructure in 2016-17 which has further reduced the urgency of this project and enabled options analysis to occur, with the resulting solutions planned for delivery in PS2.

San Remo Basin Cover Replacement

San Remo Basin liner and cover replacement was initially programmed in Water Plan 3 due to its end of manufacturer's Warranty Period. However, after completing an engineering investigation and condition assessment, the storage upgrade has now been rescheduled to the Price Submission 1 period. The \$1.5M of funds for this project was reallocated to other priority capital works including Building Asset Management Plan, Diversity and Inclusion Plan, Security Upgrade and the Business Transformation Project.

Key Business Drivers of Corporate Plan 2018-23

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 2018-23 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 however, \$750k of existing debt will require refinancing during 2018-19. The forecast of no new borrowings is subject to adherence to the Pricing Submission (PS1) planned requirements and timing of major capital works.

Adherence to the PS1 requirements are not seen as a risk to the business as cash holdings are currently strong and debt has been reduced over the last three years ensuring that the Corporation has maintained its AA credit rating. The five year outlook has predicted a slight reduction in debt levels as cash flow permits. This is inline with PS1 assumptions to minimise price increases to customers, in lieu of repaying debt. The table shows the level of fixed debt for the Corporation over the five year Corporate Plan period (excluding temporary borrowing facilities).

Table 2: Total Corporation Debt

Debt	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	Forecast	Budget \$ 000				
Total Debt	7,940	7,940	7,940	7,690	7,690	7,690

Risk Assessment

Westernport Water's Risk Management Framework, in line with the Victorian Government Risk Management Framework, has been used a tool to develop the 2018-19 Corporate Plan. This Framework has been used in consideration of the Corporation's Operational Risk Register, the Strategic Risk Register and the ongoing monitoring of emerging risks.

The Strategic Risk Register, as approved by the Westernport Water Board, has been used 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.

Financial Analysis, Considerations and Projections

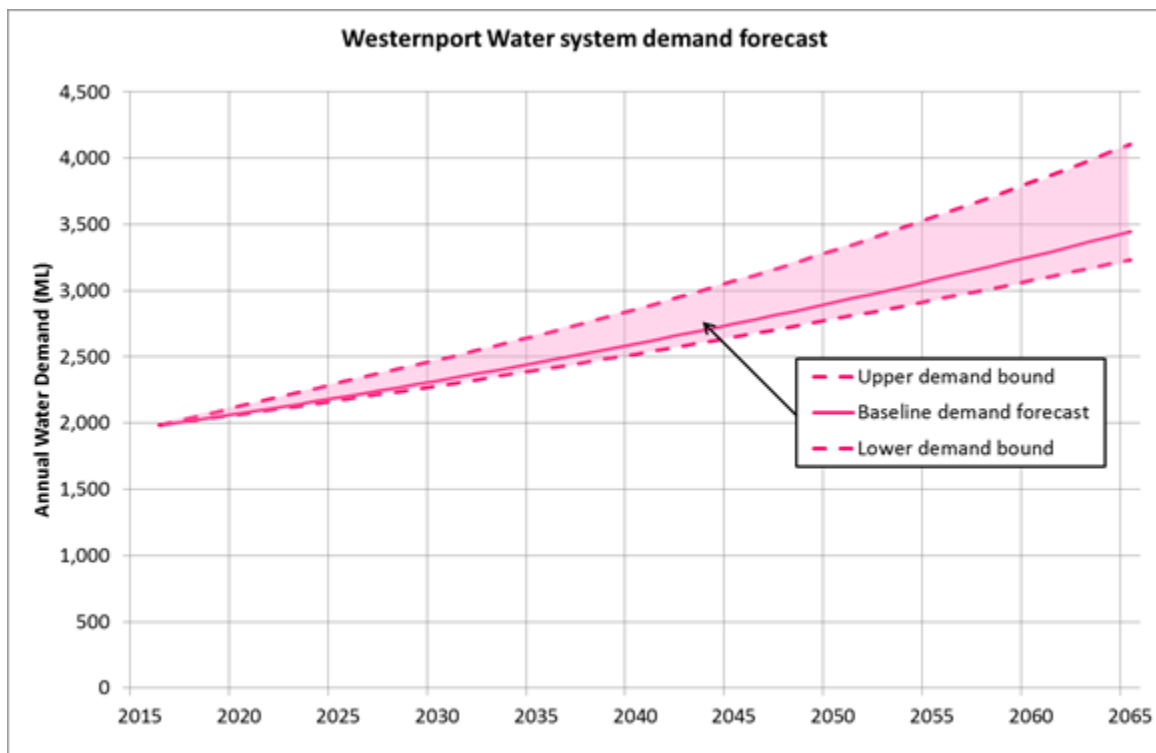
The financial targets and ratio analysis is set out in Appendix B. These ratios are consistent across the five year outlook.

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 Corporation. The analysis tables and quarterly breakdown is attached (Appendix A) to display the financial sensitivities of key planning variables and projected impacts on results.

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 the State Government's 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 per cent increase in non residential demand. The graph below shows the demands until the year 2065.



Source: Westernport Water's 2017 Urban Water Strategy, pg. 17.

Westernport Water accesses water from a diverse range of sources. 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 ten years supplying all the forecast demands.

Recycled Water Assumptions 2018-19

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 and will continue to be a significant consumer of recycled water into the future. This is supported by the recently approved Westernport Water Recycled Water Strategy 2018-23.

CWWTP treats sewage from the major towns on Phillip Island (excluding Silverleaves) and San Remo. This treatment plant receives 86 per cent of inflow from Westernport Water's sewerage network. Based on the past five year average, around 5 per cent of inflow from CWWTP is treated to a Class A recycled water quality and distributed to residents in new housing estates in Cowes & Ventnor, and to non-residential users such as the Phillip Island Golf Club and recreation reserves. A further 5 per cent is used onsite to water tree plantations and the remaining 90 per cent of treated effluent is discharged to Bass Strait at Pyramid Rock.

KRWWTP treats sewage from Grantville, Coronet Bay, Corinella, Tenby Point & Pioneer Bay, receiving around 14 per cent of Westernport Water's sewage inflow. All of KRWWTP's treated wastewater is irrigated on company owned farmland surrounding the treatment plant.

The number of residential customers is slowly increasing with 377 residential customers connected to the Class A scheme using an average of 20 KL/annum/property in 2016-17. Seasonal population movement and high number of holiday homes contribute to the relatively low average use by residential customers.

The key projects in the timeline will guide us in meeting our recycled water strategy targets. This involves:

- a pilot trial for Class B, which will inform the future development of the recycled water scheme to service irrigation and agricultural customers near the CWWTP;
- expansion of irrigation areas within our existing Wastewater Treatment Plant sites;
- assessment and land purchase/ lease arrangements near our Wastewater Treatment Plant sites to meet growth and review of the strategic direction for San Remo reuse;
- upgrades of our recycled water infrastructure to meet customer demands; and
- reduce inflow and infiltration of stormwater into our sewer network (ongoing).

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.

Pricing

Table 3: Tariff schedule 2018 - 19

		2017-18	2018-19	2019-20	2020-21	2021-22
CPI%						
CPI % assumptions		2.13	1.9*	2.3	2.3	2.3
Water & Recycled Water Volumetric pricing per kl						
Potable	Residential	\$1.9973	\$2.0040	\$2.0501	\$2.0972	\$2.1455
Potable	Non	\$1.9973	\$2.0040	\$2.0501	\$2.0972	\$2.1455
Recycle	Residential	\$1.0794	\$1.0830	\$1.1079	\$1.1334	\$1.1594
Recycle d Water	Non Residential less than	\$0.5251	\$0.5269	\$0.5390	\$0.5514	\$0.5641
Recycle d Water	Non Residential more than	\$0.4316	\$0.4331	\$0.4430	\$0.4532	\$0.4637
Connected Fixed Charges \$ per annum						
Residential						
Water		\$388.68	\$389.98	\$398.95	\$408.12	\$417.51
Waste		\$599.22	\$601.22	\$615.05	\$629.20	\$643.67
Reuse		\$26.98	\$27.06	\$27.69	\$28.32	\$28.97
Non Residential						
Water (20mm tapping)		\$388.68	\$389.98	\$398.95	\$408.12	\$417.51
Water (25mm tapping)		\$699.63	\$701.97	\$718.11	\$734.63	\$751.52
Water (32mm tapping)		\$1,321.85	\$1,326.27	\$1,356.78	\$1,387.99	\$1,419.91
Water (40mm tapping)		\$2,410.29	\$2,418.36	\$2,473.98	\$2,530.88	\$2,589.09
Water (50mm tapping)		\$4,315.29	\$4,329.72	\$4,429.31	\$4,531.18	\$4,635.4
Water (65mm tapping)		\$8,591.75	\$8,620.49	\$8,818.76	\$9,021.59	\$9,229.09
Water (80mm tapping)		\$14,889.89	\$14,939.71	\$15,283.32	\$15,634.84	\$15,994.44
Water (100mm tapping)		\$26,786.32	\$26,875.95	\$27,494.09	\$28,126.46	\$28,773.37
Water (150mm tapping)		\$61,737.33	\$61,943.90	\$63,368.61	\$64,826.08	\$66,317.08
Waste		\$599.22	\$601.22	\$615.05	\$629.20	\$643.67
Waste (> 2 cistern per property)		\$221.31	\$222.05	\$227.16	\$232.38	\$237.73
Unconnected Fixed Charges \$ per annum						
Water		\$194.33	\$194.98	\$199.46	\$204.05	\$208.74
Waste		\$300.13	\$301.14	\$308.07	\$315.15	\$322.40
Reuse - Unconnected		-	-	-	-	-

Note: *The Tariff Schedule for 2018-19 above (Table 3) has been calculated using the approved CPI increase of 1.9 per cent released by the Essential Services Commission through the annual tariff approval

process. The tariffs for 2018-19 reflect a 1.5 per cent reduction from the baseline 2017-18 prices, as per the Pricing Submission (PS1) which is deducted prior to application of CPI.

Customer Impact Table

Table 4: Customer Impact 2018-19

Average Residential Account (80kL)					
	2017-18	2018-19	2019-20	2020-21	2021-22
Water Fixed	\$388.68	\$389.98	\$398.95	\$408.12	\$417.51
Volumetric	\$159.79	\$160.32	\$164.01	\$167.78	\$171.64
Waste Fixed	\$599.22	\$601.22	\$615.05	\$629.20	\$643.67
Total	\$1,147.69	\$1,151.52	\$1,178.01	\$1,205.10	\$1,232.82
% Change	2.13%	0.3%	2.3%	2.3%	2.3%
Average Non Residential Account (604kL)					
Water Fixed	\$388.68	\$389.98	\$398.95	\$408.12	\$417.51
Volumetric	\$1,206.41	\$1,210.42	\$1,238.26	\$1,266.71	\$1,295.88
Waste Fixed	\$599.22	\$601.22	\$615.05	\$629.20	\$643.67
Total	\$2,194.31	\$2,201.62	\$2,252.26	\$2,304.03	\$2357.06
% Change	2.13%	0.3%	2.3%	2.3%	2.3%
Average Tenant Account (80kL)					
Volumetric	\$159.79	\$160.32	\$164.01	\$167.78	\$171.64
% Change	2.13%	0.3%	2.3%	2.3%	2.3%

Operating Environment Assumptions 2018-23

As Westernport Water enters into the next five year regulatory period, it is facing similar economic constraints to the previous regulatory period. Inline with previous years, development activity remains subdued with low growth in new connections expected. The decision to absorb the increase in the Melbourne Bulk Water entitlements charge from 2018-19 has also reduced the available annual operating expenditure. Due to minimised revenue growth and added uncontrollable cost constraints, Westernport Water is focusing on cost containment to maintain a profitable position, whilst ensuring minimum impact to customer bills.

Westernport Water completed an organisational realignment in 2016-17 as part of a broader improvement program, aligning structure and function to strategy for future years. Westernport Water anticipates that greater clarity of role, accompanied with skills and capabilities aligned to our key focus areas, will lead to operational efficiencies which is forecast to reduce operational expenditure over the new regulatory period.

The forecast operating expenditure efficiencies include:

- a reduced consultancy and contractor spend, resulting from an organisational realignment that was completed in 2016-17;
- realisation of procurement opportunities;
- a reduced preventative maintenance spend, following increased renewals activity;
- anticipated processing efficiencies from the implementation of the Business Transformation Project, reducing labour-intensive manual workarounds;
- no labour uplift for future years; and
- containment of insurance costs through the benefit of the state wide contract.

The Corporate Plan five year outlook includes a forecast reduction in operational expenditure of 2.63 per cent per annum which is calculated on the efficiency being achieved in each year. There is a significant decrease to operational expenditure required in 2018-19 as following this first year, the ongoing savings in operating expenditure is responsible for the efficiency forecasts from 2019-20 to 2022-23. Full details are provided in the table below:

Table 5: Operating expenditure efficiencies

	2018-19	2019-20	2020-21	2021-22	2022-23
Operating expenditure efficiency	5.353%	1.982%	2.201%	1.705%	1.924%
Customer growth	1.982%	1.982%	1.982%	1.705%	1.705%
Net efficiency (growth less efficiency)	-3.371%	0.000%	-0.219%	0.000%	-0.219%

The business is not planning any major capital projects which may change the underlying financial strength of the Corporation. The capital program is being driven by operational need in conjunction with the constraints of Pricing Submission (PS1) requirements and limits. Key projects are outlined in the Capex tables in Appendix C.

Finance Assumptions 2018-19

The financial assumptions set out below form the basis for the budgeted net profit after tax result of \$666K and a strong positive net cash flow from operating activities.

Revenue Assumptions

Service Charges:

- CPI uplift of 1.9 per cent.
- Residential customer growth of 1.98 per cent.
- Non residential connection growth of 1.98 per cent.
- Introduction of a new single standpipe rate for bulk water customers.
- The conclusion of the annual Fairer Water Bills rebate and removal of the Carbon rebate from 30 June 2018 (as per PS1 assumptions).

Water Usage:

- Domestic water consumption, 80KL per connection.
- Non Domestic water consumption, 604KL per connection.

Developer Income:

- Creation of approx. 152 new allotments.

OPEX Assumptions

- OPEX is inline with Pricing Submission (PS1) Year 1 assumptions.
- Increases in wage and salaries are in line with the recently approved Enterprise Agreement and are consistent with overall Government policy for annual wage rises (approx. 3 per cent increase in base rates and allowances).
- No cost allocation for the use of metropolitan pool water.
- Environmental Contribution levied at 5 per cent of 2014-15 revenue as advised by the Department of Environment, Land, Water and Planning.
- CPI increases for future years has been capped at 2.3 per cent each year (as per PS1).
- New contract arrangements for Electricity from 2018/19 resulted in a \$150k negative variance from the original price assumptions in PS1. This increase has been absorbed into the overall budget however, operational efficiencies will be sought throughout the year to assist to offset this increase.
- Insurance costs are contained through the benefit of the state wide contract.
- Depreciation has been adjusted to better reflect the timing of capitalisation of major projects.

Financial KPIs are set out in Appendix B.

Financial Sensitivity Analysis

This Corporate Plan is forecasting a Net Profit After Tax (NPAT) of \$666K. 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 2018-19. 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 \$172K to a profit of \$1.453K. The following tables provide the details of the key variables attributable to the potential movement in the profit result.

Table 5: Sensitivity analysis 2018–19

Variable	Sensitivity	Comments
Capital Revenue	50% loss of revenue (\$639k) - 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 \$403k.	Customer water consumption subject to seasonal condition over peak periods.
Electricity	A 10% change in usage will impact expenditure by \$82k.	A wet winter/spring period is a casual factor in an increase in electricity usage. New contracts and uncertain pricing may impact costs however, operational efficiencies will be sought to 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

Profit Sensitivity – Down Side Assumption

If all the down side risks were to occur the forecast NPAT result would decline by \$838K to a loss of \$172K. 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 2018 -19 downside assumptions

Profit & Loss	2018-19 Budget	Capital Revenue	Water Usage	Electricity	Net Result
	\$,000				
Total Revenue	23,600				23,600
Revenue Adj	50	(639)	(403)		(992)
Total Opex	(22,698)				(22,698)
Opex Adj.				(82)	(82)
NPBT	952				(172)
Tax	(285)				-
NPAT	666				(172)

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 \$666K to \$1.453K during 2018-19.

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	23,600				23,600
Revenue Adj	50	639	403		1,092
Total Opex	(22,698)				(22,698)
Opex Adj.				82	82
NPBT	952				2,076
Tax	(285)				(623)
NPAT	666				1,453

Customer and Demand Assumptions 2018-19

Property Forecast 2018-19

Westernport Water's growth assumptions are primarily based on the 2016 Victoria In Future forecasts. However, historical trends have also been incorporated into our growth assumptions.

The major assumptions driving the property forecast are:

- Growth in residential properties of 1.9 per cent from 2017-18;
- Growth in non-residential connections of 1.98 per cent from 2017-18;
- No growth predicted in unconnected vacant residential land.

Table 9: Growth Projections

Property Type	Property Numbers 2017-18 Forecast	Water Plan 3 Submission Year 5	Variance from WP3 Submission Year 5	Property Numbers 2018-19 Planned	Pricing Submission Year 1	Variance from Pricing Submission Year 1
Residential	15,498	15,552	-0.3%	15,864	15,864	0.0%
Vacant Land	1,558	1,500	3.9%	1,500	1,500	0.0%
Commercial	1,091	1,117	-2.3%	1,130	1,130	0.0%
Total Properties	18,147	18,169	-0.1%	18,494	18,494	0.0%

Customer Demand Forecast 2018-19

Water demand is typically difficult to forecast because it varies depending on weather conditions, changing population and water use behaviour. There is an additional level of complexity due to the large peaks in (non-permanent) population in summer and large number of tourists that visit the region, which are also heavily influenced by weather conditions.

To reflect the uncertainty in forecast demand, Westernport Water modelled a range of supply and demand scenarios through the 2017 Urban Water Strategy, which developed a baseline demand forecast for 2018/19. Average demand for residential and non-residential customers has been forecast using the average annual consumption over the previous three financial years.

- Annual residential water connections demand forecast 80.27 KL
- Annual non-residential water connections demand forecast 603.78 KL

Table 10: Customer demand

Customer Type	Forecast Demand 17-18 (ML)	Demand 18-19 (ML)	Pricing Submission 1 Year 1 (ML)	Variance from PS1 Year 1 (%)
Residential	1,166	1,271	1,271	0.0%
Commercial	613	688	688	0.0%
Total Customer Demand	1,780	1,959	1,959	0.0%

Appendix A – Financial Templates

Table A1 - Operating Revenue

OPERATING STATEMENT	2017-18 Forecast	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-23 Budget
	\$ 000					
Revenue						
Service Charges	16,646	17,428	18,167	18,941	19,725	20,515
Usage Charges	3,698	4,035	4,191	4,372	4,552	4,739
Developer Contribution	651	651	651	651	651	651
Developer Contribution - Gifted	569	626	669	712	712	709
Investment Interest	65	69	54	33	57	197
Other Revenue	614	791	675	690	706	722
Total Revenue	22,243	23,600	24,406	25,399	26,403	27,533
Expense						
Operating & Maintenance Expense	1,219	2,490	2,247	2,269	2,051	2,069
Administration Expense	3,530	3,405	3,008	3,034	3,085	3,105
Environmental Contributions	794	916	916	916	916	916
Borrowing Cost / Interest Expense	311	315	350	330	330	330
Depreciation / Amortisation	6,216	6,633	7,228	7,394	7,564	7,738
IT	1,582	1,588	1,578	1,614	1,651	1,689
Labour	7,678	7,103	7,324	7,544	7,767	7,996
Consultants	370	248	386	384	382	391
Total Expense	21,700	22,698	23,036	23,485	23,746	24,234
Net Operating Profit Before Tax	543	902	1,370	1,914	2,657	3,299
Non Operating Items						
Profit on sale of disposal of	55	50	50	50	50	50
Net Profit Before Tax	598	952	1,420	1,964	2,707	3,349
Tax	(179)	(285)	(426)	(589)	(812)	(1,005)
Net Profit After Tax	419	666	994	1,375	1,895	2,344
Dividend Expense	-	-	-	-	-	-
Transfers to / from reserves	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
Net Profit - Retained Earnings	419	666	994	1,375	1,895	2,344
Retained Earnings - Opening Balance	61,932	62,351	63,017	64,011	65,386	67,281
Retained Earnings - Closing Balance	62,351	63,017	64,011	65,386	67,281	69,625

Table A2 - Operating Revenue by Quarter for 2018-19

OPERATING STATEMENT 2018-19	Q 1 Period	Q2 Period	Q2 YTD	Q3 Period	Q3 YTD	Q4 Period	Q4 YTD
	\$ 000						
Revenue							
Service Charges	4,280	4,350	8,630	4,385	13,015	4,413	17,428
Usage Charges	806	1,008	1,814	1,169	2,983	1,052	4,035
Developer Contribution	130	114	244	212	456	195	651
Developer Contribution - Gifted Assets	126	158	284	158	442	184	626
Investment Interest	17	17	34	18	52	17	69
Other Revenue	198	198	396	198	594	198	792
Total Revenue	5,557	5,844	11,401	6,140	17,541	6,059	23,600
Expenses							
Operating & Maintenance Expense	625	592	1,217	657	1,874	616	2,490
Administration Expense	846	803	1,649	909	2,558	847	3,405
Environmental Contributions	229	229	458	229	687	229	916
Borrowing Cost / Interest Expense	79	79	158	78	236	79	315
Depreciation / Amortisation	1,327	1,592	2,919	1,725	4,644	1,989	6,633
IT	397	397	794	397	1,191	397	1,588
Labour	1,912	1,638	3,550	1,915	5,465	1,638	7,103
Consultants	60	63	123	61	184	64	248

Total Expense	5,475	5,393	10,868	5,971	16,839	5,859	22,698
Net Operating Profit Before Tax							
	82	451	533	169	702	200	902
Non Operating Items							
Profit on sale of disposal of assets	17	13	30	10	40	10	50
Net Profit Before Tax	99	464	563	179	742	210	952
Tax	(30)	(139)	(169)	(54)	(223)	(63)	(285)
Net Profit After Tax	69	325	394	125	520	147	666
Dividend Expense	-	-	-	-	-	-	-
Transfers to / from reserves	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Net Profit - Retained Earnings	69	325	394	125	520	147	666
Retained Earnings - Opening Balance							
	62,351	62,420	62,351	62,745	62,351	62,870	62,351
Retained Earnings - Closing Balance							
	62,420	62,745	62,745	62,870	62,870	63,018	63,017

Table A3 - Balance Sheet

BALANCE SHEET	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	Forecast	Budget	Budget	Budget	Budget	Budget
	\$,000					
Current Assets						
Cash & Cash Equivalents	2,919	1,390	1,047	1,071	1,595	2,596
Receivables	2,543	2,678	2,742	2,836	3,035	3,157
Inventories	374	448	456	465	475	484
Prepayments	160	164	167	171	175	179
Total Current Assets	5,996	4,679	4,413	4,544	5,279	6,416
Non-current Assets						
Property Plant & Equipmnt	239,511	248,685	258,367	268,636	276,489	288,182
Less Accumm Depreciation	(37,469)	(44,102)	(51,330)	(58,724)	(66,287)	(74,025)
PP&E at WDV	202,042	204,583	207,037	209,912	210,202	214,157
Work In Progress	5,045	4,996	4,231	3,058	4,791	3,056
Intangibles	667	694	777	808	841	876
Receivables	60	61	63	64	66	67
Total Non-current Assets	207,814	210,334	212,108	213,842	215,899	218,156
Total Assets	213,810	215,014	216,521	218,386	221,179	224,572
Current Liabilities						
Borrowings	1,250	1,190	1,500	1,250	500	1,250
Employee Benefits	1,284	1,411	1,411	1,411	1,411	1,411
Payables	1,146	1,201	1,187	1,206	1,211	1,251
Unearned Income	2,774	2,924	3,025	3,157	3,238	3,241
Other	-	-	-	-	-	-
Total Current Liabilities	6,454	6,726	7,123	7,024	6,360	7,154
Non-current Liabilities						
Borrowings	6,690	6,750	6,440	6,440	7,190	6,440
Employee Benefits	247	167	167	167	167	167
Unearned Income	-	-	-	-	-	-
Deferred Tax Liability	33,339	33,625	34,051	34,640	35,452	36,457
Other	-	-	-	-	-	-
Total Non-current Liabilities	40,276	40,542	40,658	41,247	42,809	43,064
Total Liabilities	46,731	47,268	47,781	48,271	49,169	50,218
Net Assets	167,080	167,746	168,740	170,115	172,010	174,354
Equity						
Retained Earnings	62,351	63,017	64,011	65,386	67,281	69,625
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	167,080	167,746	168,740	170,115	172,010	174,354

Table A4 - Balance Sheet by Quarter for 2018-19

BALANCE SHEET 2018-19	Q 1	Q2	Q3	Q4
	\$ 000			
Current Assets				
Cash & Cash Equivalents	2,220	1,850	1,557	1,390
Receivables	2,477	2,812	2,705	2,678
Inventories	392	425	443	448
Prepayments	160	162	160	164
Total Current Assets	5,249	5,249	4,865	4,679
Non-current Assets				
Property Plant & Equipment	241,280	243,020	243,957	248,685
Less Accum Depreciation	(39,127)	(40,785)	(41,506)	(44,102)
PP&E at WDV	202,153	202,234	202,451	204,583
Work In Progress	5,808	6,214	6,624	4,996
Intangibles	667	667	694	694
Receivables	60	61	61	61
Total Non-current Assets	208,688	209,176	209,830	210,334
Total Assets	213,937	214,426	214,696	215,014
Current Liabilities				
Borrowings	1,250	1,250	1,190	1,190
Employee Benefits	1,288	1,332	1,393	1,411
Payables	1,089	1,024	1,117	1,201
Unearned Income	2,855	2,908	2,910	2,924
Other	-	-	-	-
Total Current Liabilities	6,482	6,514	6,610	6,726
Non-current Liabilities				
Borrowings	6,750	6,750	6,750	6,750
Employee Benefits	187	180	174	167
Unearned Income	-	-	-	-
Deferred Tax Liability	33,369	33,508	33,563	33,625
Other	-	-	-	-
Total Non-current Liabilities	40,306	40,438	40,487	40,542
Total Liabilities	46,788	46,952	47,097	47,268
Net Assets				
Retained Earnings	62,420	62,745	62,870	63,017
Asset Revaluation Reserve	53,406	53,406	53,406	53,406
Contributed Capital	51,323	51,323	51,323	51,323
Total Equity	167,149	167,474	167,599	167,746

Table A5 - Cash Flow Statement

CASH FLOW	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	Forecast	Budget	Budget	Budget	Budget	Budget
	\$ 000					
Cash Flows from Operating Activities						
Receipts from Customers	20,995	21,443	22,157	23,038	23,938	24,982
Receipts from Government	800	818	856	917	1,004	1,125
Payments to Suppliers and Employees	(17,189)	(18,118)	(17,798)	(18,094)	(18,169)	(18,771)
Refund from ATO	1,097	1,085	1,076	1,095	1,097	1,123
Interest Received	59	69	54	33	57	197
Interest Paid	(213)	(245)	(249)	(230)	(231)	(232)
FAL Paid	(92)	(102)	(101)	(100)	(99)	(98)
Net Cash from Operating Activities	5,457	4,982	5,995	6,658	7,598	8,327
Cash Flows from Investing Activities						
Payments for Property, Plant & Equipment	(5,452)	(6,012)	(5,872)	(5,860)	(6,566)	(6,837)
Projects funded by Developer Contributions	(582)	(592)	(623)	(650)	(633)	(613)
Proceeds from Sale of Property, Plant & Equipment	171	125	125	125	125	125
Net Cash from / (Used in) Investing Activities	(5,863)	(6,479)	(6,370)	(6,385)	(7,074)	(7,325)
Cash Flows from Financing Activities						
Proceeds from Borrowings	750	1,250	1,190	1,250	1,250	500
Repayment of Borrowings	(1,250)	(1,250)	(1,190)	(1,500)	(1,250)	(500)
Net Cash from Financing Activities	(500)	-	-	(250)	-	-
Net Increase (Decrease) For Year	(906)	(1,497)	(375)	24	524	1,002
Opening Cash Balance	3,825	2,919	1,422	1,047	1,071	1,595
Closing Cash Balance	2,919	1,422	1,047	1,071	1,595	2,596

Table A6 - Cash Flow Statement by Quarter for 2018-19

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	5,039	5,253	10,293	5,682	15,975	5,468	21,443
Receipts from Government	205	205	409	205	614	205	818
Payments to Suppliers and Employees	(4,348)	(4,530)	(8,878)	(4,711)	(13,589)	(4,530)	(18,118)
Refund from ATO	260	271	532	282	814	271	1,085
Interest Received	17	17	35	17	52	17	69
Interest Paid	(53)	(53)	(107)	(53)	(160)	(53)	(213)
FAL Paid	(26)	(26)	(51)	(26)	(77)	(26)	(102)
Net Cash from Operating Activities	1,094	1,138	2,233	1,397	3,629	1,353	4,982
Cash Flows from Investing Activities							
Payments for Property, Plant & Equipment	(1,823)	(1,433)	(2,756)	(1,433)	(4,189)	(1,323)	(6,012)
Projects funded by Developer Contributions	(142)	(154)	(296)	(154)	(450)	(142)	(592)
Proceeds from Sale of Property, Plant & Equip.	30	31	61	31	93	33	125
Net Cash from / (Used in) Investing Activities	(1,935)	(1,556)	(2,991)	(1,556)	(4,547)	(1,433)	(6,479)
Cash Flows from Financing Activities							
Proceeds from Borrowings	-	500	500	-	500	750	1,250
Repayment of Borrowings	-	-	-	(750)	(750)	(500)	(1,250)
Net Cash from Financing Activities	-	500	500	(750)	(250)	250	-
Net Increase (Decrease) For Period	(841)	82	(258)	(909)	(1,167)	170	(1,497)
Opening Cash Balance	2,919	2,078	2,919	2,161	2,919	1,252	2,919
Closing Cash Balance	2,078	2,161	2,161	1,252	1,752	1,422	1,422

Appendix B – Regulatory Performance Indicators

Table B1 - Financial Performance Indicators

Financial KPI		2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Forecast	2018-19 Target	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	10	16.9	21.0	23.0	23.18	21.25	21.25	23.42	28.83	63.61
F2	Gearing Ratio (Total debt (including finance leases) / total assets) * 100	6.6%	5.5%	4.3%	3.9%	3.7%	3.7%	3.7%	3.5%	3.5%	3.4%
F3	Internal Financing Ratio (Net operating cash flows less dividends / net capital expenditure) * 100	47.6%	127.1%	139.0%	153.9%	93.1%	76.9%	94.1%	104.3%	107.4%	113.7%
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	0.84	0.89	1.08	1.15	0.93	0.70	0.62	0.65	0.83	0.90
F5	Return on Assets (Earnings before net interest and tax / average assets) * 100	1.1%	1.5%	0.1%	0.6%	0.4%	0.6%	0.8%	1.0%	1.2%	1.5%
F6	Return on Equity (Net profit after tax / average total equity) *100	0.7%	1.4%	0.4%	0.6%	0.3%	0.4%	0.6%	0.8%	1.1 %	1.4%
F7	EBITDA Margin (Earnings before interest, tax, depreciation and amortisation / total revenue) *100	36%	40%	30%	35%	31.7%	33.2%	36.7%	38%	39.9%	40.8%
F8	Credit Rating	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA

Table B2 – Urban Customer Bill Indicators

Water Service KPI		2018-19 Target	2019-20 Target	2020-21 Target	2021-22 Target	2022-23 Target
L3 (a)	Total typical residential bill Total annual water supply and sewerage bill based on customers' average annual residential usage.	\$1,151.52	\$1,178.01	\$1,205.09	\$1,232.82	\$1,261.16
L3 (b)	Total residential bill 200kl Total annual residential water supply and sewerage bill, based on the consumption of 200 kL of water	\$1,392.00	\$1,424.02	\$1,456.76	\$1,490.28	\$1,524.54

Table B3 - Water & Sewer Services Performance Indicators

Water Service KPI		2018-19 Target	2017-18 Target	2016-17 Actual	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	93	1500	78.95	1,500	572	1,286	NA
WS2	Unplanned water interruption time Average duration of unplanned water supply interruptions	120	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	100	99	98	100	97.3	95
Sewerage Service KPI		2018-19 Target	2017-18 Target	2016-17 Actual	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	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	100	83	100	86	100	88

Table B4 - Customer Responsiveness & Environmental Performance Indicators

Customer responsiveness KPI (per 1000 customers)		2018-19 Target	2017-18 Target	2016-17 Actual	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	2.2	2.5	2.4	0.21	1.5	5.6	1.01	2.54
CR4	Billing/ payment issue complaints No of complaints per 1000 customers	1	1	1	0.05	0.7	1.2	1.01	0.195
Environmental KPI		2018-19 Target	2017-18 Target	2016-17 Actual	2015-16 Actual	2014-15 Actual	2013-14 Actual	2012-13 Actual	2011-12 Actual
E1	Effluent re-use volume (end use) Percentage recycled (%)	25	24	24	22	20	17.5	18	9.2
E2	Total net CO₂ equivalent emissions Net tonnes CO ₂ equivalent (tonnes)	5,974	6000	6400	6,053	6,473	6,455	6,260	7,280

Appendix C – Capital Expenditure detail

Westernport Water Capital Program 2018-19			Water Plan 3			PS1	2018-19
Project Driver	Project Name	Strategic focus area	2017/18 Corporate Plan Budget	2017/18 Revised Budget @ 31 March 2018	2017/18 Carry over from WPPW3 to PS1 2018/19	PS 1 Year 1 Indicative budget for 2018/19 \$	Total Capital Spend Forecast 2018/19 \$
Compliance	Sludge Management Program	Our Assets	75,000	75,000	-	81,520	81,520
	OH&S Compliance Program	Our People	93,000	156,000	-	44,836	44,836
	Diversity & Inclusion Plan – Facility Improvement	Our Assets	400,000	540,000	361,680	224,180	585,860
	Emissions Reduction Pledge Implementation	Our Environment	-	-	-	71,330	71,330
	Phillip Island Water Supply Security Project	Our Customers	-	-	-	611,400	611,400
	Green Building Program - (Government Energy Efficiency Program)	Our Environment	145,000	154,010	-	-	-
	Automatic Meter Reading Pilot Project (AMR) High Risk Meter Reads	Our People	20,000	20,000	-	-	-
Water Quality Compliance Program	Our Customers	753,000	750,658	-	251,234	251,234	
Compliance Total			1,486,000	1,695,668	361,680	1,284,500	1,646,180
Growth	Cowes Class A Extension	Our Environment	75,000	75,000	-	-	-
	Building Asset Management Plan - Stage 3	Our Assets	-	-	-	233,708	233,708
	Cowes WWTP Upgrade Stage 2	Our Environment	-	-	-	178,325	178,325
	Wastewater Future Cowes SPS Upgrade	Our Assets	870,000	840,000	-	-	-
	King Road WWTP Irrigation	Our Assets	-	-	-	-	-
	Cowes WWTP Community Education Display	Our Environment	-	-	-	20,380	20,380
	Automated Water Filling Station	Our Assets	45,000	45,000	45,000	-	45,000
Community Refill Stations, Water efficiency for accomm providers & Potable Hydration Station	Our Customers	15,000	15,000	-	24,456	24,456	
Growth Total			1,005,000	975,000	45,000	456,869	501,869
Improved Services	Security Upgrade Project - Key Replacement	Our Assets	150,000	150,000	-	-	-
	Water Quality Improvement Program	Our Customers	-	-	-	280,225	280,225
	GIS-AMIS Strategy Implementation	Our Assets	-	-	-	30,570	30,570
	Bass River Pump Station Bund	Our Assets	-	-	-	89,672	89,672
	IBWPP Plant Improvements	Our Assets	100,000	-	-	-	-
	IBWPP Emergency Control Room	Our Assets	-	-	-	203,800	203,800
	Sewer Main Improvement	Our Assets	200,000	120,000	-	-	-
	Zone Metering and Pressure Management	Our Assets	-	-	-	134,508	134,508
Cross Island Sewer System	Our Customers	200,000	100,000	-	-	-	
Improved Services Total			650,000	370,000	0	738,775	738,775
Renewals	Software Application	Our Assets	50,000	165,200	-	56,045	56,045
	Hardware Replacement	Our People	50,000	50,000	-	56,045	56,045
	Business Transformational Project	Our Assets	400,000	400,000	95,575	1,385,025	1,480,600
	Sewer Junction Rebuild Program	Our Assets	-	-	-	203,800	203,800
	SPS Electrical Switchboard Renewal Program	Our Assets	-	-	-	244,560	244,560
	SCADA Strategy Implementation	Our Assets	-	-	-	50,950	50,950
	PLC Upgrades	Our Assets	110,000	110,000	-	-	-
	Water Main Replacement Program	Our Assets	350,000	350,000	-	203,800	203,800
	Building Asset Management Plan	Our Assets	150,000	165,000	-	-	-
	SPS Civil, Mech & Electrical Works	Our Assets	150,000	128,893	-	101,900	101,900
	Sewer Main Renewals	Our Assets	-	-	-	56,045	56,045
	Cowes WWTP Civil, Mech & Electrical Works	Our Assets	60,000	60,000	-	101,900	101,900
	IBWPP Civil, Mech & Electrical Works	Our Assets	150,000	150,000	-	152,850	152,850
	Water Dist System Civil, Mech & Electrical Works	Our Assets	50,000	53,707	-	50,950	50,950
	Water Meter Renewal Program	Our Assets	25,000	12,532	-	45,855	45,855
	King Road WWP Civil, Mech & Electrical Works	Our Assets	30,000	30,000	-	30,570	30,570
Plant Replacement - Fleet & Equipment	Our People	376,000	376,000	-	168,135	168,135	
Renewals Total			1,951,000	2,051,332	95,575	2,908,430	3,004,005
Other	Capex Labour Allocation (Project Works)	Our People	520,000	520,000	-	*Labour included in Project Budget	-
Total			5,612,000	5,612,000	502,255	5,388,574	5,890,829
Total Capital Program for 2018-19						5,388,574	

Westernport Water Capital Program 2018-23

Capital Program Pricing Submission 1 2018-2023								
			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	81,520	83,395	85,313	87,275	89,283	426,786
	OH&S Compliance Program	Our People	44,836	45,867	46,922	36,001	36,829	210,456
	Phillip Island Water Supply Security Project	Our Customers	611,400	1,563,656	741,157	-	-	2,916,213
	Diversity & Inclusion Plan – Facility Improvement	Our Assets	224,180	-	-	-	-	224,180
	Emissions Reduction Pledge Implementation	Our Environment	71,330	45,867	35,192	192,006	98,211	442,605
	Water Quality Compliance Program	Our Customers	251,234	10,424	-	-	-	261,659
Compliance Total			1,284,500	1,749,209	908,584	315,282	224,322	4,481,898
Growth	Sustainable Water Reuse and Land Management	Our Environment	-	-	117,305	396,011	379,451	892,768
	King Road WWTP – Upgrade Stage 1	Our Assets	-	-	213,283	-	-	213,283
	Building Asset Management Plan - Stage 3	Our Assets	233,708	299,284	-	-	-	532,991
	Community Refill & Potable Hydration Stations	Our Customers	24,456	43,782	-	-	-	68,238
	Cowes WWTP Upgrade Stage 2	Our Environment	178,325	886,071	1,439,658	1,085,486	-	3,589,540
	Cowes WWTP Community Education Display	Our Customers	20,380	-	-	-	-	20,380
Growth Total			456,869	1,229,137	1,770,246	1,481,497	379,451	5,317,200
Improved Services	Odour and Corrosion Mitigation Program	Our Assets	-	229,336	-	60,002	135,040	424,378
	Water Quality Improvement Program	Our Customers	280,225	286,670	-	-	-	566,895
	GIS-AMIS Strategy Implementation	Our Assets	30,570	31,273	31,992	32,728	33,481	160,045
	Septic Tanker Discharge Pump Station	Our Assets	-	177,214	-	-	-	177,214
	Bass River Pump Station Bund	Our Assets	89,672	-	-	-	-	89,672
	IBWPP Emergency Control Room	Our Assets	203,800	-	-	-	-	203,800
	Zone Metering and Pressure Management Program	Our Assets	134,508	137,602	140,767	144,004	430,788	987,669
Improved Services Total			738,775	862,095	172,759	236,734	599,309	2,609,673
Renewals	Software Application Renewal Program	Our Assets	56,045	57,334	58,653	60,002	61,382	293,415
	Hardware Replacement	Our People	56,045	57,334	58,653	60,002	61,382	293,415
	Water Main Replacement Program	Our Assets	203,800	260,609	479,886	490,923	542,392	1,977,610
	Business Transformation Project	Our Assets	1,385,025	344,004	-	-	-	1,729,029
	Sewer Junction Rebuild Program	Our Assets	203,800	208,487	213,283	272,735	279,008	1,177,313
	SPS Electrical Switchboard Renewal Program	Our Assets	244,560	-	266,603	229,098	351,550	1,091,811
	SCADA Strategy Implementation	Our Assets	50,950	52,122	53,321	54,547	55,802	266,741
	San Remo to Newhaven Bridge Pipeline and Fittings Renewal Project	Our Assets	-	-	-	600,017	409,584	1,009,601
	San Remo Basin to Cowes '648 Pipeline Valve Renewal Program	Our Assets	-	-	351,916	130,913	167,405	650,234
	SPS Civil, Mech & Electrical Works	Our Assets	101,900	104,244	159,962	109,094	167,405	642,605
	Cowes WWTP Civil, Mech & Electrical Works	Our Assets	101,900	104,244	133,302	136,368	167,405	643,218
	IBWPP Civil, Mech & Electrical Works	Our Assets	152,850	156,366	159,962	163,641	167,405	800,223
	Sewer Main Renewals	Our Assets	56,045	57,334	58,653	120,003	122,764	414,799
	Water Distribution System Civil, Mech & Electrical Works	Our Assets	50,950	52,122	53,321	65,456	72,542	294,391
	Water Meter Renewal Program	Our Assets	45,855	46,910	47,989	49,092	50,221	240,067
	King Road WWTP Civil, Mech & Electrical Works	Our Assets	30,570	31,273	31,992	32,728	33,481	160,045
	Plant Replacement - Fleet & Equipment	Our People	168,135	398,211	262,338	98,185	667,387	1,594,255
San Remo Basin Renewal Project	Our Assets	-	-	533,207	545,470	1,140,585	2,219,262	
Minor storage renewals	Our Assets	-	-	-	-	390,611	390,611	
Renewals Total			2,908,430	1,930,593	2,923,038	3,218,275	4,908,310	15,888,645
Total			5,388,574	5,771,035	5,774,627	5,251,788	6,111,392	28,297,416
Total Capital Program for PS1								28,297,416