

# Corporate Plan

## 2020 - 25



**WESTERNPORT**  
WATER™

# Statement of Corporate Intent

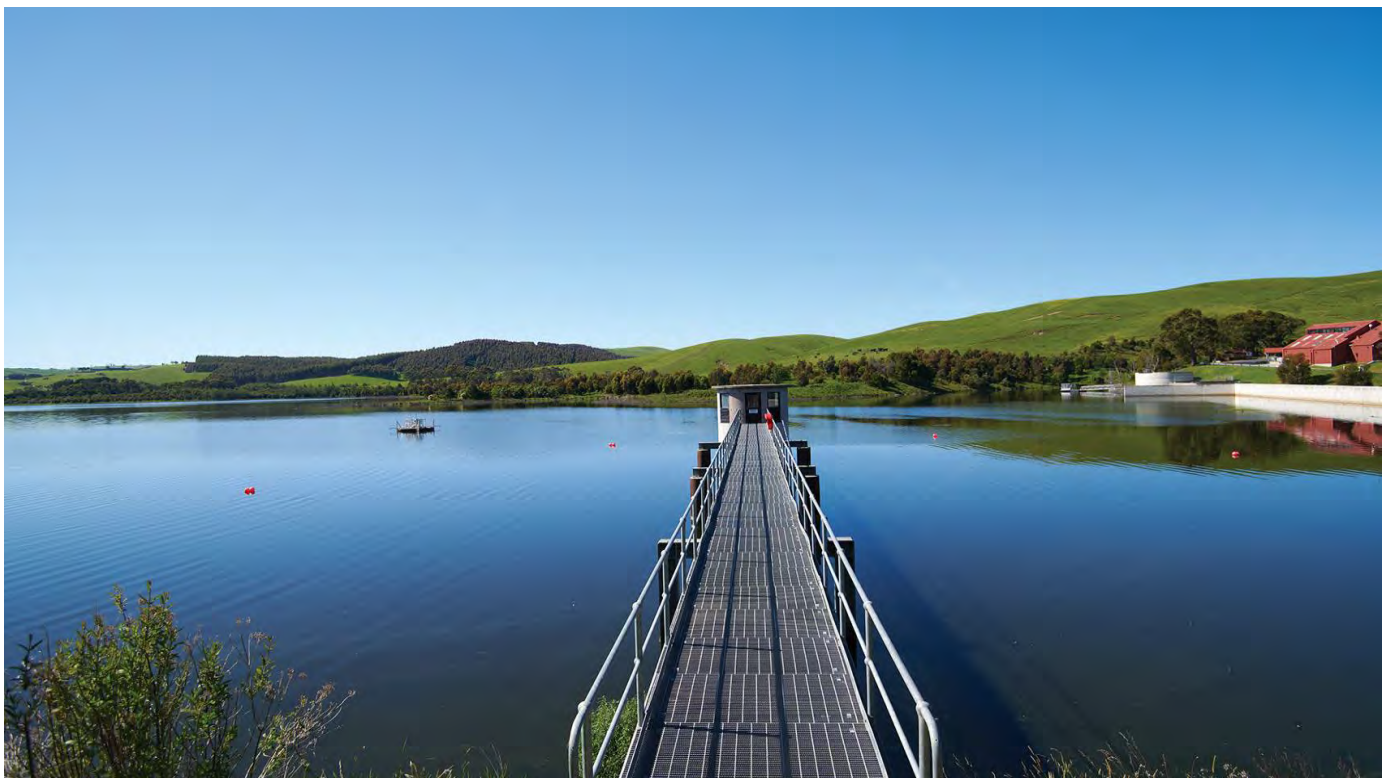
The Westernport Region Water Corporation (“Westernport Water” or “Corporation”) Corporate Plan 2020-25 has been developed in accordance with the requirements of Section 247 and 248 of the Water Act 1989.

The Corporate Plan includes the vision, undertakings and objectives of the Corporation, as well as the 2020-21 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) and the Minister for Water’s Letter of Expectation (LOE) for all water corporations in Victoria.



Candowie Reservoir outlet tower.

# 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 provides 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 Custodians and work together as we continue to manage the land and water resources today.

Westernport Water is one of 19 water corporations operating and reporting to the State Government of Victoria. Westernport Water is responsible for its own management and performance, servicing over 21,399 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, 2,230 megalitres (ML) is treated each year through 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. The Corporation operates two wastewater treatment plants, processing approximately 1,535 ML of wastewater each year. Overall, across Westernport Water's two effluent treatment facilities, approximately 330 ML of treated effluent is reused annually. This equates to 21 per cent reuse of treated effluent.

The Cowes Wastewater Treatment Plant (CWWTP) on Phillip Island has a capacity of 8.6 ML per day and treats approximately 1,325 ML annually. The King Road Wastewater Treatment Plant (KRWWTTP) in Corinella has a capacity of 0.95 ML per day and treats approximately 210 ML annually. 100 per cent of all treated wastewater at KRWWTTP is beneficially reused to irrigate pasture and tree plantations at this site.



# Corporate Focus Areas and Initiatives of 2020-21

	Strategic Focus Areas	Corporate Objectives	Corporate Initiatives
Innovation	<b>We meet the expectations of our customers</b>	<ul style="list-style-type: none"> <li>- Provide reliable services that meet our customers' needs</li> <li>- Empower customers with accessible services and information to manage their water use</li> <li>- Provide and promote flexible payment options for customers experiencing hardship</li> <li>- Continually seek opportunities to deliver increased value for our customers</li> </ul>	<ol style="list-style-type: none"> <li>1. Deliver Year Five of the Water Quality Continuous Improvement Plan (WQCIP) (2018-21)</li> <li>2. Develop and deliver a channel management plan to promote customer payment options and reduce transactional costs</li> </ol>
	<b>Our people are safe and well, every day</b>	<ul style="list-style-type: none"> <li>- Provide a safe and healthy work environment</li> <li>- Empower each other to respond to future challenges</li> </ul>	<ol style="list-style-type: none"> <li>3. Continue to educate and engage the WPW workforce on the importance of health, safety and wellbeing through the implementation of streamlined WHS tools</li> </ol>
	<b>We are a great place to work</b>	<ul style="list-style-type: none"> <li>- Be an employer of choice</li> <li>- Reflect the diverse community we serve through inclusion, participation and engagement</li> <li>- Provide an environment where our people are able to thrive</li> </ul>	<ol style="list-style-type: none"> <li>4. Develop and implement a new three year Diversity &amp; Inclusion Strategy</li> </ol>
Liveability	<b>Our assets enable the sustainable delivery of products and services</b>	<ul style="list-style-type: none"> <li>- Foster an engaged culture of asset management</li> <li>- Enable reliable service delivery in an increasingly variable climate</li> <li>- Provide safe, sustainable and reliable water and wastewater services</li> </ul>	<ol style="list-style-type: none"> <li>5. Deliver Year Three of the Phillip Island Water Security Supply Project (2018-21)</li> <li>6. Deliver Year Two of the Cowes Wastewater Treatment Plant (CWWTP) Upgrade, Stage 2 (2018-22)</li> <li>7. Develop an operating protocol for priority selection of water source in light of the successful connection to the Melbourne Water Supply System (DP6)</li> </ol>
	<b>We are a valued member of the community we serve</b>	<ul style="list-style-type: none"> <li>- Support a more liveable and resilient community through affordable and efficient services</li> <li>- Communicate and engage effectively and openly with all areas of our community</li> <li>- Build strong community partnerships focused on shared liveability benefits</li> <li>- Contribute to community wellbeing through opportunities that support social and recreational benefits</li> </ul>	<ol style="list-style-type: none"> <li>8. Deliver Year One of 'Innovate' Reconciliation Action Plan (2020-22)</li> <li>9. Engage with Traditional Owners around Environmental Flows</li> <li>10. Develop and deliver an education plan to raise community awareness of the water treatment process</li> </ol>

Sustainability	Strategic Focus Areas	Corporate Objectives	Corporate Initiatives
	<b>We value and protect our natural environment</b>	<ul style="list-style-type: none"> <li>- Minimise environmental impacts</li> <li>- Mitigate and adapt to Climate Change</li> <li>- Protect and enhance our environment</li> <li>- Empower the community to use water in a sustainable manner</li> </ul>	<ol style="list-style-type: none"> <li>11. Deliver on Climate Change Strategy Actions (2017-23)</li> <li>12. Continue to work with Western Port Region Integrated Water Management (IWM) Program partners to plan and deliver Catchment and Regional IWM Plans</li> <li>13. Deliver Year Two of the Environmental Management System Improvement Plan (2019-21)</li> </ol>
	<b>Our business is financially sustainable through sound governance and prudent investment</b>	<ul style="list-style-type: none"> <li>- Plan for our future through strategic business planning</li> <li>- Be financially sustainable</li> <li>- Regularly find ways to reduce costs and become more efficient</li> <li>- Recognise and manage risk, while meeting our regulatory requirements</li> </ul>	<ol style="list-style-type: none"> <li>14. Complete Phase One of the Corporate System Replacement Project and Undertake a Post Implementation Review</li> <li>15. Commence Phase Two of the Corporate System Replacement Project</li> <li>16. Develop Project Plan for 2023 Price Review and build on ongoing customer engagement to determine priority areas</li> <li>17. Deliver Improved Value through the Gippsland Regional Water Alliance</li> <li>18. Review our approach to Organisational Development (OD) through the alignment of our new business processes to the key commitments of the OD Strategy.</li> </ol>



Solar installations, Newhaven HQ.

# Water for Victoria

Victoria has a long and proud history of effectively managing its water resources which are critical to our economy, environment and our communities. Through alignment of our Corporate Plan and Water for Victoria, we 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 Corporate 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
<b>Climate Change</b>  Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies and actions.	<ul style="list-style-type: none"> <li>• Deliver on Climate Change Strategy Actions (2017-23)</li> <li>• Continue to work with Western Port Region Integrated Water Management (IWM) Program partners to plan and deliver Catchment and Regional IWM Plans</li> <li>• Deliver Year Two of the Environmental Management System Improvement Plan (2019-21)</li> </ul>
<b>Customer and Community Outcomes</b>  All aspects of service delivery will be customer and community centred.	<ul style="list-style-type: none"> <li>• Deliver Year One of 'Innovate' Reconciliation Action Plan (2020-22)</li> <li>• Develop and deliver an education plan to raise community awareness of the water treatment process</li> <li>• Deliver Year Five of the Water Quality Continuous Improvement Plan (WQCIP) (2018-21)</li> <li>• Deliver Year Two of the Cowes Wastewater Treatment Plant (CWWTP) Upgrade, Stage 2 (2018-22)</li> <li>• Develop and deliver a channel management plan to promote customer payment options and reduce transactional costs</li> </ul>
<b>Water for Aboriginal cultural, spiritual and economic values</b>  Recognise and support Aboriginal cultural values and economic inclusion in the water sector.	<ul style="list-style-type: none"> <li>• Deliver Year One of 'Innovate' Reconciliation Action Plan (2020-22)</li> <li>• Engage with Traditional Owners around Environmental Flows</li> <li>• Continue to work with Western Port Region Integrated Water Management (IWM) Program partners to plan and deliver Catchment and Regional IWM Plans</li> </ul>
<b>Recognise Recreational Values</b>  Support the wellbeing of rural and regional communities by considering recreational values in water management.	<ul style="list-style-type: none"> <li>• Deliver Year Three of the Phillip Island Water Security Supply Project (2018-21)</li> <li>• Deliver Year One of 'Innovate' Reconciliation Action Plan (2020-22)</li> </ul>
<b>Resilient and liveable cities and towns</b>  Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.	<ul style="list-style-type: none"> <li>• Deliver Year Three of the Phillip Island Water Security Supply Project (2018-21)</li> <li>• Develop an operating protocol for priority selection of water source in light of the successful connection to the Melbourne Water Supply System (DP6)</li> <li>• Deliver Year Two of the Cowes Wastewater Treatment Plant (CWWTP) Upgrade, Stage 2 (2018-22)</li> <li>• Continue to work with Western Port Region Integrated Water Management (IWM) Program partners to plan and deliver Catchment and Regional IWM Plans</li> </ul>
<b>Leadership and Culture</b>  Westernport Water reflects the needs of our diverse communities.	<ul style="list-style-type: none"> <li>• Continue to educate and engage the WPW workforce on the importance of health, safety and wellbeing through the implementation of streamlined WHS tools</li> <li>• Develop and implement a new three year Diversity &amp; Inclusion Strategy</li> <li>• Review our approach to Organisational Development (OD) through the alignment of our new business processes to the key commitments of the OD Strategy.</li> </ul>
<b>Financial Sustainability</b>  Delivering safe and cost-effective water and wastewater services in a sustainable way.	<ul style="list-style-type: none"> <li>• Complete Phase One of the Corporate System Replacement Project and Undertake a Post Implementation Review</li> <li>• Commence Phase Two of the Corporate System Replacement Project</li> <li>• Develop Project Plan for 2023 Price Review and build on ongoing customer engagement to determine priority areas</li> <li>• Deliver Improved Value through the Gippsland Regional Water Alliance</li> </ul>

# Impacts of the coronavirus (COVID-19)

Westernport Water has enacted a pandemic plan and a range of business continuity plans to safeguard our business against the impacts of the coronavirus (COVID-19). We have implemented a number of actions to protect our staff, including shifting to a mobile workplace. To do so, we have up-skilled our staff to work with mobile technology from home based offices. We have also made changes within our Network Operations and Treatment Plant Teams, implementing a split workforce arrangement approach to ensure that in the event of an employee needing to be quarantined for a period, any resourcing impacts across our wider team will be minimised.

We have also made changes within our business to ensure the health and safety of our community remains a high priority. We have temporarily closed our face-to-face customer service centre, ensuring our customers can connect with us via online communication platforms and telephone. We have also extended our hardship support and flexible payment options to all customers, while suspending debt recovery activity.

The following table outlines the potential impacts of coronavirus (COVID-19) on delivering on the Minister for Water's priority areas (set out in the Minister for Water's Letter of Expectation) and the actions we have taken to address those impacts.

Minister for Water's Letter of Expectation priority areas	Potential impacts of coronavirus (COVID-19) on delivering on the priority areas	Actions aimed at addressing impacts
<b>Climate Change</b>  Achieve zero-net carbon emissions by 2050 via the Victorian Government's pledge process with specified targets and plans to achieve it.  Support the government in delivering urban water security through cooperative planning with other water corporations and participation in Victorian Government forums such as the Water Grid Partnership.	<ul style="list-style-type: none"> <li>• Possibility of forums focused on delivering urban water security being postponed due to social distancing measures</li> </ul>	<ul style="list-style-type: none"> <li>• Continued focus on the delivery of our Corporate Plan initiatives related to Climate Change</li> <li>• Participation in online forums, discussions and working groups</li> </ul>
<b>Customer and Community Outcomes</b>  Communicate and engage effectively and transparently with our customers and local community.	<ul style="list-style-type: none"> <li>• Unable to participate in community events</li> <li>• Unforeseen closure of our face to face customer service centre and restrictions to customers engaging with us face to face</li> </ul>	<ul style="list-style-type: none"> <li>• Continued use of our online communication platforms and looking at new ways to engage with our community</li> <li>• Continued provision of customer service assistance online and by phone. Commitment to ongoing customer satisfaction surveys to identify and address customer concerns and priorities.</li> </ul>



Minister for Water's Letter of Expectation priority areas	Potential impacts of coronavirus (COVID-19) on delivering on the priority areas	Actions aimed at addressing impacts
<b>Water for Aboriginal cultural, spiritual and economic values</b>  Commit to Aboriginal values in water planning.  Generate economic opportunities through supporting access to water.  Increasing Aboriginal participation in water management and decision making.  Comply with the Victorian Government's Social Procurement Framework – Purchasing from Aboriginal Businesses and Recognition and Settlement Agreements under the Traditional Owner Settlement Act 2010 (where relevant).  Support economic inclusion by working closely with relevant Traditional Owner Corporations to use their services and supply changes within their country.	<ul style="list-style-type: none"> <li>Coronavirus (COVID-19) stage restrictions, impacting our ability to undertake meaningful community engagement in person, in-turn slowing relationship building and impacting progression of activities relating to Water for Aboriginal culture, spiritual and economic values</li> <li>Operating within a restrictive communications environment, impacting the delivery of programs and deliverables of the 'Innovate' Reconciliation Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>Continued delivery of Corporate Plan Initiatives relating to Water for Aboriginal cultural spiritual and economic values, including the delivery of year one of the 'Innovate' Reconciliation Action Plan (2020-22)</li> </ul>
<b>Recognise Recreational Values</b>  Commit to strengthening community engagement efforts to consider shared benefits, including recreational benefits of water in planning and management decisions	<ul style="list-style-type: none"> <li>Coronavirus (COVID-19) stage restrictions, impacting our ability to undertake meaningful community engagement in person, in-turn slowing relationship building and impacting progression of activities relating to Recognising Recreational Values</li> </ul>	<ul style="list-style-type: none"> <li>Continued delivery of Corporate Plan Initiatives relating to recognising recreational values, including the delivery of Year Three of the Phillip Island Water Security Supply Project (2018-21)</li> </ul>
<b>Resilient and liveable cities and towns</b>  Implement relevant commitments within the Integrated Water Management Forum Strategic Directions Statement(s) and collaborate with local partners to develop, deliver and participate in IWM projects and business cases with livability benefits (including dimensions of affordability and support for vulnerable customers)  Westernport Water will continue to work with DELWP and other water corporations in the region to explore options that ensures all customers in the Gippsland region continue to receive affordable, high quality, reliable and sustainable water services in the long term.  Westernport Water is expected to manage water supplies and water assets to safeguard the quality of drinking water.	<ul style="list-style-type: none"> <li>Customers' inability to pay bills resulting in an increased request for extensions and payment plans</li> <li>Potential impact on supply chain due to reliance on international supplies and transportation.</li> <li>Staff may require time off due to coronavirus (COVID-19) in the event they need to be quarantined for a period or to care for others in their household.</li> </ul>	<ul style="list-style-type: none"> <li>Continued adherence with the direction set out in our hardship policy</li> <li>Referrals to our hardship grant program</li> <li>Continually monitoring customers who may require assistance through the DHHS Utility Relief Grant</li> <li>Debt management has ceased for the current period, including the collection of debts and restrictions</li> <li>Assurances from our suppliers, maintaining adequate levels of critical spares and providing assistance to the coronavirus (COVID-19) Mutual Aid Coordination Cell</li> <li>Business Continuity Plans prepared and implemented with particular emphasis on our Network Operations and Treatment Plant Teams</li> </ul>
<b>Leadership and Culture</b>  Westernport Water will develop strategies and goals that will improve gender and cultural diversity in the workforce	<ul style="list-style-type: none"> <li>Impact on meeting our disability targets as a result of not being able to undertake recruitment due to coronavirus (COVID-19).</li> </ul>	<ul style="list-style-type: none"> <li>Preparation is underway to enable immediate recruitment processes to commence upon return to the workplace</li> <li>Develop and implement of a new three year Diversity &amp; Inclusion Strategy</li> </ul>



Minister for Water's Letter of Expectation priority areas	Potential impacts of coronavirus (COVID-19) on delivering on the priority areas	Actions aimed at addressing impacts
<p><b>Financial Sustainability</b></p> <p>Delivering safe and cost-effective water and wastewater services in a sustainable way.</p>	<ul style="list-style-type: none"> <li>• Capital Revenue could be negatively affected by the economic impacts on development which may impact growth in the area. The availability of contractors and materials may result in construction delays.</li> <li>• Water usage consumption could be negatively affected particularly for non-domestic businesses affected by the coronavirus (COVID-19) restrictions.</li> <li>• Service Charges revenue could be negatively affected by the impacts of coronavirus (COVID-19) due to the inability of customers to pay. Delays in payments could have a negative impact to cashflow resulting in increased borrowings and related interest charges.</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue subject to local and nationwide economic factors, beyond the control of WPW</li> </ul>

# Corporate Plan Performance Measures and Targets 2020-21

Corporate Plan Performance Measure		Target
1	<b>Delivery of the Corporate Plan Initiatives</b> <i>To achieve safe and reliable water and wastewater services to support sustainable and liveable communities.</i>	Successful completion of the 18 Corporate Plan Initiatives in line with the program for delivery.
2	<b>Maintain the Corporation's AA rating</b> <i>To ensure Westernport Water continues to demonstrate sound financial performance.</i>	Maintain the Corporation's AA credit rating
3	<b>Customer Survey – Satisfaction result</b> <i>To understand customer perceptions and overall satisfaction of our customers with Westernport Water as a service provider.</i>	>90% Satisfaction
4	<b>Compliance – Enforcement action</b> <i>To measure compliance with legislation by ensuring no enforcement action such as a penalty infringement or abatement notice, direction or an enforceable undertaking.</i>	Target = 0 regulator actions
5	<b>Employee Satisfaction - People Matter Survey</b> <i>To measure the level of engagement of employees to provide an indication of their commitment to the organisation's goals and values and their motivation to contribute to the organisation's success.</i>	Achieve an employee engagement index of average or above all participating Victorian Water Corporations
6	<b>Water quality compliance with Safe Drinking Water Regulations</b> <i>To ensure the provision and supply of safe drinking water in accordance with the regulations.</i>	100% compliance
7	<b>Environmental Impact - Compliance with EPA Licence</b> <i>To measure compliance at Westernport Water's two licensed wastewater treatment plant sites.</i>	100% compliance
8	<b>Customer Service Level - Guaranteed Service Level payment</b> <i>To measure the level of service to customers the ESC sets out provision for payments to customers for failure to meet Guaranteed Service Level.</i>	≤ 3 payments in the 2020-21 year
9	<b>Delivery of our Customer Commitments - Price Submission 2018-23</b> <i>To ensure we are delivering on the customer commitments set out in our Price Submission 2018-23.</i>	Annual performance consistent with 14 PS1 customer commitments

# Corporate Plan Initiatives

Each year as part of our annual planning process, we identify a set of Corporate Plan Initiatives that will enable us to deliver on the Strategic Focus Areas and Strategic Objectives of our Corporate Plan. The following section outlines our Corporate Plan Initiatives for the 2020-21 Financial Year.

## We meet the expectations of our customers

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 Year Five of the Water Quality Continuous Improvement Plan (2018-21)

The 2020-21 program continues to focus 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. The program includes the following:

**Review our Drinking Water Quality Risk Management System:** A revision of our whole system to continue to align with the Australian Drinking Water guidelines in preparation for the next Water Quality Continuous Improvement Plan.

**Assess our performance against the Water Quality Continuous Improvement Plan:** Conduct a review and assess performance of our current plan and develop the next 5 year Water Quality Continuous Improvement Plan.

This Corporate Initiative aims to address our Customer Strategic Risk and Product Quality Strategic Risk.

### 2. Develop and deliver a channel management plan to promote customer payment options and reduce transactional costs

Westernport Water provides customers with a number of payment options for paying their bills, whether that be through payment plans, the use of credit or debit cards, online payments or traditional face-to-face payments. It is important that our customers are aware of the different payment options to help make the payment process easier for our customers and to help us reduce unnecessary transaction costs for Westernport Water. This new channel management plan will seek to increase customer uptake of efficient online payment options and in turn, drive down transactional costs related to other payment channels.

This Corporate Initiative aims to address our Customer Strategic Risk.

# Our people are safe and well, every day

Every one of our people has an important reason to remain safe at work. Workplace Health & Safety (WHS) is a collaborative effort - we are all responsible for our own safety as well as that of those around us. It is the responsibility of everyone within the organisation to exercise their duty of care to ensure that hazards and incidents are reported and rectified. We care about each other, we have the courage to speak up when something isn't safe and we are committed to being safe and well every day.

## 3. Continue to educate and engage the Westernport Water workforce on the importance of health, safety and wellbeing through the implementation of streamlined WHS tools

In 2020-21, Westernport Water will continue to place WHS at the forefront of everything we do. Following the streamlining of the Corporation's WHS documentation in 2019-20, our focus will be on the rollout of improved tools to all employees, empowering them to confidently and safely undertake their daily work. Developed by a WHS Instructional Designer, the tools provided will include a suite of bespoke resources for WPW employees to undertake their work both in the field and from the office. A targeted education and engagement program will ensure successful adoption.

This Corporate Initiative aims to address our Workplace Health and Safety Strategic Risk and Regulatory Strategic Risk.



*Cowes Wastewater Treatment Plant.*



# We are a great place to work

Westernport Water is proud of its inclusive, diverse and engaged workforce. As the winner of the IPAA Leading Employer Award in 2018 and finalist in 2019, we are recognised by our peers as a great place to work. At Westernport Water, we aim to embed diversity in all that we do, increasing our understanding and embracing the benefits of a diverse and inclusive workforce. We are also committed to developing a strong workplace culture, as evidenced by five consecutive years of improvement in employee engagement scores.

## 4. Develop and implement a new three year Diversity & Inclusion Strategy

Over the past four years, Westernport Water has built strong foundations for the creation of a diverse and inclusive workforce. Our 2016-20 Diversity & Inclusion Plan delivered gender equity across our senior leadership, high levels of flexibility for our people to manage their work and personal commitments (including caring for family members), and significant progress in the diversity of our workforce including providing opportunities for Aboriginal and Torres Strait Islander people. In 2020-21, we will develop a new Diversity & Inclusion Strategy that enables us to build on our success and further strengthen the inclusive and diverse culture of our organisation.

This Corporate Initiative aims to address our People Strategic Risk and Stakeholder Strategic Risk.



*Westernport Water employees*

# **Our assets enable the sustainable delivery of products and services**

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 Three of the Phillip Island Water Security Supply Project (2018-21)**

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 improved service reliability and operational flexibility.

Year Three of the Phillip Island Water Supply Security Project will finalise the project, including testing and commissioning.

This Corporate Initiative aims to address our Customer Strategic Risk, Asset Management Strategic Risk and Product Quality Strategic Risk.

## **6. Deliver Year Two of the Cowes Wastewater Treatment Plant Upgrade, Stage 2 (2018-22)**

Construction of Stage Two of the Cowes Wastewater Treatment Plant upgrade is due to commence in 2020-21, with further improvements programmed for 2023 and beyond. Year two of the upgrade includes the construction of a new 24m diameter clarifier, refurbishments of the existing clarifiers and associated works.

This Corporate Initiative aims to address our Asset Management Strategic Risk.

## **7. Develop an operating protocol for priority selection of water source in light of the successful connection to the Melbourne Water Supply System (DP6)**

The Melbourne Water Supply System (DP6) is our connection to Melbourne supply through the desalination pipeline. We commissioned the connection in 2019-20 and have utilised the connection as a trial from December – April 2020. DP6 has been added to demand forecasting, utilising a priority selection of supply and modelling data as inputs for the next review of the Urban Water Strategy (2022).

The objectives of this initiative are to:

- determine our water source selection to continue to meet the expectations of our community; and
- understand the impact on operational expenditure for the provision of safe drinking water.

This Corporate Initiative aims to address our Customer Strategic Risk, Asset Management Strategic Risk and Product Quality Strategic Risk.

# We are a valued member of the community we serve

Westernport Water will engage effectively and transparently with our community, building strong partnerships and working 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 and strategic partnerships that support social and recreational benefits to create a more liveable and resilient community.

## 8. Deliver Year One of 'Innovate' Reconciliation Action Plan (2020-22)

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 'Reflect Reconciliation Action Plan (RAP)' under Reconciliation Australia's four-stage reconciliation framework was endorsed in May 2018 and delivered in May 2019. In May 2020, Westernport Water's 'Innovate RAP' was endorsed by Reconciliation Australia. The 'Innovate' RAP will build upon the learnings from our inaugural Reflect RAP and represents the second-stage under Reconciliation Australia's framework.

Our Innovate RAP sets out our commitments for a two year period from May 2020 and focuses on creating opportunities and strengthening relationships with Aboriginal and Torres Strait Islander Peoples as well as engaging with staff and stakeholders in reconciliation and recognition.

This Corporate Initiative aims to address our Stakeholder Strategic Risk.

## 9. Engage with Traditional Owners around Environmental Flows

Westernport Water recognises Aboriginal Traditional Owners' connection to land and water. This project will provide a forum for Traditional Owners to identify cultural values within Tennent Creek and inform Westernport Water on how to better manage the timing of environmental flows (which take place from May to November), with greater consideration of local cultural values.

This project will also support the Victorian Government's commitment to recognising and managing for Aboriginal values, as outlined in Water for Victoria.

This Corporate Initiative aims to address our Stakeholder Strategic Risk.

## 10. Develop and deliver an education plan to raise community awareness of the water treatment process

Westernport Water provides some of the world's best quality water to our customers whether it be for domestic, industry or farming use. All of the drinking water we supply to our customers must meet strict water quality standards consistent with *Victoria's Safe Drinking Water Act 2003* and the *Safe Drinking Water Regulations 2015*. We test our water regularly to ensure it meets all of these requirements and we are audited regularly under the *Safe Drinking Water Act 2003*.

Through this project, we will raise community awareness of our water treatment processes and water quality results through targeted communications to improve water literacy.

This Corporate Initiative aims to address our Customer Strategic Risk.

# We value and protect our natural environment

Westernport Water is conscious that our operations have the potential to impact the environment and we are committed to protecting and enhancing the environment within our service area.

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 issues of regional significance
- Considering recreational values and integrated water management.

In 2020-21, Westernport Water will be focusing on:

- Continuing to implement stage two of the Emissions Reduction Pledge Program
- Continuing to implement the Environmental Management System Improvement Plan
- Developing our operating protocol for priority selection of water source
- Delivering on actions from the Climate Change Strategy
- Sustainable land use management practices for our recent land purchase (extending our irrigation through the utilisation of recycled water from wastewater treatment plants).

## 11. Deliver on Climate Change Strategy Actions (2017-23)

Our Climate Change Strategy sets out a number of actions to respond to a changing climate and meet the requirements of the Victorian Government's Water for Victoria plan.

The Emissions Reduction Pledge Program, a key action within the Climate Change Strategy, pledges to reduce our carbon emissions by eight per cent by 2025 compared to the baseline, and identifies measures to be achieved by 2025 in accordance with:

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

The Emissions Reduction Pledge Program 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 focusing on renewable solar.

Climate Change Strategy actions for 2020-21 include:

- Implement a tool to record and report on emissions
- Implement actions identified in Climate Change Adaptation Plan
- Continue to work with our community on local opportunities to develop renewable energy options
- Develop a feasibility study for carbon offsetting on Westernport Water land
- Progress the implementation of Stage 2 of the Emissions Reduction Pledge.

This Corporate Initiative aims to address our Environmental Strategic Risk and Climate Change Strategic Risk.



## **12. Continue to work with Western Port Region Integrated Water Management (IWM) Program partners to plan and deliver Catchment and Regional IWM Plans**

Westernport Water will continue our collaborative approach to water planning with our stakeholders who have an interest in all aspects of the water cycle. In 2020-21 we will continue to participate in the Integrated Water Management Western Port Region Forum and identify and contribute to priority projects that will maximise water cycle opportunities and improve our region's resilience and liveability.

This Corporate Initiative aims to address our Asset Management Strategic Risk.

## **13. Deliver Year Two of the Environmental Management System Improvement Plan (2019-21)**

Westernport Water has undertaken a review of the Environmental Management System (EMS) in accordance with ISO 14001: 2015 EMS Standard. The review comprises two sets of actions that relate to:

- The ongoing continuous improvement of the EMS by Westernport Water staff
- Updates to the specific documents in the EMS.

The 2020-21 deliverables for this corporate initiative include:

- the completion of 47 priority two actions, and 30 priority three actions identified in the EMS Improvement Plan
- Embed the EMS across our business.

This Corporate Initiative aims to address our Environmental Strategic Risk.



*Pyramid Rock, Bass Coast.*

# **Our business is financially sustainable through sound governance and prudent investment**

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.

## **14. Complete Phase One of the Corporate System Replacement Project and Undertake a Post Implementation Review**

Westernport Water is scheduled to go-live with new HR, Payroll and Finance systems in the first quarter of the year, consistent with the Victorian Government's ICT statements of direction. The completion of phase one will ensure that existing performance issues, functional constraints and business risks associated with existing systems are addressed. An uplift in core system capabilities is expected to drive data-driven decision making, enhance reporting capabilities, improve the user experience for our people and drive productivity improvements. Following the project's completion, a post implementation review will be conducted: to confirm that the anticipated project benefits were realised; understand any gaps that need to be addressed; and identify learnings to apply to future projects and ICT implementations.

This Corporate Initiative aims to address our Technology Strategic Risk, People Strategic Risk and Stakeholder Strategic Risk.

## **15. Commence Phase Two of the Corporate System Replacement Project**

Consistent with Westernport Water's Customer Service Strategy 2018-21, planning will commence to deliver a new customer relationship management system to meet the expectations of our business and our customers for accurate, accessible, efficient and timely information and services.

In the next 12 months, we will confirm our system requirements and explore potential solutions for implementation. Delivery of this project will ultimately make it easier for customers to do business with Westernport Water and drive increased customer satisfaction.

This Corporate Initiative aims to address our Technology Strategic Risk and Customer Strategic Risk.

## **16. Develop Project Plan for 2023 Price Review and build on ongoing customer engagement to determine priority areas**

The 2023 Price Review is undertaken by the Essential Services Commission to determine the maximum prices that water businesses can charge over the next regulatory period. Westernport Water will develop its project plan for the 2023 Price Review to ensure that: customers are provided with ongoing opportunities to determine the outcomes that matter most; specialists can identify options and proposals to maintain or improve existing service levels; and our forecast expenditure remains prudent and efficient. Early planning will enable Westernport Water to build a strong evidence-base for its submission, reflecting an affordable pricing proposal that addresses customer priorities.

This Corporate Initiative aims to address our Financial Strategic Risk.

## 17. 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 benefit staff, customers and the Gippsland community.

This Corporate Initiative aims to address our Financial Strategic Risk.

## 18. Review our approach to Organisational Development (OD) through the alignment of our new business processes to the key commitments of the OD Strategy.

In 2020-21, following the implementation of new Corporate systems (HR/Payroll/Finance), Westernport Water will undertake a review of the 2018-21 OD Strategy. The review will consider opportunities for maximising the benefits of the new systems and align those benefits with our approach to the areas of recruitment and onboarding, reward and recognition, learning and development and succession planning.

This Corporate Initiative aims to address our People Strategic Risk.



Customers 'Choose Tap'

# Key Business Drivers of Corporate Plan 2020-25

## Price Submission 1 (2018-23)

The 2020-25 Corporate Plan projects and budgets have been developed to align with the parameters set within the Price Submission (PS1) 2018-23, which was approved by the ESC on 29 May 2018. Pricing and Tariffs for 2020-21 are increasing by CPI only as per PS1 assumptions, with fixed service and usage revenue expected to perform to budget.

An increase in operational expenditure and adjusted timing of capital works programs against the PS1 budget during 2020-21 will result in a slight decrease in cash held compared to PS1. A 35% increase in gifted asset developments against PS1 budget has increased overall revenue. This has been offset by an increase in non-controllable expenses largely attributed to an increase in reactive maintenance, electricity and chemical usage.

A lower than planned employee vacancy rate during 2019-20 has increased employee costs against PS1 budget assumptions with no increases to overall FTE planned for 2020-21. The net profit after tax for 2020-21 and across the overall PS1 period is expected to decrease from PS1 assumptions with a forecast increase in debt of \$250k. Variations to PS1 are detailed in Appendix D.

## 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 2020-25 Corporate Plan continues to actively manage debt levels and balance debt against capital program requirements.

Due to a positive cash holding position, low levels of debt and the ability to borrow at record low rates, a strategic decision was made during 2019-20 to purchase land (32.60ha) which became available adjacent to the Cowes Wastewater Treatment Plant (CWWTP). This land purchase will provide ongoing future benefits by assisting the Corporation to:

- Meet Recycled Water 2030 targets set out in the Corporations Recycled Water Strategy
- Meet PS1 Commitment “A more sustainable community” – Effluent reuse target 25% by 2022/23.
- Plan for growth, based on 2036 growth projections, inflow will exceed our EPA Licence (71241) discharge limits of 8.6ML/day.
- Support the State Environment Protection Policy SEPP (Waters for Victoria) principles by reducing ocean outfall. Increasing recycled water reuse such as farm irrigation will decrease nutrient loads discharged to Bass Strait.
- Provide further opportunities for unregulated revenue and create more flexibility when assessing solar options such as a community energy farm.

The PS1 capital program was increased by \$850k to fund the land purchase however, due to the current positive cash position only an additional \$250k above PS1 Year 3 planned borrowings for 2020-21 will be required to fund this addition to the PS1 capital program.

A fixed loan of \$500k will be repaid and a further \$500k will be borrowed to ensure funding requirements for the 2020-21 capital programs are met. Short term borrowings and investment will be utilised to smooth cash flow, with longer term borrowings directed towards the financing of the capital program.



The minimal increase to debt will not impact the Corporation's commitment to maintain the AA credit rating. The five year outlook is in line with PS1 assumptions to minimise price increases to customers, in lieu of repaying debt. The following table shows the level of fixed debt for the Corporation over the five year Corporate Plan period (excluding temporary borrowing facilities).

Fixed Debt \$'000	2019-20 Forecast	2020-21 Budget	2021-22 Budget	2022-23 Budget	2023-24 Budget	2024-25 Budget
Total Fixed Debt Budget per PS1	7,190	6,940	6,940	6,940	6,750	6,750
Total Fixed Debt Budget	6,690	7,190	7,190	7,190	7,190	7,190
Variance	500	(250)	(250)	(250)	(440)	(440)

## Risk Assessment

Westernport Water's Risk Management Framework, in line with the Victorian Government Risk Management Framework, has been used as a tool to develop the 2020-25 Corporate Plan. This Framework has been used in consideration with the Corporation's Strategic Risk Register and the ongoing monitoring of operational and emerging risks.

The Strategic Risk Register has been used to achieve alignment between business strategic focus areas and the achievement of corporate objectives. The identification of threats continues to assist in the development of controls and treatment plans to reduce or mitigate the risk.

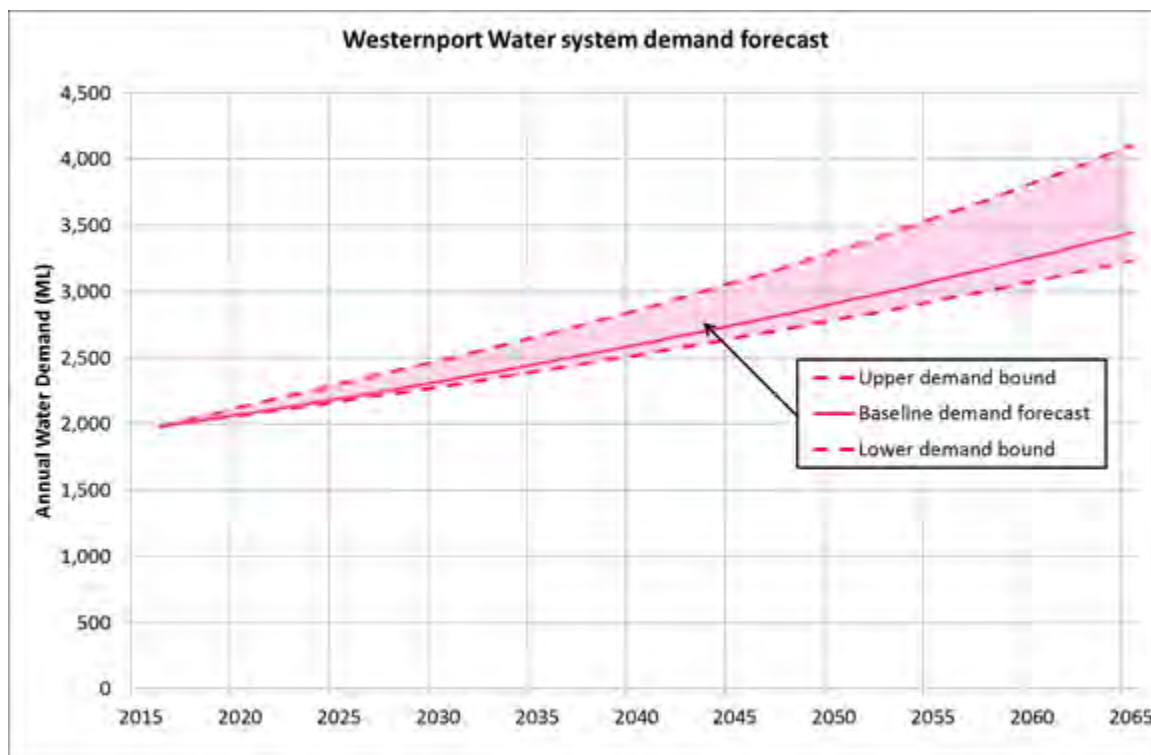
## Financial Analysis, Considerations and Projections

The financial targets and ratio analysis are 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. 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 provided (Appendix A) to display the financial sensitivities of key planning variables and projected impacts on result.

# 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 Victorian Government's Victoria In 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.



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 UWS indicates that the water supply system will be robust for the next ten years supplying all the forecast demands. The WPW Climate Change Adaptation Plan identifies a number of actions to meet future climate change scenarios and their impact on water supplies. Ongoing management of water supplies will be reviewed annually as part of the Annual Water Outlook, and in response to the UWS actions, to ensure Westernport Water meets customer demands now and into the future.

The next review of Westernport Water UWS is due in 2022. In preparation, Westernport Water will commence a review of water source selection in 2020/21. Our recent successful trial of our connection to the Melbourne Pool System provides Westernport Water with an opportunity to better meet community expectations whilst optimizing our water sources.

# Recycled Water Assumptions 2020-21

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 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 5.5 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 4.5 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. Reuse figures are expected to continue to improve with additional commercial users of Class A water, plus a pilot project to use Class B recycled water on agricultural land.

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 Westernport Water owned farmland surrounding the treatment plant.

The key projects for 2020-21 from our recycled water strategy include:

- an assessment of 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
- upgrades of our recycled water infrastructure to meet customer demands
- reducing 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

Tariff schedule 2019-20	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
CPI % assumptions	1.9	2.19	2.3	2.3	2.3	2.3
<b>Water &amp; Recycled Water Volumetric pricing per KL</b>						
Potable (Residential)	\$2.0154	\$2.0306	\$2.0773	\$2.1251	\$2.1740	\$2.2240
Potable (Non-residential)	\$2.0154	\$2.0306	\$2.0773	\$2.1251	\$2.1740	\$2.2240
Recycled Water (Residential)	\$1.0974	\$1.1214	\$1.1472	\$1.1736	\$1.2006	\$1.2282
Recycled Water (Non-residential less than 5,000KL p.a.)	\$0.5339	\$0.5455	\$0.5580	\$0.5709	\$0.5840	\$0.5974
Recycled Water (Non-residential more than 5,001KL p.a.)	\$0.4388	\$0.4484	\$0.4587	\$0.4693	\$0.4801	\$0.4911
<b>Connected Fixed Charges \$ per annum</b>						
<b>Residential</b>						
Water	\$391.48	\$393.97	\$403.03	\$412.30	\$421.78	\$431.48
Waste	\$604.65	\$609.23	\$623.24	\$637.58	\$652.24	\$667.24
Reuse	\$27.42	\$28.02	\$28.66	\$29.32	\$30.00	\$30.69
<b>Non Residential</b>						
Water (20mm tapping)	\$391.48	\$393.97	\$403.03	\$412.30	\$421.78	\$431.48
Water (25mm tapping)	\$704.67	\$709.16	\$725.47	\$742.16	\$759.23	\$776.69
Water (32mm tapping)	\$1,331.38	\$1,339.85	\$1,370.67	\$1,402.19	\$1,434.44	\$1,467.43
Water (40mm tapping)	\$2,427.67	\$2,443.13	\$2,499.32	\$2,556.81	\$2,615.61	\$2,675.77
Water (50mm tapping)	\$4,346.40	\$4,374.07	\$4,474.67	\$4,577.59	\$4,682.88	\$4,790.58
Water (65mm tapping)	\$8,735.32	\$8,926.71	\$9,132.02	\$9,342.06	\$9,556.93	\$9,776.74
Water (80mm tapping)	\$14,997.28	\$15,092.77	\$15,439.90	\$15,795.02	\$16,158.31	\$16,529.95
Water (100mm tapping)	\$26,979.52	\$27,151.31	\$27,775.79	\$28,414.63	\$29,068.17	\$29,736.74
Water (150mm tapping)	\$62,182.60	\$62,578.57	\$64,017.88	\$65,490.29	\$66,996.56	\$68,537.49
Waste	\$604.65	\$609.23	\$623.24	\$637.58	\$652.24	\$667.24
Waste (> 2 cistern per property)	\$223.31	\$225.00	\$230.18	\$235.47	\$240.88	\$246.43
<b>Unconnected Fixed Charges \$ per annum</b>						
Water	\$195.73	\$196.97	\$201.50	\$206.13	\$210.88	\$215.73
Waste	\$302.86	\$305.15	\$312.17	\$319.35	\$326.69	\$334.21
Reuse - Unconnected	-	-	-	-	-	-

Note: \*The Tariff Schedule for 2020-21 above (Table 3) has been calculated using the approved CPI increase of 2.19 per cent released by the Essential Services Commission through the annual tariff approval process and includes required adjustments as per Schedule 5 of PS1 2018-23.



# Customer Impact Table

Average Residential Account (81 KL)	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Water Fixed	\$391.48	\$393.97	\$403.03	\$412.30	\$421.78	\$431.48
Volumetric	\$163.37	\$164.60	\$168.39	\$172.26	\$176.22	\$180.27
Waste Fixed	\$604.65	\$609.23	\$623.24	\$637.58	\$652.24	\$667.24
Total	\$1,159.50	\$1,167.80	\$1,194.66	\$1,222.14	\$1,250.25	\$1,279.00
% Change	0.51%	0.72%	2.30%	2.30%	2.30%	2.30%
Average Commercial Account (609 KL)						
Water Fixed	\$391.48	\$393.97	\$403.03	\$412.30	\$421.78	\$431.48
Volumetric	\$1,227.38	\$1,236.64	\$1,265.08	\$1,294.17	\$1,323.94	\$1,354.39
Waste Fixed	\$604.65	\$609.23	\$623.24	\$637.58	\$652.24	\$667.24
Total	\$2,223.51	\$2,239.84	\$2,291.35	\$2,344.05	\$2,397.97	\$2,453.12
% Change	0.54%	0.73%	2.30%	2.30%	2.30%	2.30%
Average Tenant Account (81 KL)						
Volumetric	\$163.37	\$164.60	\$168.39	\$172.26	\$176.22	\$180.27
% Change	0.57%	0.75%	2.30%	2.30%	2.30%	2.30%

# Operating Environment Assumptions 2020-25

As Westernport Water enters into the third year of the five year regulatory period under PS1, it is facing uncertain economic conditions due to the coronavirus (COVID-19) declared on 11 March 2020 by the World Health Organisation. One concern is that this shock to the Australian and global economies, which will likely be transitory, might have significant long term economic effects.

The 2020-25 Corporate Plan has assumed a business as usual approach as at the time of writing, the short term and longer term impacts from coronavirus (COVID-19) are currently unknown.

Development activity is expected to perform above PS1 expectations for 2020-21, however this is related to the additional income from the relocation of assets resulting from the VicRoads roundabout replacement program and not additional growth. It is expected that development revenue will perform to plan over the remainder of the regulatory period.

The decision to absorb the increase in the Melbourne Bulk Water entitlements charge during the regulatory period has also reduced the available annual operating expenditure. Due to minimised fixed 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.

The Corporate Plan five year outlook includes the continuation of the PS1 defined efficiencies being achieved each year. Westernport Water anticipates that internal skills and capabilities aligned to our key focus areas, will lead to operational efficiencies which is forecast to reduce operational expenditure.

The forecast operating expenditure efficiencies include:

- a review of consultancy and contractor spend
- 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 (FTE) uplift for future years
- containment of electricity and insurance costs through the benefit of the state wide contracts.

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 needs in alignment with PS1 requirements and limits across the full ten year PS1 forecast. Key projects are outlined in the Capital Expenditure tables in Appendix C.

# Finance Assumptions 2020-21

The financial assumptions set out below form the basis for the budgeted net profit after tax result of \$467k and a positive net cash flow from operating activities.

## Revenue Assumptions

### Service Charges:

- CPI uplift of 2.19 per cent
- Residential customer growth of 1.98 per cent
- Non-residential connection growth of 1.90 per cent.

### Water Usage:

- Domestic water consumption, 81.06KL per connection
- Non Domestic water consumption, 609.01KL per connection.

### Developer Income:

- Creation of approx. 150 new allotments which is a reduction from 400 new allotments in 2019-20. Additional developer income received from the creation of the relocation of assets resulting from the VicRoads roundabouts replacement program will contribute to a 35 per cent increase in developer revenue above PS1 Year 3 budget assumptions.

## OPEX 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. 2 per cent increase in base rates and allowances).
- Electricity usage overall is planned to reduce however the cost of electricity supply has increased above PS1 budget assumptions.
- Chemical use has been impacted by the variability of raw water inflows into Candowie Reservoir and above CPI increase in costs.
- A cost allocation of \$127k for the use of the Melbourne Water Supply System (approx. 500ML) to enable the use of the desalination pipeline supply point (DP6) to ensure security of water supply through alternate sources when required. This cost was partially offset by the benefit of a reduction in electricity costs at the treatment plant of \$50k and chemical costs of \$40k when the supply system is in use. The introduction of alternate solar in 2019-20 also contributed to the reduction in electricity usage.
- Environmental Contribution levied at 5 per cent of 2016-17 revenue as advised by DELWP.
- CPI increases for future years has been capped at 2.3 per cent each year (as per PS1).
- Employee costs include a 1 per cent vacancy rate, 2.5 per cent below PS1 assumptions.
- 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 Sensitivity Analysis

This Corporate Plan is forecasting a Net Profit After Tax (NPAT) of \$467k. 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 2020-21. 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 \$838k to a profit of \$1.807M. The following tables provide the details of the key variables attributable to the potential movement in the profit result.

Variable	Sensitivity	Comments
Capital Revenue	50 per cent loss of revenue (\$1.05m) - cash component - contributed assets	Revenue subject to local and nationwide economic factors, beyond the control of WPW. No sign of imminent loss of revenue. Capital Revenue could be negatively affected by the impacts on development due to coronavirus (COVID-19).
Water Usage	A 10 per cent change in consumption will impact revenue by \$432k. *A 20 per cent change in consumption will impact revenue by \$864k. *A 50 per cent change in consumption will impact revenue by \$2.16M.	Customer water consumption subject to seasonal condition over peak periods. Water usage consumption could be negatively affected by the impacts of coronavirus (COVID-19).
Electricity	A 10 per cent change in usage will impact expenditure by \$76k.	A wet winter/spring period is a causal 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.
Employee Costs	A 0 per cent vacancy rate will result in a 3.5 per cent increase in Employee Costs (\$295k).	The PS1 budget included a 3.5 per cent vacancy rate. WPW has maintained 0 per cent vacancy rate since 2018-19. The 2020-21 budget includes a vacancy rate of 1 per cent which is 2.5 per cent below the PS1 Year 3 assumptions.
Service Charges	A 10 per cent change in service charges received will impact revenue by \$1.87M *A 20 per cent change in service charges received will impact revenue by \$3.74M *A 50 per cent change in service charges received will impact revenue by \$9.37M	Service Charges revenue could be negatively affected by the impacts of coronavirus (COVID-19) due to the inability of customer to pay. Delays in payment could have a negative impact to cashflow which could also result in increased borrowings and related interest charges.

*\*alternate scenarios*



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.

Variable	Sensitivity	Comments	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 loss)	Possible (once every 5 years)	Moderate
Employee Costs	Moderate (\$100k to \$500k loss)	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 \$1.305M to a loss of \$838k. 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.

Profit & loss \$'000	2020-21 budget	Capital revenue	Water usage	Electricity	Employee Costs	Net result
Total Revenue	25,728	-	-	-	-	25,728
Revenue Adj	50	(1,050)	(432)	-	-	(1,432)
Total Opex	(25,134)	-	-	-	-	(25,134)
Opex Adj.	-	-	-	(76)	(290)	(366)
NPBT	644	-	-	-	-	(838)
Tax	177	-	-	-	-	-
NPAT	467	-	-	-	-	(838)

# 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 \$467k to \$1.807m during 2019-20.

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

Profit & loss \$'000	2020-21 budget	Capital revenue	Water usage	Electricity	Employee Costs	Net result
Total Revenue	25,728	-	-	-	-	25,728
Revenue Adj	50	1,050	432	-	-	1,532
Total Opex	(25,134)	-	-	-	-	(25,134)
Opex Adj.	-	-	-	76	290	366
NPBT	644	-	-	-	-	2,492
Tax	(177)	-	-	-	-	(685)
NPAT	467	-	-	-	-	1,807

# Customer and Demand Assumptions 2020-21

## Property Forecast 2020-21

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 1.98 per cent from 2019-20
- Growth in non-residential connections of 1.9 per cent from 2019-20
- No growth predicted in unconnected vacant residential land.

Property type	Property numbers 2019-20 Forecast	Pricing Submission Year 2	Variance from PS1 Year 2	Property Numbers 2020-21 Planned	Pricing Submission Year 3	Variance from PS1 Year 3
Residential	16,343	15,995	2.18%	16,667	16,313	2.17%
Vacant Land	1,517	1,500	1.13%	1,547	1,500	3.14%
Commercial	1,032	1,154	-10.57%	1,052	1,178	-10.66%
<b>Total Properties</b>	<b>18,892</b>	<b>18,649</b>	<b>1.29%</b>	<b>19,266</b>	<b>18,991</b>	<b>1.43%</b>

## Customer Demand Forecast 2020-21

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 the 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 the 2018-23 five year regulatory period. Average demand for residential and non-residential customers has been forecast using the average annual consumption over the previous three financial years which is inline with PS1 assumptions.

- Annual residential water connections demand forecast 81.06 KL
- Annual non-residential water connections demand forecast 609.01 KL.

Customer type	Forecast Demand 2019-20 ML	Demand 2020-21 ML	Pricing Submission Year 2 ML	Variance from PS1 Year 2 %
Residential	1,387	1,401	1,322	5.98%
Commercial	830	838	718	16.72%
<b>Total Customer Demand</b>	<b>2,217</b>	<b>2,239</b>	<b>2,040</b>	<b>9.74%</b>

# Appendix A – Financial Templates

**Table A1 – Operating Revenue**

Operating Statement \$'000	2019-20 Forecast	2020-21 Budget	2021-22 Budget	2022-23 Budget	2023-24 Budget	2024-25 Budget
Revenue						
Service Charges	18,187	18,569	19,274	20,007	20,767	21,556
Usage Charges	3,886	4,318	4,482	4,652	4,829	5,012
Developer Contribution	1,290	700	716	733	749	767
Developer Contribution - Gifted Assets	3,951	1,400	1,432	1,465	1,499	1,533
Investment Interest	89	92	60	62	65	67
Other Revenue	635	650	675	700	727	755
<b>Total Revenue</b>	<b>28,038</b>	<b>25,728</b>	<b>26,639</b>	<b>27,619</b>	<b>28,636</b>	<b>29,690</b>
Expense						
Operating & Maintenance Expense	2,617	2,735	2,707	2,680	2,654	2,627
Administration Expense	4,041	4,079	4,038	3,998	3,958	3,918
Environmental Contributions	916	916	916	916	916	916
Borrowing Cost / Interest Expense	290	310	324	324	324	324
Depreciation / Amortisation	6,727	6,700	6,900	7,150	7,300	7,700
IT	1,799	1,948	1,929	1,910	1,891	1,872
Labour	7,988	8,283	8,449	8,618	8,790	8,966
Consultants	205	163	166	166	166	166
<b>Total Expense</b>	<b>24,582</b>	<b>25,134</b>	<b>25,429</b>	<b>25,761</b>	<b>25,998</b>	<b>26,489</b>
Net Operating Profit Before Tax	3,456	594	1,210	1,858	2,638	3,201
Non-Operating Items	-	-	-	-	-	-
Profit on sale of disposal of assets	75	50	50	50	50	50
<b>Net Profit Before Tax</b>	<b>3,531</b>	<b>644</b>	<b>1,260</b>	<b>1,908</b>	<b>2,688</b>	<b>3,251</b>
Tax	971	177	346	525	739	894
Net Profit After Tax	2,560	467	913	1,383	1,949	2,357
Dividend Expense	-	-	-	-	-	-



<b>Operating Statement \$'000</b>	<b>2019-20 Forecast</b>	<b>2020-21 Budget</b>	<b>2021-22 Budget</b>	<b>2022-23 Budget</b>	<b>2023-24 Budget</b>	<b>2024-25 Budget</b>
Transfers to / from reserves	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
<b>Net Profit - Retained Earnings</b>	<b>2,560</b>	<b>467</b>	<b>913</b>	<b>1,383</b>	<b>1,949</b>	<b>2,357</b>
Retained Earnings - Opening Balance	65,187	67,747	68,214	69,127	70,510	72,459
<b>Retained Earnings - Closing Balance</b>	<b>67,747</b>	<b>68,214</b>	<b>69,127</b>	<b>70,510</b>	<b>72,459</b>	<b>74,816</b>

**Table A2 – Operating Revenue by Quarter 2020-21**

Operating Statement 2020-21 \$'000	Q 1 Period	Q2 Period	Q2 YTD	Q3 Period	Q3 YTD	Q4 Period	Q4 YTD
<b>Revenue</b>							
Service Charges	4,605	4,624	9,229	4,661	13,889	4,679	18,569
Usage Charges	972	1,069	2,040	1,198	3,238	1,079	4,318
Developer Contribution	175	175	350	175	525	175	700
Developer Contribution - Gifted Assets	350	350	700	350	1,050	350	1,400
Investment Interest	23	23	46	23	69	23	92
Other Revenue	163	163	325	163	488	163	650
<b>Total Revenue</b>	<b>6,287</b>	<b>6,403</b>	<b>12,690</b>	<b>6,569</b>	<b>19,259</b>	<b>6,469</b>	<b>25,728</b>
<b>Expense</b>							
Operating & Maintenance Expense	581	684	1,265	718	1,983	752	2,735
Administration Expense	867	1,020	1,887	1,071	2,957	1,122	4,079
Environmental Contributions	229	229	458	229	687	229	916
Borrowing Cost / Interest Expense	78	78	155	78	233	78	310
Depreciation / Amortisation	1,675	1,675	3,350	1,675	5,025	1,675	6,700
IT	414	487	901	511	1,413	536	1,948
Labour	1,975	2,230	4,205	1,911	6,117	2,166	8,283
Consultants	41	41	82	41	122	41	163
<b>Total Expense</b>	<b>5,859</b>	<b>6,443</b>	<b>12,302</b>	<b>6,234</b>	<b>18,536</b>	<b>6,598</b>	<b>25,134</b>
<b>Net Operating Profit Before Tax</b>	<b>428</b>	<b>(40)</b>	<b>387</b>	<b>336</b>	<b>723</b>	<b>(129)</b>	<b>594</b>
<b>Non-Operating Items</b>							
Profit on sale of disposal of assets	13	13	25	13	38	13	50
<b>Net Profit Before Tax</b>	<b>440</b>	<b>(28)</b>	<b>412</b>	<b>348</b>	<b>761</b>	<b>(116)</b>	<b>644</b>
Tax	121	-	113	96	209	-	177
<b>Net Profit After Tax</b>	<b>319</b>	<b>(28)</b>	<b>299</b>	<b>252</b>	<b>551</b>	<b>(116)</b>	<b>467</b>

Operating Statement 2020-21 \$'000	Q 1 Period	Q2 Period	Q2 YTD	Q3 Period	Q3 YTD	Q4 Period	Q4 YTD
Dividend Expense	-	-	-	-	-	-	-
Transfers to / from reserves	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Net Profit - Retained Earnings	319	(28)	299	252	551	(116)	467
Retained Earnings - Opening Balance	67,747	68,066	67,747	68,046	67,747	68,298	67,747
Retained Earnings - Closing Balance	68,066	68,038	68,046	68,298	68,298	68,182	68,214

**Table A3 – Balance Sheet**

Balance Sheet \$'000	2019-20 Forecast	2020-21 Budget	2021-22 Budget	2022-23 Budget	2023-24 Budget	2024-25 Budget
<b>Current Assets</b>						
Cash & Cash Equivalents	2,335	1,985	1,611	1,954	2,915	3,792
Receivables	3,913	3,952	3,992	3,792	3,603	3,963
Inventories	342	344	352	355	356	359
Prepayments	118	248	218	192	197	205
<b>Total Current Assets</b>	<b>6,708</b>	<b>6,529</b>	<b>6,173</b>	<b>6,293</b>	<b>7,070</b>	<b>8,319</b>
<b>Non-current assets</b>						
Property Plant & Equipment	258,419	275,721	284,209	291,918	299,017	307,186
Less Accumm Depreciation	(50,802)	(57,502)	(64,402)	(71,552)	(78,852)	(86,552)
PP&E at WDV	207,617	218,219	219,807	220,366	220,165	220,634
Work In Progress	3,213	3,258	2,975	3,100	3,952	3,741
Intangibles	677	796	808	841	920	922
Receivables	62	64	64	66	65	67
<b>Total Non-current Assets</b>	<b>211,569</b>	<b>222,337</b>	<b>223,654</b>	<b>224,373</b>	<b>225,102</b>	<b>225,364</b>
<b>Total Assets</b>	<b>218,277</b>	<b>228,866</b>	<b>229,827</b>	<b>230,666</b>	<b>232,172</b>	<b>233,683</b>
<b>Current Liabilities</b>						
Borrowings	250	500	750	500	1,000	350
Employee Benefits	1,742	1,799	1,825	1,897	1,850	1,901
Payables	1,800	1,093	1,395	1,258	1,931	2,142
Unearned Income	3,025	3,157	3,238	3,241	2,949	2,748
Other	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>6,817</b>	<b>6,549</b>	<b>7,208</b>	<b>6,896</b>	<b>7,730</b>	<b>7,141</b>
<b>Non-current Liabilities</b>						
Borrowings	6,100	6,690	6,440	6,690	6,190	6,840
Employee Benefits	265	242	227	269	232	219
Unearned Income	-	-	-	-	-	-
Deferred Tax Liability	32,619	32,442	32,095	31,571	30,832	29,938
Other	-	-	-	-	-	-
<b>Total Non-current Liabilities</b>	<b>38,984</b>	<b>39,374</b>	<b>38,762</b>	<b>38,530</b>	<b>37,254</b>	<b>36,997</b>
<b>Total Liabilities</b>	<b>45,801</b>	<b>45,923</b>	<b>45,971</b>	<b>45,426</b>	<b>44,984</b>	<b>44,137</b>



Balance Sheet \$'000	2019-20 Forecast	2020-21 Budget	2021-22 Budget	2022-23 Budget	2023-24 Budget	2024-25 Budget
Net Assets	172,476	182,943	183,856	185,240	187,188	189,546
Equity						
Retained Earnings	67,747	68,214	69,127	70,510	72,459	74,816
Asset Revaluation Reserve	53,406	63,406	63,406	63,406	63,406	63,406
Contributed Capital	51,323	51,323	51,323	51,323	51,323	51,323
Total Equity	172,476	182,943	183,856	185,239	187,188	189,545

**Table A4 – Balance Sheet by Quarter 2020-21**

<b>Balance Sheet \$'000</b>	<b>Q 1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>Current Assets</b>				
Cash & Cash Equivalents	1,965	1,975	1,980	1,985
Receivables	3,913	3,932	3,942	3,952
Inventories	341	342	343	344
Prepayments	246	247	247	248
<b>Total Current Assets</b>	<b>6,464</b>	<b>6,496</b>	<b>6,513</b>	<b>6,529</b>
<b>Non-current assets</b>				
Property Plant & Equipment	259,808	261,433	264,102	275,721
Less Accumm Depreciation	(52,477)	(54,152)	(55,827)	(57,502)
PP&E at WDV	207,331	207,281	208,275	218,219
Work In Progress	3,225	3,242	3,250	3,258
Intangibles	788	792	794	796
Receivables	63	64	64	64
<b>Total Non-current Assets</b>	<b>211,408</b>	<b>211,378</b>	<b>212,383</b>	<b>222,337</b>
<b>Total Assets</b>	<b>217,872</b>	<b>217,875</b>	<b>218,895</b>	<b>228,866</b>
<b>Current Liabilities</b>				
Borrowings	250	250	500	500
Employee Benefits	1,781	1,790	1,795	1,799
Payables	1,082	1,088	1,090	1,093
Unearned Income	3,125	3,141	3,149	3,157
Other	-	-	-	-
<b>Total Current Liabilities</b>	<b>6,239</b>	<b>6,269</b>	<b>6,534</b>	<b>6,549</b>
<b>Non-current Liabilities</b>				
Borrowings	6,100	6,100	6,690	6,690
Employee Benefits	240	241	241	242
Unearned Income	-	-	-	-
Deferred Tax Liability	32,498	32,498	32,402	32,442
Other	-	-	-	-
<b>Total Non-current Liabilities</b>	<b>38,838</b>	<b>38,839</b>	<b>39,334</b>	<b>39,374</b>
<b>Total Liabilities</b>	<b>45,076</b>	<b>45,108</b>	<b>45,868</b>	<b>45,923</b>

Balance Sheet \$'000	Q 1	Q2	Q3	Q4
<b>Net Assets</b>	<b>172,796</b>	<b>172,767</b>	<b>173,028</b>	<b>182,943</b>
Retained Earnings	68,066	68,038	68,298	68,214
Asset Revaluation Reserve	53,406	53,406	53,406	63,406
Contributed Capital	51,323	51,323	51,323	51,323
<b>Total Equity</b>	<b>172,795</b>	<b>172,767</b>	<b>173,027</b>	<b>182,943</b>

**Table A5 – Cash Flow Statement**

Cash Flow \$'000	2019-20 Forecast	2020-21 Budget	2021-22 Budget	2022-23 Budget	2023-24 Budget	2024-25 Budget
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers	24,894	23,802	24,707	25,646	26,620	27,632
Receipts from Government	820	903	937	973	1,010	1,048
Payments to Suppliers and Employees	(21,922)	(20,008)	(20,469)	(21,147)	(21,950)	(22,784)
Refund from ATO	1,024	1,031	1,070	1,111	1,153	1,197
Interest Received	94	92	95	99	103	107
Interest Paid	(161)	(235)	(244)	(253)	(263)	(273)
FAL Paid	(60)	(75)	(78)	(81)	(84)	(87)
<b>Net Cash from Operating Activities</b>	<b>4,690</b>	<b>5,510</b>	<b>6,019</b>	<b>6,348</b>	<b>6,589</b>	<b>6,840</b>
<b>Cash Flows from Investing Activities</b>						
Payments for Property, Plant & Equipment	(8,982)	(6,800)	(6,543)	(6,155)	(5,778)	(6,112)
Projects funded by Developer Contributions	-	-	-	-	-	-
Proceeds from Sale of Property, Plant & Equipment	51	150	150	150	150	150
<b>Net Cash from / (Used in) Investing Activities</b>	<b>(8,932)</b>	<b>(6,650)</b>	<b>(6,393)</b>	<b>(6,005)</b>	<b>(5,628)</b>	<b>(5,962)</b>
<b>Cash Flows from Financing Activities</b>						
Proceeds from Borrowings	850	1,040	500	750	500	1,000
Repayment of Borrowings	(1,000)	(250)	(500)	(750)	(500)	(1,000)
<b>Net Cash from Financing Activities</b>	<b>(150)</b>	<b>790</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Increase (Decrease) For Year</b>	<b>(4,392)</b>	<b>(350)</b>	<b>(374)</b>	<b>343</b>	<b>961</b>	<b>878</b>
Opening Cash Balance	6,727	2,335	1,985	1,611	1,954	2,915
<b>Closing Cash Balance</b>	<b>2,335</b>	<b>1,985</b>	<b>1,611</b>	<b>1,954</b>	<b>2,915</b>	<b>3,792</b>

**Table A6 – Cash Flow Statement by Quarter for 2020-21**

<b>Cash Flow 2020-21 \$'000</b>	<b>Q1 Period</b>	<b>Q2 Period</b>	<b>Q2 YTD</b>	<b>Q3 Period</b>	<b>Q3 YTD</b>	<b>Q4 Period</b>	<b>Q4 YTD</b>
<b>Cash Flows from Operating Activities</b>							
Receipts from Customers	4,760	5,713	10,473	6,427	16,900	6,903	23,802
Receipts from Government	181	217	397	244	641	262	903
Payments to Suppliers and Employees	(4,002)	(4,802)	(8,804)	(5,402)	(14,206)	(5,802)	(20,008)
Refund from ATO	206	247	454	278	732	299	1,031
Interest Received	18	22	40	25	65	27	92
Interest Paid	(47)	(56)	(103)	(63)	(167)	(68)	(235)
FAL Paid	(15)	(18)	(33)	(20)	(53)	(22)	(75)
<b>Net Cash from Operating Activities</b>	<b>1,102</b>	<b>1,322</b>	<b>2,424</b>	<b>1,488</b>	<b>3,912</b>	<b>1,598</b>	<b>5,510</b>
<b>Cash Flows from Investing Activities</b>							
Payments for Property, Plant & Equipment	(1,360)	(1,632)	(2,992)	(1,836)	(4,828)	(1,972)	(6,800)
Projects funded by Developer Contributions	-	-	-	-	-	-	-
Proceeds from Sale of Property, Plant & Equipment	30	36	66	41	107	44	150
<b>Net Cash from / (Used in) Investing Activities</b>	<b>(1,330)</b>	<b>(1,596)</b>	<b>(2,926)</b>	<b>(1,796)</b>	<b>(4,722)</b>	<b>(1,929)</b>	<b>(6,650)</b>
<b>Cash Flows from Financing Activities</b>							
Proceeds from Borrowings	1,040	-	1,040	-	1,040	-	1,040
Repayment of Borrowings	(250)	-	(250)	-	(250)	-	(250)
<b>Net Cash from Financing Activities</b>	<b>790</b>	<b>0</b>	<b>790</b>	<b>0</b>	<b>790</b>	<b>0</b>	<b>790</b>
Net Increase (Decrease) For Year	562	(274)	288	(308)	(19)	(331)	(350)
Opening Cash Balance	2,335	2,897	2,335	2,623	2,335	2,315	2,335
<b>Closing Cash Balance</b>	<b>2,897</b>	<b>2,623</b>	<b>2,623</b>	<b>2,315</b>	<b>2,315</b>	<b>1,985</b>	<b>1,985</b>

# Appendix B – Regulatory Performance Indicators

**Table B1 – Financial Performance Indicators**

Financial Performance Indicators		2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Target	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	23.0	41.4	40.2	20.2	26.3	27.6	28.0	28.0	28.0
F2	Gearing Ratio (Total debt (including finance leases) / total assets) * 100	3.90%	3.70%	3.10%	2.50%	3.14%	3.13%	3.12%	3.10%	3.08%
F3	Internal Financing Ratio (Net operating cash flows less dividends / net capital expenditure ) * 100	153.9%	168.0%	138.0%	87.8%	81.0%	92.0%	103.1%	114.0%	111.9%
F4	Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	1.15	1.90	1.60	0.88	1.92	1.55	1.72	1.48	1.89
F5	Return on Assets (Earnings before net interest and tax / average assets) * 100	0.6%	0.7%	0.9%	0.5%	0.4%	0.7%	0.9%	1.3%	1.5%
F6	Return on Equity (Net profit after tax / average total equity) *100	0.6%	0.5%	0.7%	0.3%	0.3%	0.5%	0.7%	1.0%	1.3%
F7	EBITDA Margin (Earnings before interest, tax, depreciation and amortisation / total revenue) *100	35%	33%	33%	31%	29%	31%	34%	36%	38%
F8	Credit Rating	AA	AA	AA	AA	AA	AA	AA	AA	AA



**Table B2 – Regulatory Performance Indicators**

Customer Bill Indicators		2020-21 Target	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected
L3 (a)	Total typical residential bill Total annual water supply and sewerage bill based on customers' average annual residential usage	\$1,159.50	\$1,167.80	\$1,194.66	\$1,222.14	\$1,250.25
L3 (b)	Total residential bill 200KL Total annual residential water supply and sewerage bill, based on the consumption of 200 KL of water	\$1,399.21	\$1,409.32	\$1,441.73	\$1,474.89	\$1,508.82

Water Indicators		2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Target	2020-21 Target
WS1*	Unplanned water supply interruptions No. of customers receiving more than 1 unplanned water interruptions in the year/total number of water (domestic and non-domestic) customers x 100	1500*	78.95	1500*	3.9%	1.0%	9.3%	9.3%
WS2	Unplanned water interruption time Average duration of unplanned water supply interruptions (min)	103.4	80.2	90.0	108.5	85.9	96.0	96.0
WS3	Restoration of unplanned water supply Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruption x 100	98%	99%	100%	100%	100%	99%	99%

\*The measurement used to calculate WS1 has varied over time which explains the large variations in previous year actuals.

Sewerage Indicators		2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Target	2020-21 Target
SS1	Containment of sewer spills Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers x 100	100%	85%	100%	100%	100%	85%	100%
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 x 100	100%	83%	100%	100%	100%	83%	100%

Customer Responsiveness Indicators (per 1000 customers)		2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Target	2020-21 Target
CR1	Water Quality complaints No of complaints per 1000 customers	1.5	0.21	2.4	1.9	2.18	2.2	2.2
CR4	Billing/ payment issue complaints No of complaints per 1000 customers	0.7	0.05	1.0	1.89	0.19	1.0	1.0

Environmental Performance Indicators		2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Target	2020-21 Target
E1	Effluent re-use volume (end use) Percentage recycled	20%	22%	24%	21%	23.5%	25%	25%
E2	Total net CO2 equivalent emissions Net tonnes CO2 equivalent (tonnes)	6,473	6,053	6,400	6,366	6,920	5,974	5,974

# Appendix C – Capital Expenditure Detail

**Table C1 – Capital Program 2020-21**

Project Name	PS1 Year 1 Actuals 2018/19	PS 1 Year 2 Approved Budget for 2019/20	PS 1 Year 2 Forecast	PS1 Year 3 Budget for 2020/21	PS 1 Year 3 Budget for 2020/21 with carryover	PS 1 Year 4 Indicative Budget for 2021/22	PS 1 Year 5 Indicative Budget for 2022/23	Total PS1 2018-23
Sludge Management Program	57,661	82,584	120,000	84,424	72,930	86,264	86,264	423,119
OH&S Compliance Program	111,764	45,421	77,939	46,433	46,433	35,584	36,343	308,063
Diversity & Inclusion Plan – Facility Improvement	585,860	-	-	-	-	-	-	585,860
Emissions Reduction Pledge Implementation	21,081	79,487	153,410	-	50,000	234,671	-	459,162
Phillip Island Water Supply Security Project	155,035	1,548,450	1,400,000	733,434	1,338,249	-	-	2,893,284
Water Quality Compliance Program	137,450	10,323	173,285	-	-	-	-	310,735
<b>Compliance Total</b>	<b>1,068,851</b>	<b>1,766,265</b>	<b>1,924,634</b>	<b>864,291</b>	<b>1,507,612</b>	<b>356,519</b>	<b>122,607</b>	<b>4,980,223</b>
Sustainable Water Reuse and Land Management	532,177	-	17,823	116,083	293,695	-	-	843,695
King Road Master Plan	-	-	-	211,060	101,000	110,060	-	211,060
Building Asset Management Plan - Stage 3	143,535	296,373	110,000	-	276,546	-	-	530,081
CWWTP Upgrade Stage 2	17,235	-	160,000	2,321,660	1,000,000	2,394,969	-	3,572,204
CWWTP Community Education Display	2,799	-	22,248	-	-	-	-	25,047
Automated Water Filling Station	3,310	-	2,661	-	39,029	-	-	45,000
Community Refill Stations, Water efficiency for accomm providers & Portable Hydration Station	27,632	43,357	28,200	-	11,981	-	-	67,813
<b>Growth Total</b>	<b>726,688</b>	<b>339,730</b>	<b>340,932</b>	<b>2,648,803</b>	<b>1,722,251</b>	<b>2,505,029</b>	<b>-</b>	<b>5,294,900</b>
Water Quality Improvement Program	192,876	283,883	28,571	-	342,661	-	-	564,108
Odour and Corrosion mitigation program	-	-	-	232,166	232,166	59,307	133,257	424,730
GIS-AMIS Strategy Implementation	43,945	30,969	85,000	31,659	29,641	-	-	158,586
Bass River Pump Station Bund	11,786	-	43,033	-	88,551	-	-	143,370
Septic Tanker Discharge pump Station	-	175,491	60,000	-	-	-	-	60,000
IBWPP Emergency Control Room	20,226	-	25,000	-	158,574	-	-	203,800
Zone Metering and Pressure Management	41,671	-	92,837	-	70,000	632,109	150,000	986,617

Project Name	PS1 Year 1 Actuals 2018/19	PS 1 Year 2 Approved Budget for 2019/20	PS 1 Year 2 Forecast	PS1 Year 3 Budget for 2020/21	PS 1 Year 3 Budget for 2020/21 with carryover	PS 1 Year 4 Indicative Budget for 2021/22	PS 1 Year 5 Indicative Budget for 2022/23	Total PS1 2018-23
<b>Improved Services Total</b>	<b>310,504</b>	<b>490,343</b>	<b>334,441</b>	<b>263,825</b>	<b>921,593</b>	<b>691,416</b>	<b>283,257</b>	<b>2,541,211</b>
Software Application	49,660	56,777	63,162	56,777	58,000	59,000	60,919	290,741
Hardware Replacement	52,857	56,777	109,085	56,777	58,000	59,000	60,919	339,861
Business Transformation Project	487,214	340,659	2,000,828	-	640,000	-	-	3,128,042
Sewer Junction Rebuild Program	309,665	206,460	220,000	211,060	180,000	227,000	227,000	1,163,665
SPS Electrical Switchboard Renewal Program	185,111	-	59,449	263,825	363,000	126,000	348,178	1,081,738
SCADA Strategy Implementation	106,745	51,615	74,407	52,765	52,000	54,000	55,745	342,897
San Remo to Newhaven Bridge Pipeline and Fittings Renewal Project	-	-	-	-	-	193,065	804,177	997,242
San Remo to Basin to Cowes 648 Pipeline Valve Renewal Project	-	-	-	348,249	100,000	377,645	165,195	642,840
Water Main Replacement Program	342,894	258,075	118,981	474,885	575,000	485,000	435,352	1,957,227
SPS Civil, Mech & Electrical Works	122,848	103,230	94,000	158,295	146,577	108,000	165,025	636,450
Sewer Main Renewals	2,911	56,777	109,911	58,042	58,000	118,000	121,797	410,619
CWWTP Civil, Mech & Electrical Works	117,618	103,230	122,000	131,913	127,500	125,000	145,000	637,118
IBWPP Civil, Mech & Electrical Works	135,949	154,845	230,000	158,295	150,000	132,000	145,000	792,949
Water Dist System Civil, Mech & Electrical Works	48,755	51,615	92,747	52,765	60,000	65,000	70,000	336,502
Water Meter Renewal Program	118,173	92,907	20,589	47,489	47,489	48,523		234,774
King Road WWP Civil, Mech & Electrical Works	34,027	30,969	69,402	31,659	32,000	32,047	10,512	177,988
Plant Replacement - Fleet & Equipment	64,840	394,339	557,315	259,604	259,600	96,628	659,000	1,637,383
San Remo Basin Renewal Project	-	-	-	527,650	100,329	200,000	1,892,000	2,192,329
Minor storage renewals	-	-	-	-			385,455	385,455
Unbudgeted Capital Expenditure	19,000	-	949,887	-	70,000	50,000	50,000	1,138,887
<b>Renewals Total</b>	<b>2,198,267</b>	<b>1,958,273</b>	<b>4,891,762</b>	<b>2,890,050</b>	<b>3,077,495</b>	<b>2,555,908</b>	<b>5,801,274</b>	<b>18,524,706</b>
<b>Total</b>	<b>4,304,310</b>	<b>4,554,611</b>	<b>7,491,769</b>	<b>6,666,969</b>	<b>7,228,950</b>	<b>6,108,872</b>	<b>6,207,138</b>	<b>31,341,039</b>

\*Approved Corp Budget 2018-19 and Total PS1 2018-23 includes carry over from the 2017-18 Corporate Plan

## Table C2 – Capital Program 2020-25

Project Name	PS1 Year 3 Indicative Budget 2020-21 including Carry over	PS1 Year 4 Indicative Budget for 2021-22	PS1 Year 5 Indicative Budget for 2022-23	PS2 Year 1 Indicative Budget for 2023-24	PS2 Year 2 Indicative Budget for 2024-25
Sludge Management Program	72,930	86,264	86,264	96,161	84,916
OH&S Compliance Program	46,433	35,584	36,343	100,000	100,000
Diversity & Inclusion Plan – Facility Improvement	-	-	-	-	-
Emissions Reduction Pledge Implementation	50,000	234,671	-	67,878	300,000
Phillip Island Water Supply Security Project	1,338,249	-	-	-	-
Water Quality Compliance Program	-	-	-	226,260	113,222
<b>Compliance Total</b>	<b>1,507,612</b>	<b>356,519</b>	<b>122,607</b>	<b>490,299</b>	<b>598,138</b>
Sustainable Water Reuse and Land Management	293,695	-	-	-	1,132,217
King Road Master Plan	101,000	110,060	-	2,036,340	452,887
Building Asset Management Plan - Stage 3	276,546	-	-	-	339,665
CWWTP Upgrade Stage 2	1,000,000	2,394,969	-	-	339,665
CWWTP Community Education Display	-	-	-	-	-
Automated Water Filling Station	39,029	-	-	-	-
Community Refill Stations, Water efficiency for accomm providers & Potable Hydration Station	11,981	-	-	28,283	16,983
<b>Growth Total</b>	<b>1,722,251</b>	<b>2,505,029</b>	<b>-</b>	<b>2,064,623</b>	<b>2,281,417</b>
Water Quality Improvement Program	342,661	-	-	-	792,551
Odour and Corrosion mitigation program	232,166	59,307	133,257	-	339,665
GIS-AMIS Strategy Implementation	29,641	-	-	56,565	56,611
Bass River Pump Station Bund	88,551	-	-	-	-
Septic Tanker Discharge pump Station	-	-	-	-	-
IBWPP Emergency Control Room	158,574	-	-	-	-
Zone Metering and Pressure Management	70,000	632,109	150,000	113,130	117,090
<b>Improved Services Total</b>	<b>921,593</b>	<b>691,416</b>	<b>283,257</b>	<b>169,695</b>	<b>1,305,918</b>
Software Application	58,000	59,000	60,919	67,878	67,933
Hardware Replacement	58,000	59,000	60,919	56,565	56,611

Project Name	PS1 Year 3 Indicative Budget 2020-21 including Carry over	PS1 Year 4 Indicative Budget for 2021-22	PS1 Year 5 Indicative Budget for 2022-23	PS2 Year 1 Indicative Budget for 2023-24	PS2 Year 2 Indicative Budget for 2024-25
Business Transformation Project	640,000	-	-	-	-
Sewer Junction Rebuild Program	180,000	227,000	227,000	226,260	276,443
SPS Electrical Switchboard Renewal Program	363,000	126,000	348,178	203,634	169,833
SCADA Strategy Implementation	52,000	54,000	55,745	100,000	100,000
San Remo to Newhaven Bridge Pipeline and Fittings Renewal Project	-	193,065	804,177	-	-
San Remo to Basin to Cowes 648 Pipeline Valve Renewal Project	100,000	377,645	165,195	-	-
Water Main Replacement Program	575,000	485,000	435,352	825,849	779,330
SPS Civil, Mech & Electrical Works	146,577	108,000	165,025	130,100	163,222
Sewer Main Renewals	58,000	118,000	121,797	169,695	169,833
CWWTP Civil, Mech & Electrical Works	127,500	125,000	145,000	169,695	169,833
IBWPP Civil, Mech & Electrical Works	150,000	132,000	145,000	169,695	226,443
Water Dist System Civil, Mech & Electrical Works	60,000	65,000	70,000	56,565	56,611
Water Meter Renewal Program	47,489	48,523	-	56,565	56,611
King Road WWP Civil, Mech & Electrical Works	32,000	32,047	10,512	56,565	56,611
Plant Replacement - Fleet & Equipment	259,600	96,628	659,000	424,238	339,665
San Remo Basin Renewal Project	100,329	200,000	1,892,000	-	-
Minor storage renewals	-	-	385,455	-	-
Unbudgeted Capital Expenditure	70,000	50,000	50,000	-	-
<b>Renewals Total</b>	<b>3,077,495</b>	<b>2,555,908</b>	<b>5,801,274</b>	<b>2,713,304</b>	<b>2,688,978</b>
<b>Total</b>	<b>7,228,950</b>	<b>6,108,872</b>	<b>6,207,138</b>	<b>5,437,921</b>	<b>6,874,452</b>

\*Phase Two of the Corporate System Replacement Project is not currently forecast within the Capital Program 2020-25 due to uncertainties of scope, timing and funding at this time. It is anticipated that any future costs in relation to Phase Two of the Corporate System Replacement Project will be captured in future Corporate Plans.



# Appendix D – Variance to PS1

**Table D1 – Fixed Service Charge Revenue PS1 – 2018-23**

Fixed Service Charge Revenue \$'000	2018-19	2019-20	2020-21	2021-22	2022-23	Total PS1
CPI%	1.90	1.33	2.19	2.30	2.3	
Total Fixed Service Charge Revenue as per PS1	17,424	17,995	18,762	19,539	20,321	94,041
Total Fixed Service Charge Revenue as per Corporate Plan	17,643	18,187	18,569	19,274	20,007	93,679
Variance \$	219	192	(193)	(265)	(314)	(362)

**Table D2 – Metered Usage Revenue PS1 – 2018-23**

Metered Usage Revenue \$'000	2018-19	2019-20	2020-21	2021-22	2022-23	Total PS1
CPI%	1.90	1.33	2.19	2.30	2.30	
Total Metered Usage Revenue as per PS1	3,974	4,109	4,292	4,469	4,654	21,498
Total Metered Usage Revenue as per Corporate Plan	4,106	3,886	4,318	4,482	4,652	21,444
Variance \$	132	(223)	26	13	(2)	(54)

**Table D3 – Average Customer Bill PS1 – 2018-23**

Average Customer Bill	2018-19	2019-20	2020-21	2021-22	2022-23	Total PS1
CPI%	1.90	1.33	2.19	2.30	2.30	
Average Customer Bill per PS1	1,153	1,160	1,186	1,213	1,241	5,954
Average Customer Bill as per Corporate Plan	1,153	1,160	1,168	1,195	1,222	5,897
Variance \$	-	-	(18)	(19)	(19)	(56)

**Table D4 – Development Revenue PS1 – 2018-23**

Development Revenue \$'000	2018-19	2019-20	2020-21	2021-22	2022-23	Total PS1
CPI%	1.90	1.33	2.19	2.30	2.30	
Total Development Revenue as per PS1	1,277	1,308	1,357	1,350	1,350	6,641
Total Development Revenue as per Corporate Plan	2,495	5,241	2,100	2,148	2,198	14,182
Variance \$	1,218	3,933	743	798	848	7,541

**Table D5 – Net Profit After Tax (NPAT) PS1 – 2018-23**

NPAT \$'000	2018-19	2019-20	2020-21	2021-22	2022-23	Total PS1
CPI%	1.90	1.33	2.19	2.30	2.30	
Total NPAT per PS1	666	968	1,357	1,889	2,350	7,230
Total NPAT as per Corporate Plan	1,262	2,560	467	913	1,383	6,585
*Variance \$	596	1,592	(890)	(976)	(967)	(645)

\*2020-21 \$890k variance is due to operational expenditure approved outside the PS1 budget offset by \$743k of increased capital development revenue. Variances include \$355k increase in ICT expenses (including ICT optimisation), \$747k increase in Employee costs, \$150k for PS2 Business Case development, \$150k for Asset Revaluation, \$81k Business Case Option for Gas and \$20k for Aboriginal Water Assessment – Culture Flows Study.

**Table D6 – Capital Program PS1 – 2018-23**

Capital \$'000	2018-19	2019-20	2020-21	2021-22	2022-23	Total PS1
CPI%	1.90	1.33	2.19	2.30	2.30	
Total Capital Budget per PS1	5,389	5,716	5,720	5,202	6,054	28,081
Total Capital Budget as per Corporate Plan	4,304	7,492	7,229	6,109	6,207	31,341
*Variance \$	1,085	(1,776)	(1,509)	(907)	(153)	(3,260)

\*Variance is due to timing. Increase of \$3.2M above PS1 budget includes \$750k of approved carry over from 2017-18 expensed in 2018-19 and project scope increases of \$1.1M for Phase 1 Business Transformation Project and \$70k for SCADA Aerial Mast Replacement. It also includes \$842 for the purchase of land at Cowes, \$45k Emergency works at King Road, \$47k Diversity & Inclusion Plan, \$16k Site Safety & Security Signage, \$72k increase in WHS Compliance program and \$170k in facilities and trailer upgrades. Please note: this does not include any budget for Phase Two of the Corporate System Replacement Project.