



**WESTERNPORT**  
**WATER™**

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# CORPORATE PLAN 2012 to 2017

INT12-00021

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## SECTION A: STATEMENT OF CORPORATE INTENT

*Westernport Water is a sustainable enterprise providing quality products and services to our community.*

### THE BUSINESS OBJECTIVES OF WESTERNPORT WATER

We provide water and wastewater products and services, and advisory services, all of which are cost-effective for our customers and deliver triple bottom line results to our stakeholders. We value working in our region which is a model for a self-sustainable community; balancing residential, agricultural, tourism and commercial needs. We support our environment by striving for carbon neutrality and providing a range of sustainable water products. We proudly engage our community and stakeholders, and are committed to the development and well-being of our staff.

Our six key focus areas, which provide specific intent for the development of our business objectives over the five-year Corporate Plan period from 1 July 2012 to 30 June 2013, are detailed below.

### OUR CORPORATE GOVERNANCE

The intent of this key focus area, leading to the following business objectives, is to maintain the integrity and value of our business through sound governance and financial management.

- Planning for our future through strategic and business planning;
- Driving fiscal responsibility throughout our business;
- Meeting our regulatory requirements;
- Identifying and mitigating risks impacting our business;
- Regularly finding ways to become more efficient.

### OUR PRODUCTS AND SERVICES

The intent of this key focus area, leading to the following business objectives, is to provide cost-effective, quality products and services that complement our core business and meet our community's needs.

- Providing high quality drinking water;
- Continually improving the access, capture and trade of water;
- Optimising the use and sale of system by-products;
- Continually growing our business and service opportunities through innovation and alliance building.

### OUR ASSETS

The intent of this key focus area, leading to the following business objectives, is to enable the reliable and cost-effective delivery of products and services to our customers.

- Understanding the performance of our assets to support future business decisions;
- Supporting and developing robust preventative maintenance systems;
- Continually improving asset performance and efficiency;
- Researching and incorporating proven technology into the business.

## OUR COMMUNITY

The intent of this key focus area, leading to the following business objectives, is to be a valued member of the community.

- Fostering strong and positive relationships and partnerships with key stakeholders;
- Adding value to our community through the provision of resources, expertise and water related education;
- Providing timely, friendly and reliable customer service at a time, place and method of delivery that is convenient for our customers;
- Continually gathering feedback and measuring the community's response to our products, services, and actions.

## OUR ENVIRONMENT

The intent of this key focus area, leading to the following business objectives, is to be recognised as an environmentally sustainable organisation, and seeking initiatives to reduce our environmental footprint.

- Investigating options for investment in sustainable energy sources;
- Striving for efficient use of natural resources and driving environmental efficiencies into our business decisions;
- Reusing wastewater and biosolids and minimizing ocean outfall;
- Improving biodiversity.

## OUR PEOPLE

The intent of this key focus area, leading to the following business objectives, is to be an innovative, high performance organisation with a reputation that is valued by current and prospective employees.

- Continuing investment in the development and safety of our people;
- Listening and responding to our people to encourage engagement and to improve organisational performance;
- Embedding a culture where change is anticipated and responded to, responsibility accepted and accountability delivered.

These objectives form the basis of our Corporate Plan Framework for the five year period, exemplify the nature and scope of WPW's business, and support the program of works that have been included in the operational and capital expenditure forecasts detailed in [Section C: Business Objectives and Plans for 2012/13](#).

Inherent to the objectives outlined in the Corporate Plan is that all regulatory and compliance requirements are achieved with accurate and timely exchange of corporate data, and that the directives provided by The Statement of Obligations will be continued to be employed and developed within the activities of WPW through the efficient use of resources.

## THE MAIN BUSINESS UNDERTAKINGS OF THE ORGANISATION

The core function of WPW is to provide water and wastewater services wherever economically, environmentally and socially practicable to properties and communities throughout its district. WPW services more than 17,000 customers across an area of 300 square kilometres on Phillip Island and the mainland stretching from The Gurdies to Archies Creek.



WPW has a diversified water supply with water sourced from the catchment supplying the Candowie Reservoir (located in the Bass Hills near Glen Forbes) via Tennent creek, the Bass River and groundwater bores from the Corinella Aquifer.

All water is treated at the Ian Bartlett Water Purification Plant ("IBWPP") at the Candowie Reservoir and then pumped to the San Remo Basin for distribution to customers within WPW's district, with average annual system demand of approximately 1,900ML (or 1.9GL).

During 2010/11 a decision was made to further improve security of supply and as a result WPW has applied for, and been granted, a connection to the desalination pipeline and thereby the Melbourne Water headworks system for the supply of metropolitan water. This entitles WPW to source up to 1,000ML per annum from the Melbourne Water headwork system. Physical connection will occur during 2012/13. WPW will be utilising all practical water sources to meet customer demand over the five year planning period.

Wastewater services are provided to approximately 90% of properties that receive water. WPW has two wastewater treatment plants that process approximately 1,000 ML of domestic wastewater per annum. The principal plant, Cowes Wastewater Treatment Plant ("CWWTP"), treats around 90% of volume and is located on Phillip Island, servicing Phillip Island and the township of San Remo.

The secondary plant, King Road Wastewater Treatment Plant ("KRWWTTP"), treats approximately 10% of volume and is located in Coronet Bay, servicing the major townships of Corinella, Coronet Bay and Grantville located on the east coast of Westernport Bay. Wastewater from the townships of Kilcunda and Dalyston is treated under an agreement with South Gippsland Water at their Wonthaggi treatment plant.

In addition the Corporation provides the following services:

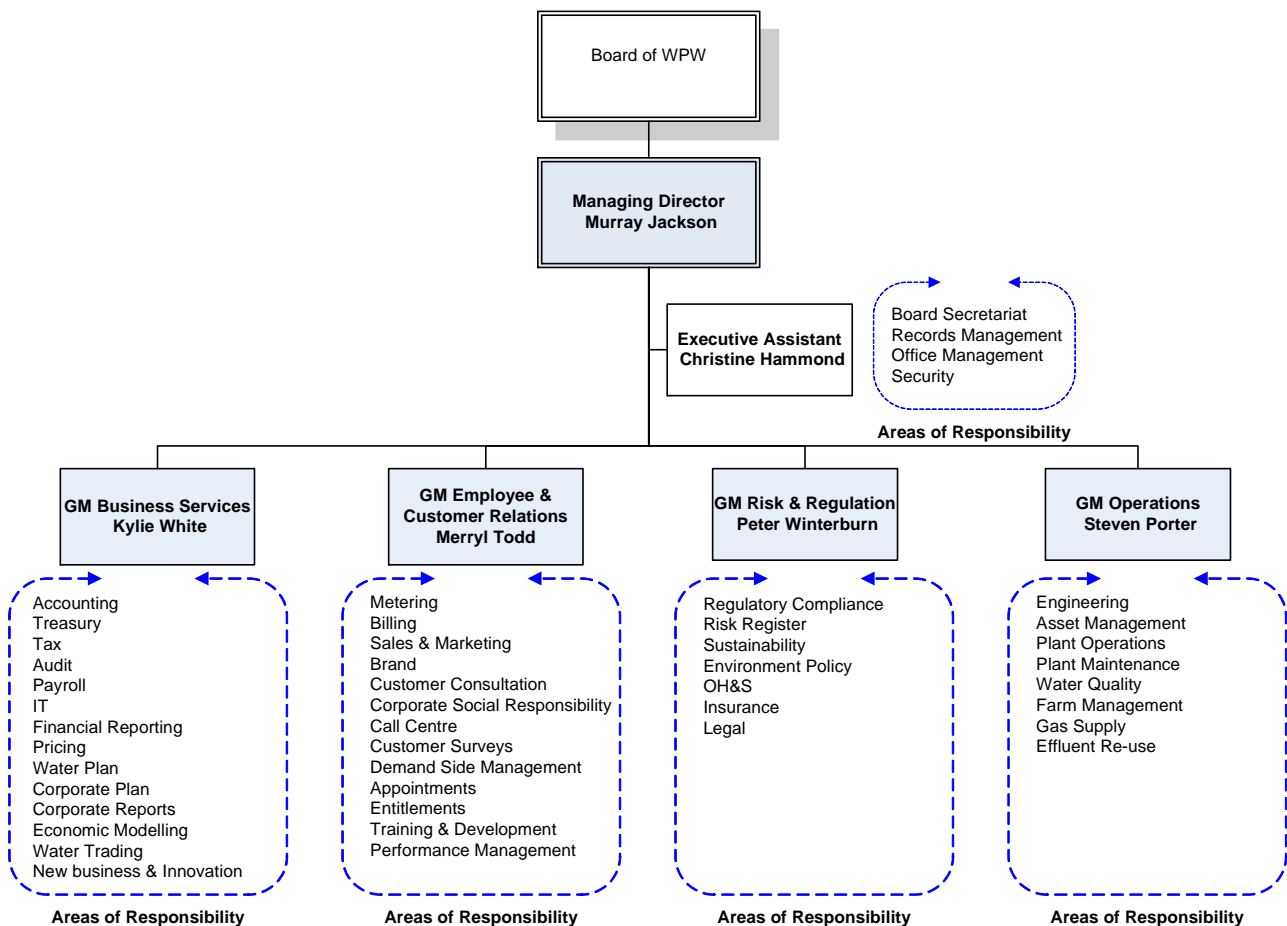
- **The sale of recycled water for dual pipe systems and other activities:** WPW currently produces Class B water for sale to commercial customers from both Cowes and King Road (Corinella) wastewater treatment plant facilities. Funding received in 2011 from the Federal Government's *National Water Security Plan for Cities and Towns* scheme has assisted with the construction of a Class A Recycled Water Project at Cowes wastewater treatment plant (CWWTP). The Class A Recycled Water plant is expected to be fully operational by June 2012;
- **Removal of minor trade wastes (greasy waste):** WPW engages a specialist licensed operator under a

commercial contract for the provision of greasy waste collection services. These services are then provided to customers who have entered into formal agreements with WPW;

- A liquid waste disposal facility at CWWTP;
- Other utility-oriented services including specialist advice on infrastructure and facility design for new developments;
- **A reticulated gas business:** WPW owns and operates a small (2.5km) Liquid Petroleum Gas (“LPG”) reticulation network in the San Remo area trading as WPW & Gas (“WWG”). Ministerial approval for this initiative was received in 2004 and enables WWG to distribute and retail LPG. Regulatory control resides with Energy Safe Victoria and WWG received unconditional approval for its Gas Safety Case in 2008;
- **The sale of lucerne and grass hay, a by-product of our effluent management process at KRWWTW:** WPW has taken the strategic decision to demonstrate to farmers that recycled water is a suitable and profitable option to grow high quality pasture. A Primary Production Management Strategy has been developed and the Operational Plan is reviewed annually within the framework of the strategy.

WPW has adopted a business structure that represents an efficient allocation of resources to ensure that our products and services are delivered to our customers and community in line with our business strategic objectives.

The organisational chart for WPW is as follows:



## THE PERFORMANCE TARGETS OF THE CORPORATION

WPW has implemented a strategic management framework encompassing six key focus areas and key business objectives. The following section details our strategic management framework, the business objectives and the various performance targets which will be used to measure the success of the Corporation's business plan during the year.



The key performance indicators (KPIs) are based on the measurable performance targets with regards to striving for operational efficiencies, sound financial management principles, engagement of our community and providing our staff with a safe working and motivated environment for staff development.

KPIs are reviewed annually to ensure they remain aligned with our key business objectives. Key business objectives are discussed in [Section C](#).

The following KPIs drive our business decisions, and are regularly reported to and reviewed by our Board of Directors and Audit & Risk Committee.

## OUR CORPORATE GOVERNANCE

KPI	Frequency of reporting	Target
Annual strategic workshop (Oct)	Annual	Strategic outcomes agreed and included in business plans
Key strategic issues/risks/opportunities discussed at Board –	Annual	Development of business plan based on risks and opportunities
Gross Operating Margin (%)	Annual	>40%
Debt to Assets	Annual	<5%
Capital Replacement - rate of spending on infrastructure with level of depn	Annual	<1.5
Annual Audit Plans	Bi-monthly	Audit actions recorded and completed as per agreed recommendations. Reported to Audit & Risk Committee
No major compliance issues	Monthly	No major audit or regulatory non-compliance issues recorded
Departmental emergency response plans – in place and tested (for critical business activities)	Bi-annual	Tested and outcomes reported to Audit & Risk Committee
Operational/project risk reviews	Bi-annual	Reviews conducted - % complete as per schedule. Reported to Audit & Risk Committee
Driving operational efficiencies through process improvements, technology, and procurement decisions	Bi-annual	Process Improvement Projects (PIPs) register (Annual target >\$100k) Procurement process savings \$100k

Additional financial sustainability ratios are included in [Appendix E](#).

## OUR PRODUCTS AND SERVICES

KPI	Frequency of reporting	Target
Compliance with SDW Act and regulations	Monthly	100% compliance
Water quality strategy implemented	Bi-annual	Strategy updated and implemented (2013/14)
Customer satisfaction on taste and odour	Annual	Satisfaction results maintained (or improved) from 2011 results
Meeting ESC performance targets	Quarterly	No GSL payments made
Application of optimisation model for business decisions – least cost water utilised first	Bi-annual	Operational optimisation model implemented in WP3
Participation and support to industry forums	Annual	Contributions to industry R&D (baseline of 1% of total CAPEX)
Investigation of other services to increase revenue and improve customer satisfaction with WPW services	Annual	All activities for service improvements identified in WP3 and implemented in line with strategic plans



## OUR ASSETS

KPI	Frequency of reporting	Target
No major unplanned events on regularly serviced key assets (as per preventative maintenance plan)	Monthly	No unplanned events recorded Annual preventative maintenance programs implemented
Proactive monitoring of asset performance to minimise impacts and costs to the business due to faults and failures	Bi-annual	Integration of SCADA information into Asset Management System (AMS)

## OUR COMMUNITY

KPI	Frequency of reporting	Target
Stakeholder engagement plan	Bi-annual	Implemented and reviewed annually
Creating a community attitude and awareness of 'partnership'	Annual	Overall customer satisfaction maintained (or improved) from 2011 results relating to community involvement Involvement in educational forums Targeted education and marketing plans
Implementation of additional online services	Annual	Customer on-line forms (in addition to Smart Forms) Account access Payment facilities A/H service

## OUR ENVIRONMENT

KPI	Frequency of reporting	Target
Minimising environmental negative impact	Quarterly	No Breaches of EPA Licence 100% sewer spills contained within 5 hours No significant incidents recorded resulting in long term detrimental impact on the environment EMS – continued education and training for all staff
Identification and implementation of environmental impact reduction initiatives	Quarterly	Reduce the mixing zone – from ocean outfall Improving quality of ocean outfall Increasing reuse customer base to reduce the volume of ocean outfall
Implementation of environmental procurement practices	Annual	Evidence of procurement decisions taking into consideration environmental considerations Project management framework including environmental assessment
Improving biodiversity	Annual	Undertake review of biodiversity asset register – increase in biodiversity value on our land Partnership with Landcare – to improve land management

## OUR PEOPLE

KPI	Frequency of reporting	Target
Planned Training and Development Executed	Quarterly	100%
Performance Management Plans and Reviews Completed	Formally every six months	100%
Health and safety performance monitoring	Monthly	No Lost Time Injuries (LTIs) resulting in 'standard' workcover claim Attendance register for WPW sponsored health & wellbeing programs Zero incidents resulting from non-compliance with safety procedures
WPW staff participation in 'Water People Mater' survey	Every 2 <sup>nd</sup> Year	>55% participation rate
Improvement in staff satisfaction reported in Water People Mater survey	Annual	Implementation of new performance framework Culture and capability plan developed and implemented
Recognition as Employer of Choice	Annual	Continuing close relationships with education providers in our region Participation in school and industry career expos

## SECTION B: KEY ASSUMPTIONS UNDERLYING THE CORPORATE PLAN

### OVERVIEW

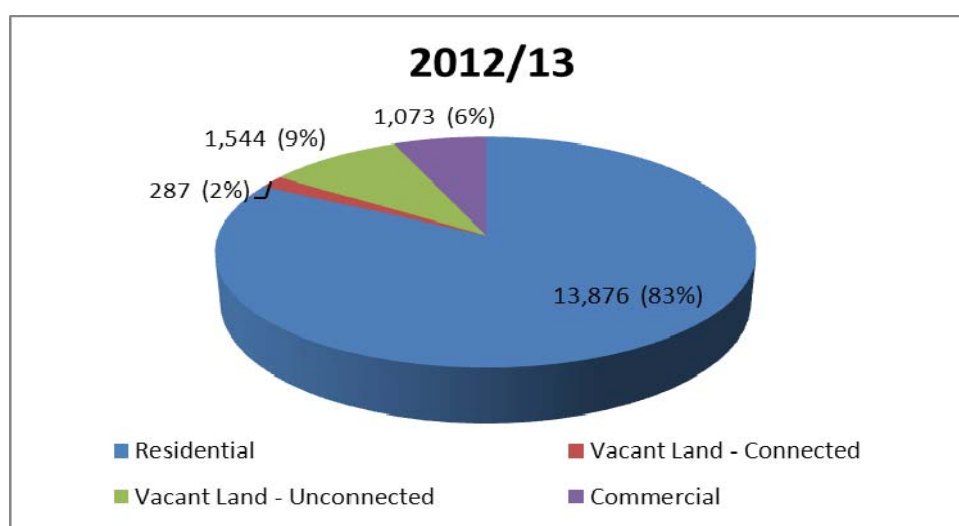
WPW forecasts that 16,780 properties will be supplied with water services and 15,398 with sewerage services in 2012/13. The majority of properties serviced by WPW are residential of which 55% are non-permanent residents, (who can be characterised as holiday-home owners) and 45% are permanent residents.

There are also 1,544 properties classified as unconnected vacant land, and commercial (or non-residential) customers account for only 6% of total property numbers.

WPW has 1,073 commercial customers and one major trade-waste customer.

The commercial or non residential sector is classified as per the definitions provided by DSE and includes municipal sites, farms, shops and restaurants, horticultural users and a significant accommodation sector comprising motels, bed and breakfasts and caravan parks. Currently the largest commercial potable water user in the region is an established holiday resort.

The following chart details the forecast composition of the WPW 2012/13 customer base:



### Average Annual Water Consumption

The average annual water consumption for a WPW residential customer is approximately 69kL and 519kL per commercial customer, based on 2010/11 figures. The low residential figure is affected by the large percentage of non permanent residential housing. The average residential account (69kL) will increase by 2.5% from 2011/12 to 2012/13.

Average Residential Account	2011/12	2012/13
Volumetric (69kL)	\$ 101.59	\$ 103.85
Water Fixed	\$ 360.84	\$ 368.90
Waste Fixed	\$ 548.31	\$ 560.57
Total Account	\$ 1,010.74	\$ 1,033.32

### Recycled Water Customers

Class A recycled water will be available from July 2012. All new subdivisions on Phillip Island will be required to connect to the recycled water ('dual pipe') network, as well as the current Class B customers.

WPW has received a number of enquiries from other customers in our service region to connect to the recycled water network, including farmers and a major tourist resort. However, only customers who are located near or on

the current recycled water network will be able to connect. Future planning to increase the recycled water market into other areas of our service district on Phillip Island and San Remo is included in future capital programs.

WPW is currently developing an education and marketing campaign for the recycled water market.

Replacement of potable water demand with recycled water usage is expected to be up to 20% for residential customers that connect to the recycled water network. 1400 residential customers are expected to be connected over a 10 year planning period. Currently 70 customers are receiving potable water via the recycled water network.

Recycled water charges are still being finalised and will require approval by Essential Services Commission (ESC). It is expected that new recycled water charges will be effective from 1 July 2013<sup>1</sup>.

## CUSTOMER AND DEMAND ASSUMPTIONS

### Property Forecast 2012/13

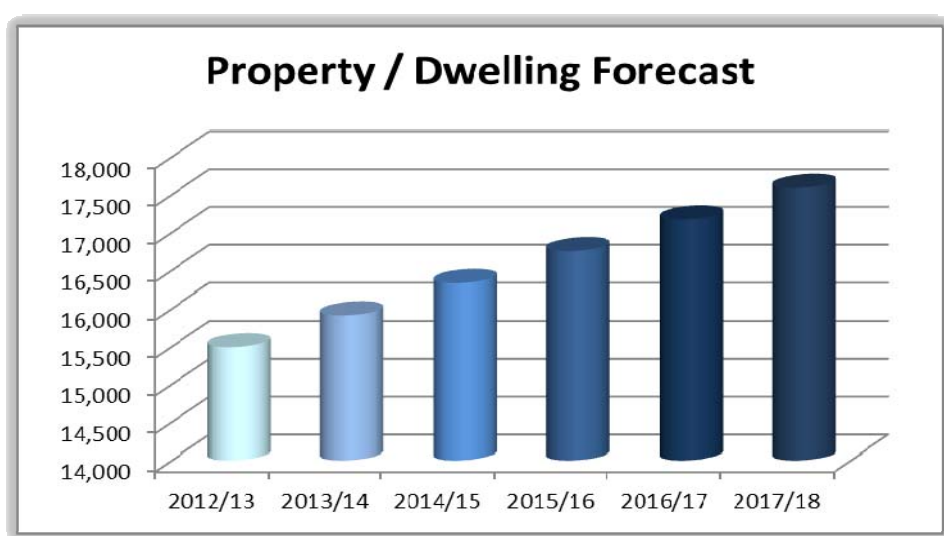
Property Type	Property Nos.	Water Plan
Residential	14,163	14,322
Vacant Land (unconnected)	1,544	1,901
Commercial	1,073	789
TOTAL PROPERTIES	16,780	17,012

The major assumptions driving the property forecast are:

- Growth in residential properties numbers of 2.0% from 2011/12;
- Growth in commercial properties 0.9% from 2011/12;
- Reduction in unconnected vacant residential land of 1.3%; and
- No significant growth in commercial or industrial customers.

WPW has continued with growth assumptions for WP3 forecasts.

Steady growth in our region is supported by the number of developments currently underway and building permits lodged with the local shire (Bass Coast Shire Council). The following details have been sourced from the Council's analysis of 2006 Census data and current data regarding subdivisions and regional growth in properties (dwellings):



Source: Bass Coast Shire Council / Developments  
<http://forecast2.id.com.au/Default.aspx?id=344&pg=5330>

<sup>1</sup> WPW is currently working with ESC to implement new recycled water tariffs for 2012/13.

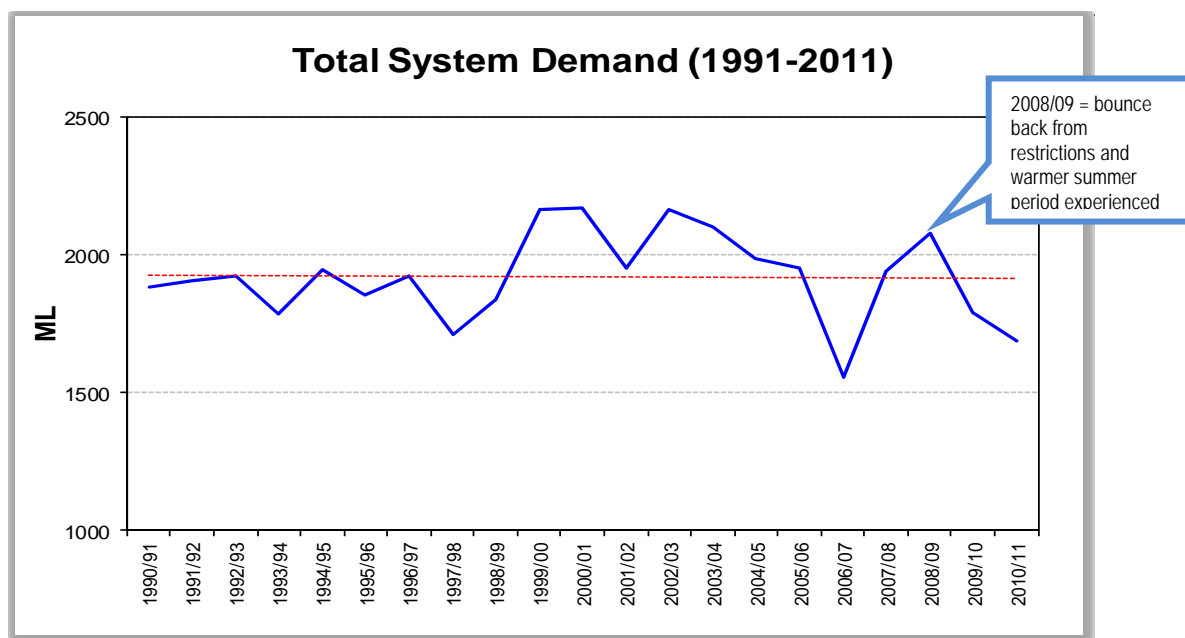
## Customer Demand Forecast 2012/13

Customer Type	Demand (ML)	Water Plan (ML)	Variance in assumptions (%)
Residential	1,034	1,616	-36%
Commercial	573	566	1%
TOTAL CUSTOMER DEMAND	1,607	2,182	-26%

Growth in water consumption is anticipated to be 1% less than the percentage growth in property numbers for the following reasons;

- Highly seasonal customer visitation and continuing low usage for holiday homes;
- Ongoing water conservation programs aimed at constraining demand; and
- Pricing signals to domestic customers to conserve water through an Inclining Block Tariff consumption charging structure.

WPW has continued to realise a consistent 2% growth in properties each year for the last 6 years, however total system demand<sup>2</sup> has reduced to below the 10 year average (1,900ML/yr), as highlighted in graph below:



Further details regarding future demand modelling and assumptions are contained in [Section E](#).

<sup>2</sup> Total system demand includes non-revenue water and water losses (estimated at average 13% per year).

## PRICING

### Water Volumetric pricing

WPW implemented an Inclining Block Tariff (IBT) structure for water consumption in July 2008 applicable to domestic residential customers. The pricing for the IBT usage blocks are as per the table below:

Inclining Block	Consumption Per Billing Period	2012/13 \$ per kL
Block 1	0-33kL	\$1.5051
Block 2	33-108kL	\$1.8032
Block 3	Greater 108kL	\$2.3223

Pricing assumptions for 2012/13 volumetric IBT include 2.5% Price Path Movement (ESC 2008 Water Price Review) + 2.5% CPI.

### Future Volumetric Pricing

WPW is proposing to move away from the current IBT structure and adopting a flat variable tariff for residential customers for the next water plan period (WP3). Initial modelling and customer consultation has been based on the following proposals for changes in volumetric tariffs:

- Capped volumetric rate of \$1.63 (exc WP3 pricing path and CPI) = revenue neutral;
- Increasing volumetric rate above \$1.75 (revenue neutral rate) to reduce fixed water charges;
- Proposed pricing path of up to 2.6% annual average over WP3. Pricing path is still to be finalised pending customer consultation for WP3 proposals.

### Commercial / Non-Residential Pricing

Commercial water consumption will remain as a single volumetric tariff as commercial (or non-residential) customers do not have the same levels of discretionary usage as residential customers. The forecast volumetric charge for commercial customers for 2012/13 is \$1.6392. Pricing assumptions include 2.5% Price Path Movement (ESC 2008 Water Price Review) + 2.5% CPI.

### Future Commercial / Non-Residential Pricing

WPW is proposing to move away from differential volumetric pricing for commercial customers and adopting a variable tariff for both commercial and residential customers in WP3, as per volumetric tariff structure detailed in above section.

### Vacant Land Pricing

WPW commenced restructuring our approach to charging vacant land customers for water and sewerage services during the 2005-2008 regulatory period. Water and sewer vacant land charges have remained at nominal values (no price increases apart from CPI) for the 2008-2013 regulatory period.

### Future Vacant Land Pricing

WPW is proposing to continue to apply CPI only to vacant land charges for *unconnected* vacant land, and charges will remain at a discounted rate (50%) of 20mm service charge.

Connected vacant land will attract the full 20mm water fixed charge and only 50% of the sewer charge (where sewer is available).

Details of all 2012/13 water and sewer charge are included in [Appendix C](#).

## WATER SUPPLY ASSUMPTIONS

WPW accesses water from a diverse range of sources. The Bulk Entitlements held by WPW are currently 2,911ML from Tennent Creek and 3,000ML from the Bass River. WPW also holds a licence to access up to 491ML of groundwater from the Corinella Aquifer.

The Corporation's Water Supply Demand Strategy has recently been updated and confirms that the system yield under "return to dry" conditions, with 95% reliability, is 1,285ML. With annual [average] demand of around 1,900ML, current modelling identifies a potential [average] annual shortfall of up to 615ML. Augmentation of the Westernport system is required to meet current and future demands.

This shortfall will be met through two separate supply augmentation approaches. Firstly, works to increase the capacity of Candowie Reservoir are scheduled to commence in 2012/13. This will entail an increase in the storage capacity of Candowie Reservoir from 2,263ML to 4,463ML. Secondly, the Corporation has been granted a connection to the desalination pipeline and a bulk entitlement of up to 1,000ML per annum from the Melbourne Water headworks system. Connection to the Melbourne Water headworks system is scheduled to occur in 2012/13.

The increase in storage capacity at Candowie will enable optimized capture of lowest cost water sources and deliver increased system yield under "return to dry" conditions, with 95% reliability, from 1,285ML to 2,650ML. The diversified combination of Bulk Entitlements, increased storage capacity and a connection to the Melbourne Water headworks system, means the forecast water supply demands of the region can be cost-effectively met through to 2055.

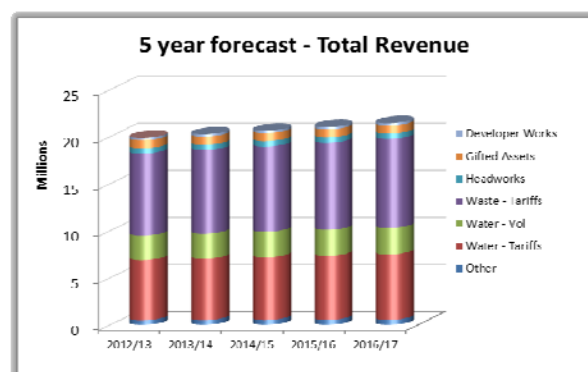
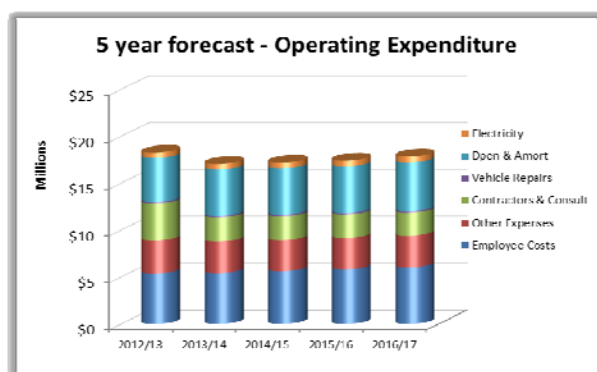
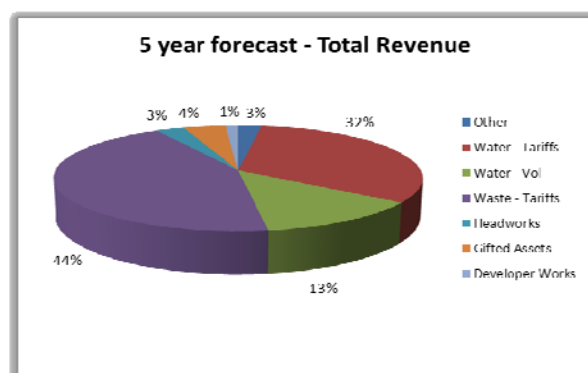
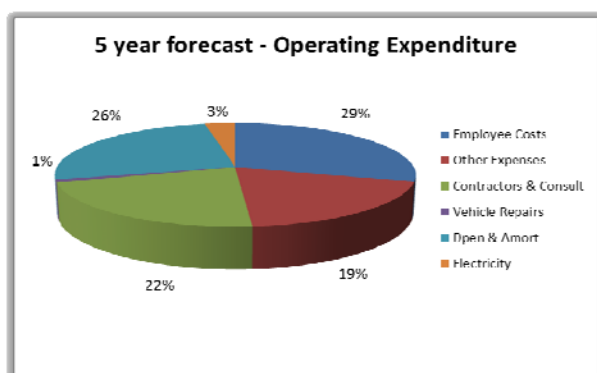
In the future the Corporation has the option, if needed, to either access water from the Melbourne Water headworks system or implement the Stage 2 upgrade to the Bass River Pump Station. On current demand forecasts this will not be required until around 2035.

## FINANCE ASSUMPTIONS

WPW has maintained a positive financial sustainability position over the previous five year period. The 2012/13 Corporate Plan five year forecast presents the corporation with a challenge of balancing the need to secure fixed long term borrowings to fund major capital programs, as well as achieving a sustainable net profit position.

The key financial assumptions used in the development of the Corporate Plan budgets have been modelled on:

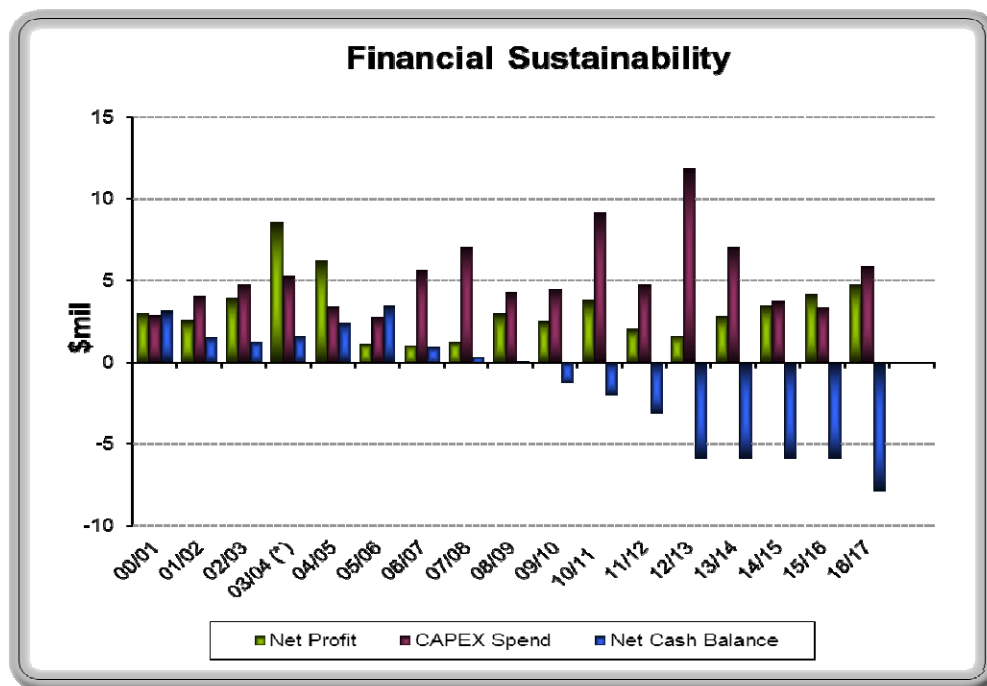
- Achieving a positive net profit position for the Corporate Plan period;
- Developing a capital replacement program to support business operations, and meet service delivery obligations;
- 2012/13 includes \$1.2M operational costs associated with raising a council maintained road to provide public access around [upgraded] reservoir at Candowie;
- Asset replacement and renewals program developed from our strategic asset management plans and our new asset management system (AMS);
- Timing of capitalisation of major projects over the five year period – which affects annual depreciation costs;
- Demand forecast consistent with previous year trend, allowing for 2% growth in property numbers.
- No cost allocation for the use of metropolitan water. The current pricing principles for metropolitan water, as provided by Melbourne Water headworks system, are based on a usage per ML charge. WPW does not expect to utilise its 1,000 ML bulk entitlement in this 5 year corporate plan;
- Increasing debt lending facilities for future CAPEX program, additional short term borrowings, and securing suitable long term borrowing strategy;
- Not undertaking any Government funded projects;
- As advised by DSE in Water Plan 3 Guidance Notes, the Environmental Contribution will be levied at 5% of 2010/11 operating revenue, and will be effective from 1 July 2012 to 30 June 2016. WPW contribution has increased from \$547k per year to \$813k (49%);
- No payments of dividends and tax over the Corporate Plan period;
- CPI increase capped at 2.5% each year;<sup>3</sup> and
- Proposed pricing path of 2.1% average annual increase over WP3. Pricing path is still to be finalised pending customer consultation for WP3 proposals.



<sup>3</sup> Based on State budget update 2010-11. A movement of + or - 0.2% in CPI will only create a \$30k variance – not material.



## FINANCIAL PERFORMANCE – Now and Into the Future



WPW's financial sustainability over the planning period, as highlighted in above graph, indicates a progressive draw down on cash reserves to fund increasing capital renewals and replacement programs. WPW will be entering into a period of increased borrowings over the short to medium term. A borrowing strategy will be developed in conjunction with Treasury Corporation Victoria (TCV) to ensure appropriate debt levels can be serviced from future net operating cash flows, as well as minimise borrowing (FAL) costs.

The financial position is premised on the major assumptions driving net profit, as discussed in above sections, and the timing of payments for our capital investment program.

WPW focus for capital is to upgrade our sewer distribution and treatment systems to accommodate the growth in our Cowes region, as well as our annual replacement program. Our current [average] capital replacement ratio is 1.5, which is considered an acceptable benchmark level by VAGO guidelines, and remains our target over the corporate planning period,[refer to performance targets for [Governance \(p.8\).](#)]

WPW is currently implementing a new asset management system (AMS), which will be in operation for the first year of the Corporate Plan period. The new AMS will provide a more sophisticated and fully integrated asset management process that will support future planning decisions, and predicate preventative maintenance costs. WPW's focus on preventative maintenance programs, over the last two years, has assisted with the identification of potential 'spikes' in capital expenditure (renewals and replacements) based on condition assessments that are progressively being captured at asset level. Detailed operational and capital expenditure forecasts developed using the new AMS will be reflected in future Corporate and Water Plans.

Further financial ratios are provided in the Corporate Plan 2012/13 financial templates, refer to [Appendix B](#).

## SECTION C: BUSINESS OBJECTIVES AND PLANS

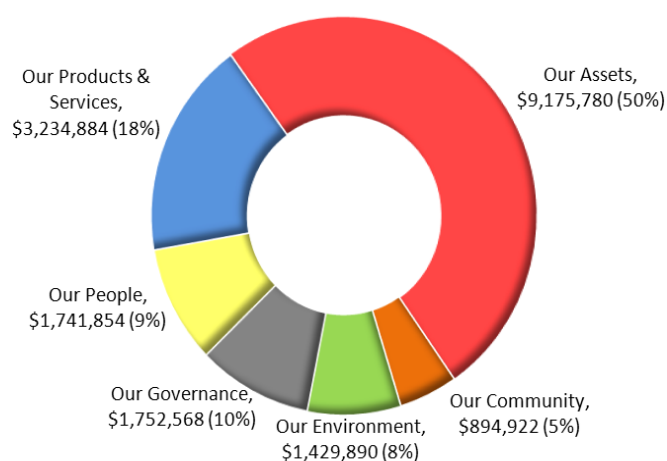
Section C details WPW's business objectives and plans. The objectives are driven by our **six key strategic focus areas** of the Corporation:

1. Our Governance
2. Our Products and Services
3. Our Assets
4. Our Community
5. Our Environment
6. Our People

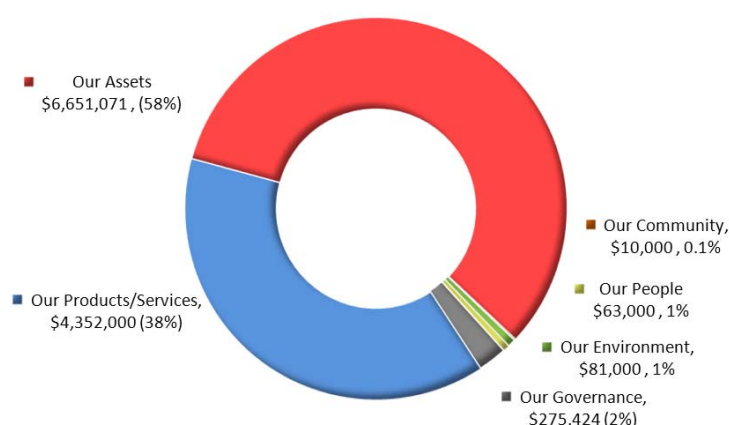
The planned spend on our business objectives for the 2012/13 period is allocated into capital expenditure ("CAPEX") of \$11.4M and operational expenditure ("OPEX") of \$17.9M.

In summary, the following charts represent OPEX and CAPEX as they relate to our key strategic focus areas, and the initiatives to be implemented to achieve our business objectives<sup>4</sup>.

**2012/13 Expenditure by Key Strategic Focus Area**



**2012/13 Capital Expenditure by Key Focus Area**



A summary of key CAPEX projects and programs for the Corporate Plan outlook is provided below. Further

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<sup>4</sup> Please note: depreciation of \$4.7M, is included in 'Our Assets'.

details of initiatives supporting the six key strategic focus areas, is provided in the following sections:

5 year Corporate Plan – Capital Projects	
Candowie Works	\$4.1M
Candowie upgrade	\$6.4M
Sewer Mains	\$6.0M
CWWTP Scheduled Works	\$3.0M
Pump Station Upgrade Works	\$1.8M
IBWPP Scheduled Works	\$1.4M
KRWWTP Replacement Program	\$0.9M
Corporate Works (Various)	\$0.8M
Water Distribution Treatment Works	\$0.6M
CWWTP Replacement Programs	\$0.6M
San Remo Scheduled Works	\$0.5M
Water Mains Replacement Program	\$0.5M
IBWPP Replacement Programs	\$0.5M

A full list of capital projects is included in [Appendix D](#)

## OUR CORPORATE GOVERNANCE

The intent of this key focus area, leading to the following business objectives, is to maintain the integrity and value of our business through sound governance and financial management.

- Planning for our future through strategic and business planning;
- Driving fiscal responsibility throughout our business;
- Meeting our regulatory requirements;
- Identifying and mitigating risks impacting our business;
- Regularly finding ways to become more efficient.

### OPEX

The operating expenditures planned for the 2012/13 year total approximately \$1.8M and are attributable to the following activities:

- A continual 'all hazards' approach to risk management during 2012/13 with programs for security risk management, water quality and people health and welfare.
- The continued roll-out of information technology strategies is continuing during the 2012/13 year, including the completion of works on integrated corporate information systems;
- Implementation of knowledge management framework via intranet;
- Continuing our archiving project to ensure ongoing compliance with record keeping legislation (PROV);
- Records management audit;
- Relocation of records to accredited storage facility;
- Corporate subscriptions and memberships;
- Renewables energy audit - or funds may be used to further support R&D water industry initiatives developed via the intelligent networks initiative and Technology Approvals Group (TAG);
- Additional insurance costs for major augmentation and other construction projects;
- Implementation of key IT Strategic risk management initiative – relocation of infrastructure to offsite location.
- Finalise easements held or required to be lodged over the Corporations assets;

### CAPEX

The key capital expenditure planned for the 2012/13 year is approximately \$0.3M and includes the following projects:

- Introduction of a new Human Resources Information System (HRIS);
- Introduction of new Corporate Business Information System (BIS);
- Enhancement of our intranet;
- Finalise rollout of integrated corporate system(s).

### MATERIAL CHANGES WITH PREVIOUS PLANS

Corporate Plan 2011/12

- HRIS and BIS introduction has been deferred to 2012/13 Corporate Plan budget.
- New corporate system implemented in 2011/12 to be fully integrated with asset management solution and other corporate systems in 2012/13
- Estimated under recovery of \$500k over WP2

### KEY PROJECTS FOR NEXT WATER PLAN

- R&D to support water industry initiatives

## OUR PRODUCTS AND SERVICES

The intent of this key focus area, leading to the following business objectives, is to provide cost-effective, quality products and services that complement our core business and meet our community's needs.

- Providing high quality drinking water;
- Optimisation of available water sources to deliver low cost water;
- Continually growing our business and service opportunities through innovation and alliance building;
- Provision of additional value add services aligned to our core business.

In accordance with the Water Quality Strategy a key focus for the year will be to consolidate and monitor the water quality improvements arising out of the chloramination project which was completed in 2011/12. Minor modifications may be required as more data becomes available.

It is anticipated that the final section of pipework between the Desalination pipeline and the Corporation's main transfer pipe will be completed in 2012/13.

### OPEX

The operating expenditures planned for the 2012/13 year total approximately \$3.2M and are attributable to the following activities:

- Targeted air-scouring and flushing programs;
- Tank and basin cleaning;
- Increased activity for CCTV gravity mains inspections;
- Major update of the Operation and Maintenance manuals for the King Rd Wastewater Treatment Plant;
- Customer Satisfaction survey;
- Contribution to technology research groups for R&D;
- Water Plan 3 consultation program;
- Targeted marketing and education campaign for recycled water customers.

### CAPEX

The key capital expenditure planned for the 2012/13 year is approximately \$4.3M and includes the following projects:

- Issuing of tender and drawings for the construction of the Candowie Upgrade Project;
- Completion of ancillary works at Candowie, including land purchases

## **MATERIAL CHANGES WITH PREVIOUS PLANS**

### Water Plan 2008-2013

- The updated Water Supply Demand Strategy has identified that an upgrade to the Bass River Pump Station and associated pipeline is not required until demand approaches 3,000ML/a;
- Bass River bypass pipeline project deferred - proposed project to build a pipeline directly from Bass River to treatment plant and bypass reservoir to mitigate potential risk of major algal bloom affecting stored water in Candowie.
- Additional treatment upgrade at Candowie deferred – due to current water quality improvement programs and estimated improvements in water quality due to proposed increased dam capacity.
- WPW has committed funds for the installation of a secondary connection to the desalination pipeline. This connection will allow scour water from the pipeline to be transferred directly to Candowie Reservoir, where it can be stored and treated.
- WPW commenced the construction of a Class A Recycled Water plant at our CWWTP. This project was not included in the current water plan capital investment program.
- Additional costs associated with under channel pipeline project due to increased size of pipeline.
- Current forecast of water plan capital expenditure will be over budget (\$3M).

## **KEY PROJECTS FOR NEXT WATER PLAN**

- Major focus for WP3 will be upgrades to sewer distribution system, pump stations, and CWWTP (\$10.5M) to accommodate growth in the Cowes district;
- Finalisation of ancillary works associated with Candowie upgrade project (\$1.4M);
- Tertiary Treatment (\$1.5M)

## OUR ASSETS

The intent of this key focus area, leading to the following business objectives, is to enable the reliable and cost-effective delivery of products and services to our customers.

- Understanding the performance of our assets to support future business decisions;
- Supporting and developing robust preventative maintenance systems;
- Continuing to improve asset performance and efficiency;
- Searching out and incorporating proven assets and technology into the business.

A key activity in 2012/13 will be the roll out mobile technology to all field staff. This work is associated with the introduction of the Asset Management System (AMS) in 2011/12 and will facilitate the transfer and collection of data from the field.

Following on from the Central Region Sustainable Water Strategy and the updated Water Supply Demand Strategy the Corporation will be commencing its main project from the Water Plan 2008 -2013 which is the Water Storage Project preferred option of upgrading the Candowie Reservoir.

The Business Case for the Water Storage Project was completed in 2011 and reviewed by the DSE and DTF. Detailed design work was also completed and tender documentation has been finalised. Land purchases in support of the Water Supply Project are anticipated to be completed in 2012/13.

In the lead up to the next water plan period the Strategic Asset Management Plan and associated infrastructure specific Asset management Plans are being updated. The Water Plan 3 period will see a strategic shift from Building Awareness to Improved Decision Making. Work will continue on mapping and assessing the condition of above and below ground assets.

The newly appointed Systems Engineer has been developing the Corporations water and sewer hydraulic models, building on previous work that linked data from the SCADA network to the models. Over 2012/13 it is expected that these models will be further developed and used in both planning and operational activities.

### OPEX

The operating expenditures planned for the 2012/13 year total approximately \$9.2M and include the following activities:

- Rollout of mobile technology for operations staff to receive and respond more efficiently to customer requests and emergency calls;
- Payment for raising public road to accommodate water storage upgrade at Candowie reservoir (\$1M)
- Revegetation associated with Candowie reservoir project (\$0.2M)
- Update of the Corporations Sewer Model;
- Preventative Maintenance Plan for the newly installed SCADA system and other key Corporation assets;
- Ongoing maintenance and repair of the water and sewer infrastructure with an increased focus on pump stations;
- Further development of the preventative maintenance program based on data collected and analysis of asset performance via AMS and SCADA systems.

### CAPEX

The key capital expenditures planned for the 2012/13 year total approximately \$6.7M and partially comprise the following projects:

- Candowie reservoir (storage) upgrade project;
- Plant and equipment replacement and renewals program – computer hardware, software, miscellaneous office equipment, motor vehicles; depot equipment;
- Infrastructure replacement and renewals – pipeline, valves, electrical switchboards, household meters,

flowmeters.

### **MATERIAL CHANGES WITH PREVIOUS PLANS**

Water Plan 2008-2013

- The major change from assumptions used in the development of the Water Plan is the ongoing rollout of the new Clear SCADA system. This project was undertaken as it became evidently necessary to replace the existing ELPRO system which was reaching the end of its effective life. The Clear SCADA system has been installed at all of the Corporations major sewage pump stations.

### **KEY PROJECTS FOR NEXT WATER PLAN**

- Water and Sewer distribution replacement programs (\$3.5M)
- Replacement of San Remo storage basin liner (\$1.4M)
- Water treatment plant upgrade (\$0.5M)



## OUR COMMUNITY

The intent of this key focus area, leading to the following business objectives, is to be a valued member of the community we service by:

- Fostering strong and positive relationships and partnerships with key stakeholders;
- Adding value to our community through the provision of resources, expertise and water related education;
- Providing timely, friendly and reliable customer service at a time, place and method of delivery that is convenient for our customers;
- Continually gathering feedback and measuring the community's response to our products, services, and actions;
- Creating a community attitude and awareness of 'partnership'

In 2012/13 we will enact our Corporate Social Responsibility program, the aim of which is to continually improve the social responsibility of WPW, whether it is through our corporate reputation, our ability to recruit and retain quality staff, or the effective use of our resources to support local community development initiatives. These include initiatives such as:

- the free use of our popular hydration station for community events
- the installation of drinking fountains at local parks
- our traineeship and scholarship programs and
- water conservation education programs in our local schools.

### OPEX

The operating expenditures planned for the 2012/13 year total approximately \$0.9M. The following activities provide more information:

- Trained and dedicated customer service team to provide assistance (face-to-face or over the telephone) with all product and service enquiries and 24 x 7 telephone response to any fault or emergency call;
- Provision of a range of water conservation tools and items (eg. water audits, educational material, showerheads, shower timers;
- Water conservation education programs to local schools, regional groups and large commercial potable water users;
- Employment opportunities to the local youth market via scholarship and traineeship programs;
- Education and marketing campaign to promote Class A Recycled Water;
- Continue developing our website to meet customer needs.

### CAPEX

The key capital expenditure planned for the 2012/13 year is approximately \$0.01M.

- Corporate signage updates to incorporate new corporate logo implemented in 2011

### MATERIAL CHANGES WITH PREVIOUS PLANS

Nil

### KEY PROJECTS FOR NEXT WATER PLAN

Nil

## OUR ENVIRONMENT

The intent of this key focus area, leading to the following business objectives, is to be an environmentally sustainable organisation, reducing our environmental footprint.

- Striving for efficient use of natural resources driving environmental efficiencies into our business decisions;
- Minimising negative impacts on our environment;
- Reusing wastewater and biosolids, and minimizing ocean outfall;
- Improving biodiversity.

WPW will be working towards little to no environmental impacts from our business activities through undertaking an energy audit of the business to increase the efficient use of natural resources, implementation of sewerage management plan audit recommendations, a review of treated effluent irrigation to land, reduction of the mixing zone area from the ocean outfall, and ensuring we meet the bulk entitlement requirement regarding environmental flows obligations, and monitoring. In the next 5 years WPW will need to respond to changes in State Environment Protection Policies under the statutory policy review being undertaken by DSE and EPA.

### OPEX

The operating expenditures planned for the 2012/13 year total approximately \$1.4M. The following activities provide more information:

- Environmental contribution (increase from \$547k to \$813k (49%) from 2011/12);
- WPW Environmental Management System will be continued to be utilised to assess and manage the environmental impacts of WPW's business activities.
- Continue to work with partners, Melbourne Water and Landcare, in an integrated approach to managing catchment management issue impacting Candowie reservoir.
- Undertake stage 2 revegetation on WPW land immediately surrounding Candowie reservoir.
- Implementation of Sewerage system management plan audit recommendations.
- Carry out 3<sup>rd</sup> year of Biosolids Management Plan actions and undertake a review of previous applications of biosolids land application.
- Engage consultant to assist with identification and implementation of environmental impact reduction initiatives, in addition to any other recommendations resulting from audits.

### CAPEX

The capital expenditures planned for the 2012/13 year total approximately \$0.08M and relate to:

- Sludge management at Cowes and King Road waste treatment plants; and
- Land management improvements.

### MATERIAL CHANGES WITH PREVIOUS PLANS

Construction of Class A recycled water facility was not included in previous business plans. A small investment was included in WP2 to continue investigations into treatment options, however the Board approved the additional project during 2010/11 following the confirmation of funds from the Federal Government to support this key project. Project is scheduled for completion by June 2012.

### KEY PROJECTS FOR NEXT WATER PLAN

- Sludge management programs (\$0.8M) and Odour control programs (\$0.2M)
- Silverleaves sewer system investigations (\$0.1M)

## OUR PEOPLE

The intent of this key focus area, leading to the following business objectives, is to be an innovative, high performance organisation with a reputation that is valued by current and prospective employees.

- Continuing investment in the development and safety of our people;
- Listening and responding to our people to encourage engagement and to improve organisational performance;
- Embedding a culture where change is anticipated and responded to, responsibility accepted and accountability delivered;
- Providing an environment where learning and innovation can grow to provide continuous improvement to the management of our business;
- Enhancement of our reputation as an employer of choice.

### OPEX

The main operating expenditures planned for the 2012/13 year total approximately \$1.7M. These include :

- Development of HRIS (Human Resources Information System) reporting system;
- Implementation of Culture and Capability 3 year program;
- Training and formal qualification opportunities for our people to ensure our knowledge and business practices remain current and exploit all opportunities for business efficiency and effectiveness;
- Continuation of traineeship and industry placement programs;
- Provision of "wellness" programs for staff to complement existing health and safety programs;
- ACOSH have been engaged to provide an electronic chemical management system which will ensure access to appropriate Material Safety Data Sheets (MSDS) and an on-line chemical register and associated risk register;
- OH&S management system assurance assessment based on AS/NZS 4801 during 2012/13;
- Monthly staff communication forums to provide progress reports against Corporate Plan targets and other matters of interest.

### CAPEX

The capital expenditures planned for the 2012/13 year total approximately \$0.06M.

- Further development of intranet – building on knowledge management framework;
- OH&S equipment purchases.

### MATERIAL CHANGES WITH PREVIOUS PLANS

Nil

### KEY PROJECTS FOR NEXT WATER PLAN

- Upgrade of building layout to accommodate additional workstations (\$0.2M)

A full list of capital projects scheduled for the 5 year Corporate Plan period and WP3 is included in [Appendix D](#)

## SECTION D: BUSINESS RISK

The objective of an enterprise wide risk management system remains the focus for WPW over the next planning period.

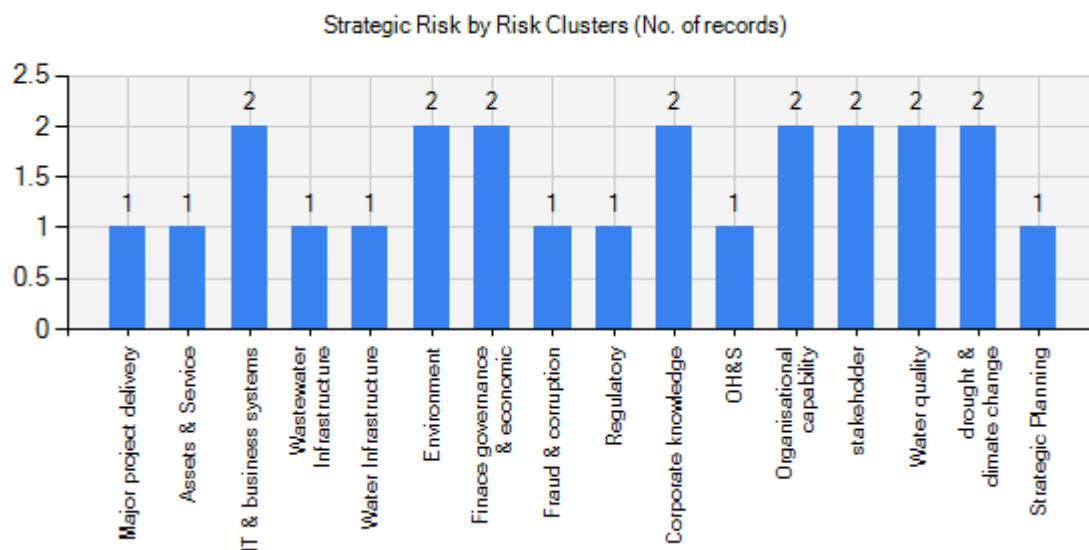
Assessment of our risk register against the elements of social, environmental, economic and reputation was completed during 2011/12, as planned.

As part of our continual improvement program, and in conjunction with the Board, WPW proposes to enhance the existing risk management framework to include the following elements:

- Risk tolerance and appetite statement;
- Risk assurance mapping; and
- Risk control validation.

Communication and training programs for all staff will aim to embed these principles throughout the organisation, commencing in 2012/13.

During the course of 2011/12 WPW reviewed, in conjunction with the Board, our strategic risk register. WPW strategic risk register is derived from the strategic business objectives detailed within the WPW Corporate intent 2011-2016. It was noted that primary risks reported have not significantly changed from that reported in the previous year. WPW has adopted the DSE industry risk cluster categories to classify our 24 strategic risks, which is represented in the chart below.



The risk register presented within the 2012/13 Corporate Plan is a culmination of the review process outlined above, which comprises 24 discrete strategic risks. In summary the two highest risks identified by WPW are listed as:

- Economic (Our Corporate Governance) - *Inability to secure water* - Extreme rating

Action Plan(s) included in 5 year planning period:

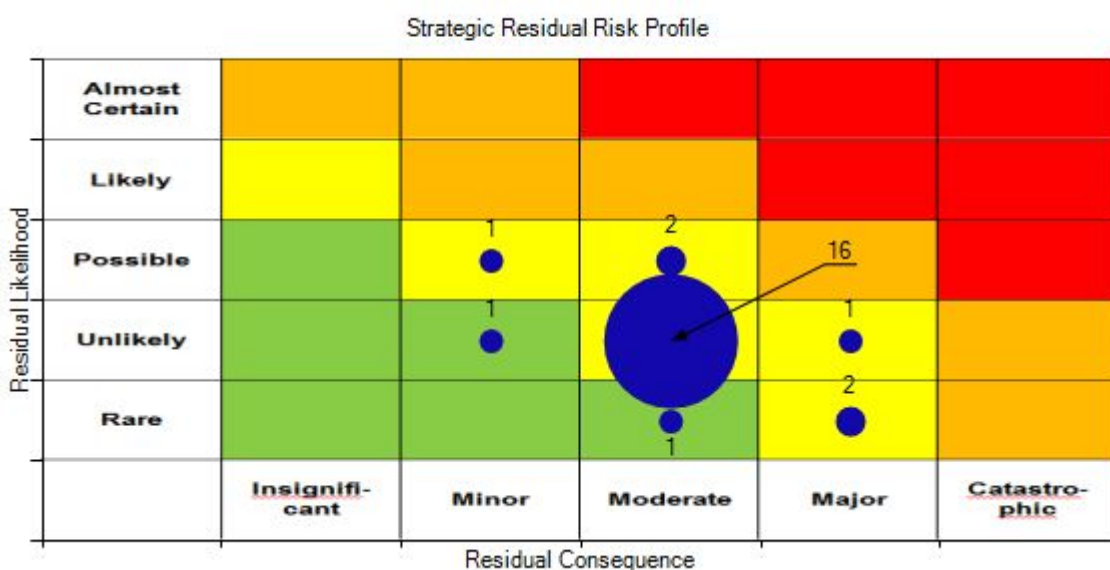
- Candowie upgrade project;
- Class A Recycled Water;
- Securing a permanent entitlement for Corinella aquifer; and
- Connection to Melbourne Water headworks system.

- Social (Our People) - *Failure to provide a safe workplace* - Extreme rating

Action plan(s) included in 5 year planning period:

- Assurance assessment of OH&S plan 2012/13 against AN/NZ4801;
- Introduction of a Contractor Induction Card;
- Ongoing employee compliance training and wellbeing programs; and
- Health and safety performance monitoring.

The following chart depicts WPW strategic residual risk subsequent to implementing controls. Controls to manage strategic risks and business objectives are included in the capital investment or operating costs summary, as outlined in the [Business Objectives](#) section above.



The risk reporting template provided by DSE has been used to collate and report our risks, and is the same template used to present our risks, as shown in [Appendix A](#).

WPW will continue to build a risk based culture with the focus for risk management during 2012/13 in the areas of:

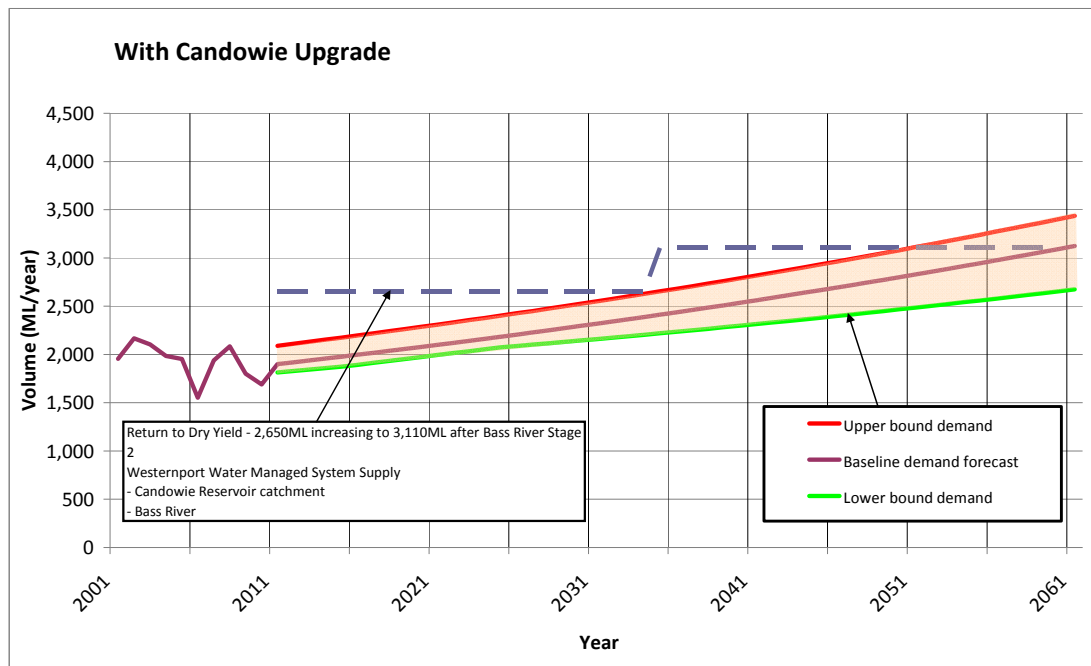
- Business continuity risk management;
- Project and contractor risk management;
- Participate and support the industry risk working group to develop a Control Effectiveness Framework; and
- Develop risk performance measures on a range of risk and service delivery outcomes, to be embedded in WPW staff performance plans.

## SECTION E: PLANNING FOR FUTURE GROWTH

To facilitate its planning for future growth WPW initiated a review of its Water Supply-Demand Strategy (WSDS) in 2011. For the 2011 WSDS more detailed Victoria in Future (VIF) population growth forecasts become available for the WPW region. The VIF population growth forecast for Phillip Island ranges between 1% and 2% for the period through to 2026. Phillip Island is considered representative of the growth for the Westernport region and a 1% growth rate in demand has been adopted as baseline. This aligns with the Corporations knowledge of the region.

To reflect the uncertainty in forecast demand WPW has also developed upper and lower bound limits as a probable range of demand growth around the baseline demand. These forecasts are based on historic water consumption, population growth projections for the area and recent trends in water use.

The growth in demand and WPW's supply capacity (post the Candowie Upgrade) is shown below;



## WATER

The capacity of the Corporation's water treatment plant to meet the projected demands is detailed below;

Water Plant	Treatment	Nominal plant capacity in 2010/11	Forecast unrestricted demand 2012/13	Nominal plant capacity in 2015/16	Forecast unrestricted demand 2015/16
Ian Bartlett Purification (IBWPP)	Water Plant	10,950ML/a subject to available water 30ML/d Peak Daily Capacity	1,900ML/a 14ML/d Peak Daily Demand	10,950ML/a subject to available water 30ML/d Peak Daily Capacity	2,000ML/a 15ML/d Peak Daily Demand

The IBWPP has sufficient capacity to cater for the projected demands. There is no capacity constraint associated with the water treatment process.

## SEWER

The capacity of the Cowes WWTP and King Rd WWTP to meet the projected demands is detailed below;

Water Recycling Plant	2010/11				2015/16			
	Nominal WWTP Capacity	Forecast Actual Inflow	Forecast Recycled Water Sales	Class of Recycled Water	Nominal WWTP Capacity	Forecast Actual Inflow	Forecast Recycled Water Sales	Class of Recycled Water
Cowes WWTP	6.0 ML/d average dry weather	1000ML	110ML	Class B	8.0 ML/d average dry weather	1060ML	199ML	Class A
King Rd WWTP	0.37ML/d average dry weather	100ML	100ML	Class B	0.37ML/d average dry weather	110ML	110ML	Class B

The Corporation has developed a long term strategy for the operation and upgrade of the Cowes WWTP. Further works are planned over the corporate plan period to upgrade and optimise the treatment process. This includes the conversion of the plant to a full Biological Nitrogen removal (BNR) plant. The outcome of these works is that the efficiency and capacity of the plant will be concurrently improved as will the quality of effluent being discharged to ocean.

Growth in demand in the area serviced by the King Rd WWTP is not forecast to change markedly over the corporate plan period.

## APPENDIX A: RISK MANAGEMENT TEMPLATE

WPW strategic risk register is presented in the follow section. This register contains high level risks identified by WPW as part of our annual strategic review process. The routine operational risks contained within the business risk register will be periodically assessed against these strategic risks along with the effectiveness of controls reported, supported by a risk assurance framework.

INT12-03391 (attached)



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## APPENDIX B: FINANCIAL TEMPLATES (FROM DSE ONLINE PORTAL)

Operating Statement (\$'000)						
<b>Revenue</b>						
Service Charges	15,124	15,805	16,516	17,259	18,036	Assumption of Avg annual increase of 2% + 2.5% CPI
Usage Charges	2,675	2,807	2,961	3,100	3,245	Assumption of Avg annual increase of 2% + 2.5% CPI
Developer Contribution	820	650	650	650	650	Continued growth assumptions for development
Developer Contributions - Gifted Assets	850	500	500	500	500	Continued growth assumptions for development
Temporary Trade of Bulk Entitlements	-	-	-	-	-	
Government Contributions / Grants	-	-	-	-	-	
Investment Interest	39	20	20	20	20	
Other Revenue	360	360	360	360	360	
Total Revenue	19,868	20,141	21,006	21,889	22,811	
<b>Expense</b>						
Operating and Maintenance Expense	4,134	4,175	4,217	4,259	4,302	Productivity factor of 1.5% included in estimates
Administration Expense	5,419	5,473	5,528	5,583	5,639	
Environmental Contributions	813	813	813	813	813	As per DSE guidelines
Borrowing Costs / Interest Expense	204	204	204	204	204	In line with draw down of fixed rate (int only) loan
Depreciation and Amortisation	1,165	1,259	1,322	1,371	1,461	Majority of Depn in accounted for in OM&A
Other Expense	6,485	5,350	5,403	5,457	5,512	Additional \$1.2M for opex costs associated with raising road
Total Expense	18,220	17,274	17,487	17,688	17,931	
Earnings Before Tax	1,648	2,867	3,519	4,201	4,880	
Income Tax Expense	-	-	-	-	-	
Net Operating Result	1,648	2,867	3,519	4,201	4,880	
Profit (loss) from Sale of Assets	(40)	(50)	(50)	(50)	(50)	
Dividends Expense	-	-	-	-	-	
Transfers (to)/from Reserves	-	-	-	-	-	
Other Adjustments	-	-	-	-	-	
Net Profit (Loss)	1,608	2,817	3,469	4,151	4,830	

Balance Sheet (\$'000)						
<b>Current Assets</b>						
Cash on Hand	100	100	100	100	100	\$100k target
Receivables	1,800	1,800	1,800	1,800	1,800	Target to keep receivables low
Less Provision for Impaired Receivables	(55)	(55)	(55)	(55)	(55)	
Investments	-	-	-	-	-	
Inventories	300	300	300	300	300	Process improvements to keep inventory balance low
Prepayments	200	200	200	200	200	
Other Current Assets	-	-	-	-	-	
<b>Total Current Assets</b>	<b>2,345</b>	<b>2,345</b>	<b>2,345</b>	<b>2,345</b>	<b>2,345</b>	
<b>Non-Current Assets</b>						
Infrastructure	148,901	154,978	158,223	160,535	164,905	Movement in Infra = candowie project in 2012/13 and 2013/14 - total \$14M
less Accumulated Depreciation	(3,519)	(3,693)	(3,816)	(3,890)	(4,103)	Based on high level depn calc - no componentialisation
Infrastructure WDV	145,382	151,285	154,407	156,645	160,802	
Land and Buildings	11,690	11,690	11,690	11,690	11,690	
less Accumulated Depreciation	(126)	(263)	(401)	(541)	(695)	
Land and Buildings WDV	11,564	11,427	11,289	11,149	10,995	
Plant, Equipment and Motor Vehicles	7,613	7,648	7,728	8,032	8,048	Based on cash payments for CAPEX but deferred capitalisation
less Accumulated Depreciation	(4,047)	(4,147)	(4,147)	(4,247)	(4,247)	
Plant, Equipment and MV WDV	3,566	3,501	3,581	3,785	3,801	
Capital Works In Progress	11,990	8,980	9,382	11,200	13,841	Assumed that significant CAPEX will not be capitalised until projects are completed
<b>Total Property, Plant &amp; Equipment</b>	<b>172,502</b>	<b>175,193</b>	<b>178,659</b>	<b>182,780</b>	<b>189,440</b>	
Non-current Receivables	100	100	100	100	100	Minimal movements in long term scheme debt
Deferred Tax Assets	-	-	-	-	-	
Non-current Investments	-	-	-	-	-	
Intangible Assets	1,357	1,488	1,510	1,560	1,750	Scada, AMS, Billing system capitalisation in 10/11 may be deferred
Other Non-current Assets	-	-	-	-	-	
<b>Total Non-Current Assets</b>	<b>173,959</b>	<b>176,781</b>	<b>180,269</b>	<b>184,439</b>	<b>191,289</b>	
<b>Total Assets</b>	<b>176,304</b>	<b>179,126</b>	<b>182,614</b>	<b>186,784</b>	<b>193,634</b>	

<b>Current Liabilities</b>							
Bank Overdraft	-	-	-	-	-		
Current Payables	2,000	2,000	2,000	2,000	2,000	Target to keep at \$200k or less	
Short Term Borrowings	1,000	1,000	1,000	1,000	1,000	Minimal STLF	
Finance Lease Liabilities (PPP)	-	-	-	-	-		
Other Lease Liabilities	-	-	-	-	-		
Employee Benefit Provision	712	700	700	700	700	Target to keep at \$700k or less	
Provision for Dividend	-	-	-	-	-		
Other Current Provisions	-	-	-	-	-		
Other Current Liabilities	-	-	-	-	-		
<b>Total Current Liabilities</b>	<b>3,712</b>	<b>3,700</b>	<b>3,700</b>	<b>3,700</b>	<b>3,700</b>		
<b>Non-Current Liabilities</b>							
Long Term Borrowings	5,000	5,000	5,000	5,000	7,000		
Long Term Payables							
Finance Lease Liabilities (PPP)	-	-	-	-	-		
Other Lease Liabilities	-	-	-	-	-		
Long Term Employee Benefit Provision	447	465	484	503	523	Marginal increases to account for S&W inc	
Deferred Tax Liabilities	15,396	15,396	15,396	15,396	15,396		
Other Non-current Liabilities	-	-	-	-	-		
<b>Total Non-Current Liabilities</b>	<b>20,843</b>	<b>20,861</b>	<b>20,880</b>	<b>20,899</b>	<b>22,919</b>		
<b>Total Liabilities</b>	<b>24,556</b>	<b>24,561</b>	<b>24,580</b>	<b>24,599</b>	<b>26,619</b>		
<b>Net Assets</b>	<b>151,748</b>	<b>154,565</b>	<b>158,034</b>	<b>162,185</b>	<b>167,015</b>		
<b>Equity</b>							
Government Equity Contributions	51,323	51,323	51,323	51,323	51,323	No movement	
Asset Revaluation Reserve	35,925	35,925	35,925	35,925	35,925	No movement	
Other Reserves	-	-	-	-	-		
Accumulated Funds (Losses)	64,500	67,317	70,786	74,937	79,767	Estimate of end 2012 position (forecast)	
<b>Total Equity</b>	<b>151,748</b>	<b>154,565</b>	<b>158,034</b>	<b>162,185</b>	<b>167,015</b>		

Cash Flow Statement (\$'000)						
Cash Flows From Operations						
Cash Receipts						
Service and Usage Charges Income	16,818	17,501	18,305	19,136	20,002	Assumed collection rate of 85% in Yr1 and remainder in Yr2
Other Customer Revenue	360	360	360	360	360	
Receipts from Government	-	-	-	-	-	
Developer Contributions	820	650	650	650	650	Assumed consistent growth in line with property growth
GST Refunds from ATO	-	-	-	-	-	
Investment (Interest) Income	39	20	20	20	20	Minimal or no investment income due to borrowing position
Other Cash Receipts	520	533	546	560	574	Info statements, tapping fees
<b>Total Cash Receipts from Operations</b>	<b>18,557</b>	<b>19,064</b>	<b>19,881</b>	<b>20,726</b>	<b>21,606</b>	
Cash Payments						
Payments to Suppliers and Employees	(10,619)	(9,525)	(9,620)	(9,717)	(9,814)	AS per pervious years assumptions on actual pmts
Interest and Other Costs of Finance Paid	(204)	(204)	(204)	(204)	(204)	Assumption of int on fixed term loans
GST paid to the ATO	-	-	-	-	-	
Income Tax Payments	-	-	-	-	-	
Environmental Contributions	(813)	(813)	(813)	(813)	(813)	As per DSE guidelines
Other Payments	-	-	-	-	-	
<b>Total Cash Payments from Operations</b>	<b>(11,636)</b>	<b>(10,542)</b>	<b>(10,637)</b>	<b>(10,734)</b>	<b>(10,831)</b>	
<b>Net Cash Inflow (Outflow) from Operations</b>	<b>6,921</b>	<b>8,522</b>	<b>9,244</b>	<b>9,992</b>	<b>10,776</b>	
Cash Flows From Investing Activities						
Proceeds/(Payment) from Investments	-	-	-	-	-	
Payments for Infrastructure Assets	(10,487)	(6,753)	(3,605)	(2,891)	(5,463)	Assumed deferral of CAPEX (actual) payments from 2011/12 (Candowie Project)
Payments for Property, Plant & Equipment	(262)	(44)	(100)	(380)	(20)	Based on CAPEX - with deferral of actual cash paid
Payments for Intangible Assets	(1,120)	(262)	(44)	(100)	(380)	Based on CAPEX - with deferral of actual cash paid
Proceeds from Sale of Assets	100	100	100	100	100	Estimated proceeds based on prior year disposals
<b>Net Cash Inflow (Outflow) from Investing Activities</b>	<b>(11,769)</b>	<b>(6,958)</b>	<b>(3,649)</b>	<b>(3,271)</b>	<b>(5,763)</b>	
Cash Flows From Financing Activities						
Proceeds from Borrowings	5,000	-	-	-	2,000	Assumed net draw down per year
Proceeds from Gov Equity Contributions	-	-	-	-	-	
Repayment of Borrowings / Overdraft	(153)	(1,564)	(5,594)	(6,722)	(7,013)	Timing of CAPEX determines repayment
Payment of Dividends	-	-	-	-	-	
<b>Net Cash Inflow (Outflow) from Financing Activities</b>	<b>4,847</b>	<b>(1,564)</b>	<b>(5,594)</b>	<b>(6,722)</b>	<b>(5,013)</b>	
Net Increase (Decrease) in Cash	(0)	(0)	1	(0)	0	
Cash Held at the Beginning of the Year	100	100	100	100	100	\$100k target for operating account
Cash Held at the End of the Year	100	100	100	100	100	
Cash on Hand per Balance Sheet	100	100	100	100	100	\$100k target for operating account

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## APPENDIX C – PROPOSED TARIFFS 2013

Based on CPI of 2.5%

Service	Category	Tariff Description	Type	2010/11	2012/13
Water	Residential	Residential Variable Charge - Block 1	Variable	\$ 1.4364	\$ 1.5051
Water	Residential	Residential Variable Charge - Block 2	Variable	\$ 1.7208	\$ 1.8032
Water	Residential	Residential Variable Charge - Block 3	Variable	\$ 2.2162	\$ 2.3223
Water	Residential	Residential Water Access Charge	Fixed	\$ 352.04	\$ 368.90
Sewerage	Residential	Residential Sewer Access Charge	Fixed	\$ 534.94	\$ 560.57
Water	Land	Connected Water Access Charge	Fixed	\$ -	\$ 368.90
Water	Land	Unconnected Water Access Charge	Fixed	\$ 241.75	\$ 241.12
Sewerage	Land	Unconnected Sewer Access Charge	Fixed	\$ 248.46	\$ 247.80
Water	Non Residential	Non Residential Variable Charge	Variable	\$ 1.56	\$ 1.6392
Water	Non Residential	Non-Residential 20mm Access Charge	Fixed	\$ 352.04	\$ 368.90
Water	Non Residential	Non-Residential 25mm Access Charge	Fixed	\$ 633.66	\$ 664.04
Water	Non Residential	Non-Residential 32mm Access Charge	Fixed	\$ 1,197.21	\$ 1,254.61
Water	Non Residential	Non-Residential 40mm Access Charge	Fixed	\$ 2,183.00	\$ 2,287.71
Water	Non Residential	Non-Residential 50mm Access Charge	Fixed	\$ 3,908.32	\$ 4,095.84
Water	Non Residential	Non-Residential 65mm Access Charge	Fixed	\$ 7,781.45	\$ 8,175.38
Water	Non Residential	Non-Residential 80mm Access Charge	Fixed	\$ 13,485.58	\$ 14,132.71
Water	Non Residential	Non-Residential 100mm Access Charge	Fixed	\$ 24,260.02	\$ 25,424.20
Water	Non Residential	Non-Residential 150mm Access Charge	Fixed	\$ 55,914.69	\$ 58,597.98
Sewerage	Non Residential	Non Residential (1 cistern)	Fixed	\$ 534.94	\$ 560.57
Sewerage	Non Residential	Non Residential (>2 cisterns)	Fixed	\$ 194.33	\$ 203.61

## APPENDIX D – CAPEX PROGRAM

Project Description	2012/13 Total	2013/14 Total	2014/15 Total	2015/16 Total	2016/17 Total	Corp Plan Total	2017/18 Total	Water Plan Total
Other Software upgrades	67,431		30,000			97,431		30,000
Various Corporate Replacement Programs	494,064	50,000	100,000	250,000	50,000	944,064	65,000	515,000
Other Building upgrades	75,000			200,000		275,000		200,000
Corporate Signage Upgrade	10,000					10,000		-
Various Plant & Equipment purchases	23,000					23,000		-
R & D contributions		25,000	25,000	25,000	25,000	100,000	25,000	125,000
Pump Station Upgrades	69,000	365,000	500,000	150,000	250,000	1,334,000		1,265,000
Class A					30,000	30,000	530,000	560,000
Cowes Tree Plantation			75,000			75,000		75,000
CWWTP Scheduled Works		250,000				250,000		250,000
CWWTP Replacement Programs	328,000	1,510,000	390,000	660,000	360,000	3,248,000	330,000	3,250,000
King Road WWTP Scheduled Works		150,000	300,000		350,000	800,000		800,000
King Road WWTP Replacement Programs	50,000	25,000	20,000	20,000	25,000	140,000	20,000	110,000
Sewer main improvements	125,000	100,000	100,000	100,000	100,000	525,000	100,000	500,000
Sewer Main integrity			100,000	100,000	100,000	300,000	100,000	400,000
Pump Station Replacement Works	190,000	150,000	150,000	150,000	150,000	790,000	150,000	750,000
Upgrade sewer trailer	13,500					13,500		-
Wastewater Future - Cowes reticulation		550,000	760,000		3,900,000	5,210,000	2,100,000	7,310,000
Treatment - Scheduled Works	150,000	100,000	200,000	1,250,000		1,700,000	250,000	1,800,000
Reticulation Water Quality Upgrade 2011/2012	20,000					20,000		-
San Remo Basin Mixer and chemical injection system	130,000					130,000		-
Water Reticulation - Replacement Program	48,000	20,000	90,000	100,000	170,000	428,000	1,020,000	1,400,000
Candowie Ancillary Works (CAW)	4,044,000					4,044,000		-
Candowie Upgrade Project (CUP)	5,105,000	1,367,000				6,472,000		1,367,000
Corinella Borefield - Permanent PS		400,000				400,000		400,000
Water Reticulation - Scheduled Works	185,000	50,000	50,000	50,000	50,000	385,000	50,000	250,000
IBWPP - Treatment Upgrades	50,000					50,000		-
IBWPP - Treatment Replacement Program	90,000	50,000	200,000	50,000	50,000	440,000	50,000	400,000
IBWPP - Replacement Programs	50,000	50,000	50,000	50,000	50,000	250,000	50,000	250,000
Shutoff block reduction			250,000			250,000		250,000
Stanley Rd - Backup power supply			100,000			100,000		100,000
Water Mains - Upgrades			100,000	150,000	200,000	450,000	250,000	700,000
	<b>\$ 11,316,995.00</b>	<b>\$ 5,212,000.00</b>	<b>\$ 3,590,000.00</b>	<b>\$ 3,305,000.00</b>	<b>\$ 5,860,000.00</b>	<b>\$ 29,283,995.00</b>	<b>\$ 5,090,000.00</b>	<b>\$ 23,057,000.00</b>



## APPENDIX E – PERFORMANCE INDICATORS

### Performance Reporting Template - Corporate Plan 2012/13

#### TABLE A - FINANCIAL PERFORMANCE

Performance indicator	5 YR Average	2012/13 Target	2012/13 WP2
<b>F1 Internal Financial Ratio</b> <i>(Net operating cash flow - dividends)/Capital expenditure</i>	97%	100%	n/a
<b>F2 Gearing Ratio</b> <i>Total debt (including finance leases)/Total assets</i>	2.2%	<5%	n/a
<b>F3 Interest Cover (EBIT)</b> <i>Earnings before net interest and tax expense / Net interest expense</i>	25x	20x	n/a
<b>F4 Interest Cover (Cash)</b> <i>Cash flow from operations before net interest and tax payments / Net interest payments</i>	59x	60x	n/a
<b>F5 Return on Assets</b> <i>Earnings before net interest and tax / Average total assets</i>	1.60%	2%	n/a
<b>F6 Return on Equity</b> <i>Net profit after tax / Average total equity</i>	1.70%	2%	n/a

#### TABLE B - SERVICE INDICATORS

Performance indicator	5 YR Average	2012/13 Target	2012/13 WP2
<b>S1 Water Supply Interruptions</b> <i>Number of customers receiving &gt;1 unplanned interruptions in the year</i>	n/a	10%	28%
<b>S2 Interruption Time Indicators</b> <i>Average duration of unplanned water supply interruptions</i>	92	90	170
<b>S3 Restoration of Water Supply</b> <i>Unplanned water supply interruptions restored within 5 hrs</i>	98%	99%	100%
<b>S4 Reliability of Sewer Collection Services</b> <i>Sewer spills from reticulation and branch sewers (Priority 1 and 2)</i>	11	12	15
<b>S5 Containment of Sewer Spillages</b> <i>Sewerage spills contained within 5 hours</i>	93%	100%	100%
<b>S6 Customer Complaints Indicators</b>			
S6.1 Water quality complaints per 1,000 customers	5.2	2.5	n/a
S6.2 Sewerage service quality and reliability complaints per 1,000 customers <sup>3</sup>	0.07	0.07	n/a
S6.3 Billing complaints per 1,000 customers	18.2	16	n/a
S6.4 Sewage odours complaints per 1,000 customers	0.7	0.7	n/a

#### TABLE C - ENVIRONMENTAL INDICATORS (per licenced site)

Performance indicator	5 YR Average	2012/13 Target	2012/13 WP2
<b>E1 Reuse Indicators</b>			
E1.1 Effluent reuse (volume)	18%	16%	23%
E1.2 Biosolids reuse (dry mass) <sup>1</sup>	69%	75%	100%
<b>E2 Sewage Treatment Standards</b> <i>Number of analyses complying with licence agreements as % of total samples</i>	100%	100%	100%

<sup>1</sup> Biosolids reused (507) / produced (739) tonnes = 69%

<sup>2</sup> Note S3 and S5 are proposed GSL's for Water Plan 3