



WESTERNPORT
WATER™

CORPORATE PLAN

2014 - 2019

Table of Contents

Statement of Corporate Intent	4
Water Corporation Activities and Business Plan 2014–15	6
New Policy Initiatives	26
Planning Assumptions.....	31
Appendix A – Risk Templates	38
Appendix B – Financial Templates	40
Appendix C – Regulatory Performance Indicators.....	43
Appendix D - Melbourne’s Water Future benefits and goals Performance Indicators	47
Appendix E – Capital Expenditure detail.....	48

Statement of Corporate Intent

Westernport Water’s Corporate Plan 2014-19 has been developed in accordance with requirement section 247 of the *Water Act 1989* (the Act). This Corporate Plan 2014-19 includes a Statement of Corporate Intent in accordance with Section 248 of the Act, and a business plan and financial statements containing the information that the Minister requires.

This Corporate Plan is to be considered in conjunction with Westernport Water’s Water Plan 3.

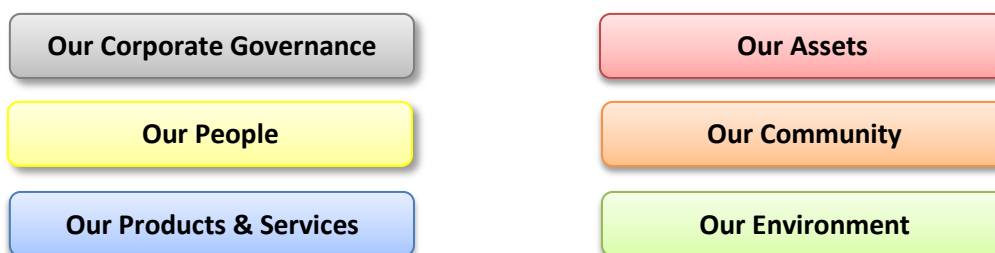
Vision Statement

“We are an efficient Water Corporation consistently providing cost-effective, safe and reliable products and services to the communities we serve, today and tomorrow.”

Corporate Objectives

Westernport Water’s operation is framed by the “Vision Statement” and six ‘Strategic Focus Areas’, collectively shaping our direction, building our decision making and developing our capability.

Strategic Focus Areas are:



Within each strategic focus area are the corporate objectives identified as critical to the success and sustainability of Westernport Water. For the 2014-15 period of our Corporate Plan, the 23 corporate objectives are to be progressed by the specific actions listed and measured by 35 selected Key Performance Indicators (KPIs) as well as regulated performance indicators.

Westernport Water has also embraced the directive of Melbourne’s Water Future (MWF) statement released by the Office of Living Victoria. Our Corporate Plan demonstrates how we will contribute to achieving the vision, objectives, benefits and outcomes of MWF, with specific reference to the key priority areas identified at section 2.7 of the MWF document.

In accordance with the **Securing Victoria’s Economy** Action Plan and the Water Sector Efficiency Initiative, our Corporate Plan also demonstrates how Westernport Water will drive productivity to deliver safe, reliable and efficient essential services at a lower cost to customers.

An underpinning driver of our Corporate Plan is that all compliance requirements are achieved with accuracy and in a timely exchange. The directives as outlined in the Statement of Obligations will continue to be delivered throughout our Corporate Plan activities.

Business Undertakings of Westernport Water

Westernport Water is a not for profit corporation with core functions of providing water and wastewater services wherever economically, environmentally and socially practicable to properties and communities throughout the service district. Westernport Water services 17,400 customers (and a peak population of more than 60,000) across an area of 300 square kilometres on Phillip Island and the mainland stretching from The Gurdies in the north to Archies Creek in the south east.



Westernport Water also provides the following products and services:

- ◆ class A recycled water for new residential developments, agriculture and recreation reserves;
- ◆ removal of commercial trade wastes (greasy waste);
- ◆ liquid waste disposal facility;
- ◆ specialist advice service on infrastructure and facility design for new developments;
- ◆ reticulated gas network in the San Remo region; and
- ◆ biosolids for agriculture land application.

Water Corporation Activities and Business Plan 2014-15

Strategic Review 2014-15

Outcomes of Annual Strategic Workshop 2013

The Board and Executive held their annual strategic workshop in October 2013. The theme for this workshop was “Innovation & Efficiency”. The 2013 strategic workshop included a session on the ‘Vision’ that the Board has for Westernport Water.

Out of the discussion from the strategic workshop the following ‘vision statement’ was adopted in November 2013 to capture the emerging themes:

“We are an efficient Water Corporation consistently providing cost-effective, safe and reliable products and services to the communities we serve, today and tomorrow”

For a vision statement to be effective, it is used to shape the conversation and culture at Board and organisational levels. In addition, the themes ‘efficient, cost-effective, safe and reliable’ are measurable and embedded in all operations of the organisation.

Outcomes of the 2013 strategic workshop presented a consolidated list of ideas and actions developed into strategic and operational outcomes providing guidance to the Corporate Plan process. Key themes identified delivered the focus of our Corporate Plan including:

- ◆ data consolidation;
- ◆ process efficiencies;
- ◆ centralised reporting; and
- ◆ closer alignment of the various aspects of the organisation.

Consequently, strengthening alignment between strategic focus areas, corporate objectives, actions and target KPIs have been developed for our Corporate Plan, utilising the recently integrated corporate operating and performance monitoring systems.

The six strategic focus areas have been retained, while corporate objectives and key performance indicators have been reviewed and updated.

Pricing ¹

Water Volumetric pricing

Westernport Water charge a standard usage rate for both residential and commercial customers. The pricing increases over the next five year period have been based on the Essential Service Commission's Water Plan 3 Determination of 0% price path movement plus CPI of 2.93% for 2014-15 and an assumption of 2% CPI each year thereafter:

Potable	Consumption	2014-15 \$ per annum	2015-16 \$ per annum	2016-17 \$ per annum	2017-18 \$ per annum	2018-19 \$ per annum
Residential	All Consumption	\$1.9052	\$1.9433	\$1.9822	\$2.0218	\$2.0623
Commercial	All Consumption					

Reuse Pricing

Reuse water will be charged at various volumetric tariffs. The pricing increases over the next five year period have been based on the Essential Service Commission's Water Plan 3 Determination of 0% price path movement plus CPI of 2.93% for 2014-15 and an assumption of 2% CPI each year thereafter:

Reuse	Consumption	2014-15 \$ per annum	2015-16 \$ per annum	2016-17 \$ per annum	2017-18 \$ per annum	2018-19 \$ per annum
Residential	All Consumption	\$1.0298	\$1.0504	\$1.0714	\$1.0928	\$1.1147
Commercial	Less than 5,000kl p.a.	\$0.5010	\$0.5110	\$0.5212	\$0.5317	\$0.5423
Commercial	More than 5,000kl p.a.	\$0.4119	\$0.4201	\$0.4285	\$0.4371	\$0.4459

Fixed Service Charges – Water, Waste and Reuse Pricing

The fixed service charge price increases over the next five year period have been based on the Essential Service Commission's Water Plan 3 Determination of 0% price path movement plus CPI of 2.93% for 2014-15 and an assumption of 2% CPI each year thereafter:

Fixed Charges	2014-15 \$ per annum	2015-16 \$ per annum	2016-17 \$ per annum	2017-18 \$ per annum	2018-19 \$ per annum
Residential					
Water	\$370.72	\$378.13	\$385.70	\$393.41	\$401.28
Waste	\$571.56	\$582.99	\$594.65	\$606.54	\$618.67
Reuse	\$25.72	\$26.23	\$26.76	\$27.29	\$27.84
Commercial					
Water (20mm tapping)	\$370.72	\$378.13	\$385.70	\$393.41	\$401.28
Water (25mm tapping)	\$667.32	\$680.67	\$694.28	\$708.17	\$722.33
Water (32mm tapping)	\$1,260.84	\$1,286.06	\$1,311.78	\$1,338.01	\$1,364.77
Water (40mm tapping)	\$2,299.04	\$2,345.02	\$2,391.92	\$2,439.76	\$2,488.55
Water (50mm tapping)	\$4,116.12	\$4,198.44	\$4,282.41	\$4,368.06	\$4,455.42
Water (65mm tapping)	\$8,195.20	\$8,359.10	\$8,526.29	\$8,696.81	\$8,870.75
Water (80mm tapping)	\$14,202.64	\$14,486.69	\$14,776.43	\$15,071.96	\$15,373.39
Water (100mm tapping)	\$25,550.04	\$26,061.04	\$26,582.26	\$27,113.91	\$27,656.18
Water (150mm tapping)	\$58,887.92	\$60,065.68	\$61,266.99	\$62,492.33	\$63,742.18
Waste (1 cistern per property)	\$571.56	\$582.99	\$594.65	\$606.54	\$618.67
Waste (>2 cisterns per property) ²	\$211.08	\$215.30	\$219.61	\$224.00	\$228.48

¹ Year 5 being outside the Water Plan 3 period has continued the same assumptions as years 2 to 4

² Rate per cistern

Vacant Land Pricing

The vacant land service charge price increases over the next five year period have been based on the Essential Service Commission's Water Plan 3 Determination of 0% price path movement plus CPI of 2.93% for 2014-15 and an assumption of 2% CPI each year thereafter:

Fixed Charges	2014-15 \$ per annum	2015-16 \$ per annum	2016-17 \$ per annum	2017-18 \$ per annum	2018-19 \$ per annum
Water – Unconnected	\$185.36	\$189.07	\$192.85	\$196.71	\$200.64
Waste – Unconnected	\$286.28	\$292.01	\$297.85	\$303.80	\$309.88
Reuse – Unconnected	-	-	-	-	-

Capital Expenditure Summary

In developing the 2014-15 capital works program Westernport Water reviewed the proposed activities listed in Water Plan 3 ([Appendix E – Table E1](#)) and the effect of the Office of Living Victoria's *Fairer Water Bill* initiative ([Appendix E – Table E2](#)). Table 1 below provides a summary of capital expenditure over the 2014 -15 Corporate Plan period:

Table 1 Capex Summary by Type 2014-15

Capex Summary by Type	WP3 (2014-15 extract)	Corporate Plan (2014-15)
	\$000	\$000
Compliance	2,310	3,429 ³
Growth	450	150
Improved Services	300	483
Renewals	1,450	1,250
Other	325	0
Opex	0	150 ³
Total	4,835¹	5,462²

Notes: ¹ WP3 extract is based on 2013\$. CPI adjustment of 2% increases expenditure amount from \$4,835M to \$4,932M

² The Corporate Plan (2014-15) capital costs are inclusive of the Office Of Living Victoria efficiency requirements

³ An allowance of \$0.15M has been made for opex costs to be transferred from the Church St upgrade (Wastewater Futures – Cowes Stage 1)

Capital Expenditure – Key Actions

With the completion of the water supply augmentation projects over Water Plan 2 and through 2013-14, the focus now shifts to upgrading wastewater collection, transfer and treatment system as per Westernport Water's Master Plan prepared for the Cowes Wastewater Treatment Plant (CWWTP), and the 'Wastewater Futures' seven stage strategy plan prepared for Cowes, San Remo, Coronet Bay and Corinella.

Over 2014-15 for the major growth regions of Phillip Island, specifically the Cowes area, it is proposed to upgrade the CWWTP(\$2.2M); and upgrade the Church St Sewage Pump Station (\$0.9M).

The upgrade to the CWWTP involves converting the treatment process to a full Biological Nitrogen Removal (BNR) process. The upgrade will result in ensuring compliance of our Environment Protection Authority (EPA) licence, with a reduction in the nutrient load to the ocean outfall, as well as increasing treatment capacity of the plant catering for growth.

The upgrade to the Church St Sewage Pump Station (Church St SPS) is Stage 1 within the Wastewater Futures. The upgrade involves installing and upsizing a macerator, pumps, switchboard as well as associated civil works. The upgrade will improve compliance with the of EPA's State Environment Protection Policy (SEPP). The SEPP requires wastewater infrastructure to have sufficient hydraulic capacity to contain flows associated with a 1-in-5-year rainfall event. The upgrade will also cater for future growth throughout the major townships of Phillip Island.

Collectively these 2 projects represent nearly 57 percent of the total forecast capex spend over 2014-15.

Nature and Scope of our Activities

Westernport Water has continued to retain the six strategic focus areas outlined in our Corporate Plan 2013-18. As an outcome of the Annual Strategic Workshop 2013, we reviewed the *Corporate Objectives*, and *KPIs* to ensure they aligned with the strategic focus areas, embodying the themes of our Vision Statement.

This Corporate Plan presents our corporate objectives, actions and KPIs in tabula form. A significant emphasis has been placed upon the KPIs to ensure performance is measurable and relevant to the corporate objectives, with clear linkage to our vision and strategic focus areas.

Table 2 below summarises the corporate objectives within each strategic focus area:

Table 2 Strategic Focus Areas and Corporate Objectives

Strategic Focus Area	Corporate Objectives
Our Corporate Governance	<ul style="list-style-type: none"> ◆ Plan for our future through strategic business planning ◆ Be financially sustainable ◆ Regularly find ways to become more efficient ◆ Meet our regulatory requirements ◆ Recognise and manage risk
Our People	<ul style="list-style-type: none"> ◆ Provide a healthy and safe working environment ◆ Listen and respond to our people ◆ Provide an environment of learning
Our Products & Services	<ul style="list-style-type: none"> ◆ Provide high quality drinking water ◆ Provide service levels that meet our community needs ◆ Continually grow our business and service opportunities ◆ Provide timely, friendly and reliable customer service
Our Assets	<ul style="list-style-type: none"> ◆ Build an asset knowledge base to support decision making ◆ Plan for the future of our assets ◆ Embed asset management into daily practice ◆ Enable reliable service delivery
Our Community	<ul style="list-style-type: none"> ◆ Improve our performance based on customer feedback ◆ Add value to our community ◆ Maintain strong stakeholder partnerships
Our Environment	<ul style="list-style-type: none"> ◆ Minimise negative environmental impact ◆ Improve land biodiversity ◆ Strive for efficient use of natural resources ◆ Drive environmental considerations into our business decisions

The 2014-15 actions and KPIs against each of these strategic focus areas and corporate objectives are detailed in the following sections.

Strategic Focus Area: OUR CORPORATE GOVERNANCE

Corporate Intent: To maintain the integrity and value of our corporation through sound governance and financial management

Corporate Objectives	Actions 2014-15	KPI Target 2014-15	Reporting Frequency
Plan for our future through strategic business planning	<ul style="list-style-type: none"> - Develop and Implement the Strategic Planning program by 31 August 2014. - Develop and Implement Innovation & Opportunity portfolio by 30 June 2015. 	1/3 Board total time strategy focus	Bi Annual
Be financially sustainable	<ul style="list-style-type: none"> - Revise integrated financial model. - Develop Cost Benefit Analysis model to assess cost effectiveness of capital projects. - Embed Office of Living Victoria cost efficiency recommendations into business plans. 	'A' classification credit rating Net Cash (Operating & Investing) > Forecast Financial sustainability ratios included in Appendix C	Monthly
Regularly find ways to become more efficient	<ul style="list-style-type: none"> - Develop process review efficiency model. - Access industry resources and associations, including MoU. - Optimise use of Corporate systems to centralise monitoring and reporting. 	Actual < Forecast (total OMA per connected customer) 100% Department participation in efficiency improvements	Quarterly
Meet our regulatory requirements	<ul style="list-style-type: none"> - Improve utilisation of corporate systems to monitor compliance. - Centralise Policy and Compliance Framework. 	No major regulatory non-compliance No regulatory enforcement actions	Monthly
Recognise and manage risk	<ul style="list-style-type: none"> - Deliver and regularly monitor Risk Management Business Plan 2014-15 (see section Business Risk). - Develop and implement annual emergency exercise programs. - Progress and periodically review Business Continuity Plans. 	100% risk reviews completed	Quarterly

Table 3 Strategic Focus Area – Corporate Governance

Our Corporate Governance – Key Actions

A significant focus for the 2014-15 period will be to enhance our strategic planning by developing and implementing an Annual Strategic Planning Program. The program will include both the Board and Executives, aligning activities throughout the year to improve outcomes of our Annual Strategic and Risk Workshops. The program includes Environmental Scanning and forecasting activities to help guide the service and delivery expectations of Westernport Water over a 10+ year forecast.

Throughout the corporation, changes to revenue and expenditure have been adopted in 2014-15 as an outcome of *Fairer Water Bills* and the Water Sector Efficiency Initiative. Westernport Water has an enviable credit rating which will be maintained while the need for tighter fiscal management of resources has never been greater. A particular focus during 2014-15 will be controls over operational expenditure and ensuring cost effective use of our capital spend.

Improvements in progress monitoring of strategic corporate objectives commenced in 2013-14 and will continue to be enhanced into 2014-15 utilising the development of the Performance Manager™ corporate system providing a centralised corporate data collection, monitoring and reporting tool.

The recently signed Memorandum of Understanding (MoU) formed a strategic alliance between the four Gippsland water corporations, utilising the MoU resource is a key part of our corporate strategy, strengthening the identification and development of efficiency opportunities that included shared knowledge and services.

Ensuring risk management is securely embedded into the decision making throughout the organisation is also a key focus for our Corporate Plan 2014-19. Details are provided in the [Business Risk Plan](#).

MATERIAL CHANGES WITH PREVIOUS PLANS

Water Plan 2013-18 and Corporate Plan 2013-18

Our Corporate Governance corporate objectives and KPIs have been updated from previous Corporate Plan 2013-18.

Strategic Focus Area: OUR PEOPLE

Corporate Intent: *To be an innovative, high performance organisation with a reputation that is valued by current and prospective employees*

Corporate Objectives	Actions 2014-15	Target KPI 2014-15	Reporting Frequency
Provide a healthy and safe working environment	<ul style="list-style-type: none"> - Westernport Water sponsored health & wellbeing programs. - Improvement plan developed within 30 days of internal Hazard / Incident notification. - Review of HS&E committee membership and effectiveness. - Participate in Gippsland MoU to share OH&S programs or new initiatives . 	<p>No Lost Time Injuries (LTIs)</p> <p>No Incidents resulting from non-compliance with safety procedures</p>	Monthly
Listen and respond to our people	<ul style="list-style-type: none"> - Review progress against identified actions from 2012 People Matter survey. - Develop Organisational Improvement Program based on 2014 People Matter survey results. - Investigate use of HRIS system and Performance Manager to facilitate performance reviews and tracking. 	<p>100% performance reviews completed as per schedule</p> <p>< 12% Voluntary Separation Rate¹</p>	Bi Annual
Provide an environment of learning	<ul style="list-style-type: none"> - Implement approved Training, Leadership & Development programs. - Outcomes of industry forums communicated to relevant staff. - Participate in the Gippsland water industry MoU for Training & Development shared service opportunities. 	<p>100% delivery of Training & Development program 2014-15</p>	Bi Annual

Table 4 Strategic Focus Area – Our People

¹ Separation Rate measures the percentage of employees who left the organisation during the reporting period.

Our People– Key Actions

In 2014-15 Westernport Water will further develop the utilisation of our Human Resources Information System (HRIS). Efficiency improvements in employee management, particularly in the area of performance reviews, are expected. Another major focus will be to continue training and formal qualification opportunities for our people to ensure our knowledge and practices remain current. Westernport Water will be working collaboratively through the Gippsland water corporations MoU to share training and development services, ultimately improving the effectiveness and efficiency of training delivered by third party and internal training providers. This will ultimately provide savings to the organisation through reduced costs of training providers, reduced time off site completing courses and associated travel expenses.

Westernport Water will be continuing to invest in our health and wellbeing programs for staff to complement existing health and safety programs, continue to provide staff communication through communication forums and provide progress reports against corporate plan targets and other matters of interest.

During 2014–15, we will develop an Organisational Improvement Program to build resilience and responsiveness to change in the workforce. The program will address communication programs to respond to change, succession planning, an aging workforce and opportunities for leadership coaching programs to address challenges within the workplace. Staff satisfaction will continue to be monitored through the bi-annual People Matters employee satisfaction survey, with results from the 2014 survey forming the actions within the Organisational Improvement Program.

MATERIAL CHANGES WITH PREVIOUS PLANS

Water Plan 2013-18 and Corporate Plan 2013-18

Our People corporate objectives and KPIs have been updated from previous Corporate Plan 2013-2018.

Strategic Focus Area: OUR PRODUCTS & SERVICES

Corporate Intent: *To provide quality products and services to meet our community's expectations and needs*

Corporate Objectives	Actions 2014-15	KPI Target 2014-15	Reporting Frequency
Provide high quality drinking water	<ul style="list-style-type: none"> - Annual Water Quality audit program. - Competency based training program for operators. - Prepare for fluoride audit due before December 2015. - Resource Backflow Prevention program. - Develop business case for tertiary water treatment. - Water Quality Strategy 2014-17 implemented. 	<p>100% compliance with Safe Drinking Water Act and regulations</p> <p>Customer complaints, taste & odour < 5 year average</p>	Monthly
Provide service levels that meet our community needs	<ul style="list-style-type: none"> - Investigate industry practice to improve reliability and availability measures. - Quarterly self-audit of ESC performance results. 	<p>< ESC target - Average customer minutes off supply (Reliability)</p> <p>< ESC target – Sewer spills contained within 5 hours (Responsive)</p> <p>< ESC target Water Supply Interruptions (planned and Unplanned) per 100km of main (Availability)</p> <p>Performance service standards and targets included in Appendix C</p>	Monthly
Continually grow our business and service opportunities	<ul style="list-style-type: none"> - Integrated marketing program for reuse water and biosolids. - Develop Business Case(s) for Board consideration. - Explore shared / expanded service opportunities. 	<p>Actual > Forecast revenue from reuse of wastewater</p> <p>Performance service standards and targets included in Appendix C</p>	Bi Annual
Provide timely, friendly and reliable customer service	<ul style="list-style-type: none"> - Build a multi-level approach to customer service across the organisation. - Introduce a targeted customer focus program with staff to improve customer service. - Review Customer Service Strategy and identify process improvements for implementation. - Develop new interactive website and device applications. 	<p>A1 rating of Customer Responsiveness & Service from ESC</p> <p>Maintain or improve 2014 customer service results compared to 2013 Customer Satisfaction Survey</p> <p>Performance service standards and targets included in Appendix C</p>	Annual

Table 5 Strategic Focus Area – Our Products & Services

Our Products & Services – Key Actions

During the 2014-15 period, Westernport Water will investigate industry practice in the areas of water supply service and reliability. These are key Essential Service Commission (ESC) performance measures that we have targeted for improvement.

While we currently have an A1 rating with the ESC on customer responsiveness and service, the corporation is implementing additional programs over this corporate plan period to ensure we maintain this rating.

An A1 rating is defined in 2 parts, the first being a reliability assessment and the second being an accuracy assessment defined as:

Grade A All data is based on sound information systems and records, and on documented policies, practices and procedures which are:

- consistent with the ESC's information specifications; and
- fully understood and followed by staff.

Grade 1 ±1% tolerance to reliability assessment

We plan to implement a new billing system during 2014-15 to provide increased services to our customers. As part of this process we will also review our Customer Service Strategy and identify process improvements. The timing of the review will be conducted in the later half of the corporate plan year.

MATERIAL CHANGES WITH PREVIOUS PLANS

Water Plan 2013-18 and Corporate Plan 2013-18

Our Products & Services corporate objectives and KPIs have been updated from previous Corporate Plan 2013-18.

The water supply optimisation model was developed in 2013-14 and therefore is no longer a strategic focus.

Initiatives around air-scouring, flushing, tank and basin cleaning have been incorporated into the Preventative Maintenance Plan.

Strategic Focus Area: OUR ASSETS

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

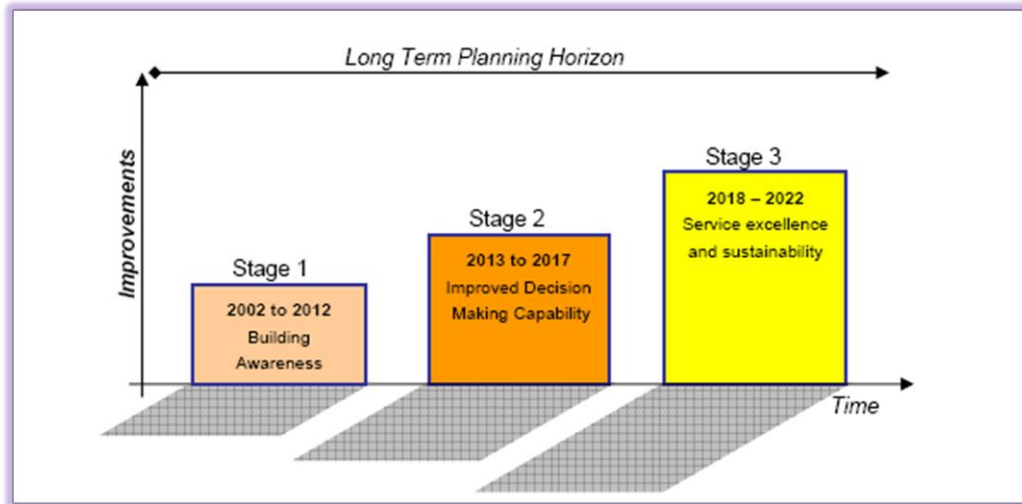
Corporate Objectives	Actions 2014–15	KPI Target 2014-15	Reporting Frequency
Build asset knowledge base to support decision making	<ul style="list-style-type: none"> - Implement agreed components of the Asset Management Strategy: <ul style="list-style-type: none"> • Yr1.10 All asset physical data collected • Yr1.14 Develop AM portal on intranet • Yr1.22 Complete asset labelling project - Migrate the integrated GIS/AMS/Focus system to the MSP by September 2014 	100% population of the Asset Register	Annual
Plan for the future of our assets	<ul style="list-style-type: none"> - Implement agreed components of the Asset Management Strategy: <ul style="list-style-type: none"> • Yr1.23 Complete calibration of sewer model <ul style="list-style-type: none"> ○ Develop cross island sewer transfer main strategy • Yr2.15 Set up MyPredictor models to support asset planning <ul style="list-style-type: none"> ○ Develop 20 year replacement program for AC pipes by March 2015 • Yr2.18 Analyse pump run times to understand asset performance • Yr3.9 Develop predictive pump algorithm - Update Master Plan for King Rd WWTP by February 2015 - Capital works program implemented as per agreed scope 	Actual = Forecast Capex spend as per program	Monthly
Embed asset management into daily practice	<ul style="list-style-type: none"> - Implement agreed components of the Asset Management Strategy: <ul style="list-style-type: none"> • Yr1.8 Review project management process • Yr3.1 Undertake assessment of progress in implementing Asset Management Strategy - Implement Aquamark Benchmarking of asset management by March 2015 	2014 practice > 2012 practice as per Asset Gap Chart	Annually
Enable reliable delivery	<ul style="list-style-type: none"> - Use MyData to improve the issuing, monitoring and reporting against the PMP. - Review performance of all maintenance contractors against contract targets. 	<p>Actual = Forecast Preventative Maintenance Plan as per program</p> <p>Asset performance standards and targets are included in Appendix C</p>	Monthly

Table 6 Strategic Focus Area – Our Assets

Note: The notation used e.g. Yr 1.10, represents Improvement Action 10 from Year 1 of the 2012 AMS

Our Assets – Key Actions

The Water Plan 3 period will see a strategic shift in asset management from building awareness to improved decision making.



The 5-year 2012 Asset Management Strategy (2012 AMS) identified a number of asset management processes that were implemented with varying degrees of sophistication and consistency across the Corporation. The Corporation's progress towards its desired 2016 status, as measured by the 2012 AMS "Asset Gap Chart" has also been variable.

To progress the strategic shift in asset management practices the opportunity has been taken to incorporate clearly defined objectives and activities from the 2012 AMS within the revised Corporate Plan structure. Some key actions to be undertaken over the 2014-15 period are detailed below.

In 2013-14 the Corporation completed the last of the key corporate asset management system upgrades/installations. Over the first quarter of 2014-15 it is proposed to:

- transfer the integrated GIS/AMS/Work Order system to the Managed Services Platform (MSP); and
- re-establish linkages with the Customer Relationship Manager (CRM) corporate system.

With key components of the Asset Management System now installed the focus in 2014-15 turns to:

- enhancing the completeness and availability of asset information;
- implementing improved delivery of the Preventative Maintenance Program (PMP); and
- producing value-added outputs, i.e. improved asset management decision making.

Significant effort is proposed in developing the completeness of the Asset Register which will be fully populated with all physical and financial asset data. From this complete data set, outputs including a 20 year replacement strategy and program for Asbestos Cement (AC) pipelines, will be developed.

The corporate risk around the AC pipelines was identified in the 2012 Water Asset Management Plan (2012 WAMP). Over 55km of this asset has reached the nominal end of its effective life although asset failure rates are not reflective of the pipes being in poor condition. AC condition investigations were undertaken in 2013-14 to gather more data on these pipelines and \$700,000 has been allocated over Water Plan 3 to commence renewal works. The AC replacement strategy and program will provide the roadmap for the most cost-efficient combination of maintenance and renewal strategies for this asset group.

The completion of the Phillip Island sewer model in 2014-15 will allow a long term plan to be developed to deal with odour, inflow/infiltration and growth aspects, particularly for the cross island sewer transfer system between San Remo and the CWWTP.

With major works on Candowie Reservoir, the Ian Bartlett Water Purification Plant (IBWPP), the CWWTP and the Cowes sewer collection system either completed, planned or underway. The only remaining major facility to be reviewed is the King Rd Wastewater Treatment Plant (KRWWTTP).

In 2014-15 it is proposed to review and update the 2004 KRWWTTP Master Plan to identify what works may be required in Water Plan 4 or beyond. The review will incorporate the outcomes from the Office of Living Victoria sponsored investigation into options to develop an Integrated Water Cycle Management solution for the San Remo area.

MATERIAL CHANGES WITH PREVIOUS PLANS

Water Plan 2013-18 and Corporate Plan 2013-18

Our Assets corporate objectives and KPIs have been updated from previous Corporate Plan 2013-18.

Deferral of some Water Plan 3 (2014-15) projects associated with the cross island sewer transfer system until a whole of system analysis is completed in 2014-15. These projects include:

- Rhyll Rd Sewer Pump Station switchboard;
- Rhyll Rd Sewer Pump Station pump upgrade and Genset replacements; and
- Woolamai Sewer Pump Station generator replacement

Strategic Focus Area: OUR COMMUNITY

Corporate Intent: *To be a valued member of the community we serve*

Corporate Objectives	Actions 2014-15	KPI Target 2014-15	Reporting Frequency
Improve our performance based on customer feedback	<ul style="list-style-type: none"> - Undertake Annual Customer Satisfaction Survey and identify opportunities for improvement. 	Results 2014 Customer Satisfaction results maintained or improved compared to 2013 results	Annually
Add value to our community	<ul style="list-style-type: none"> - Promote and increase the awareness of local water, integrated water management and wastewater operations. - Align educational activities with relevant school curriculums. - Align branding with “Choose Tap” campaign. - Install 2 additional drinking water fountains in public spaces with high visitor numbers. - Represent Westernport Water at regional career forums. 	10% increase in educational activities from previous financial year	Quarterly
Maintain strong stakeholder partnerships	<ul style="list-style-type: none"> - Support community projects and organisations which align with our Corporate Objectives. - Utilise community billboard for promotion of community events. - Fostering strong partnerships with community projects. - Develop Reconciliation Action Plan. - Awareness and delivery of Annual Stakeholder Plan. - Incorporate stakeholder engagement into individual performance plans and KPIs. - Produce Social Media strategy and guidelines. 	10% increase community group engagement and support from previous financial year 100% Organisational participation in Cultural Awareness Training 100% Organisational participation in stakeholder engagement activities	Quarterly

Table 7 Strategic Focus Area – Our Community

Our Community – Key Actions

Through genuine community engagement, Westernport Water will strengthen its reputation as a community partner.

In 2014-15, we will continue to deliver efficiencies for the benefit of our customers and at the same time protect and enhance environmental health and liveability, while encouraging the use of fit-for-purpose water.

Fostering strong partnerships with community projects like the Phillip Island Community Orchard utilising Class A Recycled Water, we will promote communities working together and provide a real example of whole of water cycle management and at the same time provide learning opportunities.

Through targeted delivery of educational services and participation at community events, we will improve community awareness and understanding of local water and wastewater services and help drive integrated projects that secure the region's water future.

Adapting to the changing communications landscape, we will develop social media channels and online services to deliver efficiencies and engage with the people who prefer online interactions.

We will continue to address community perceptions of water quality by installing two new drinking stations in strategic locations and utilise the mobile hydration station at major events across our service area.

MATERIAL CHANGES WITH PREVIOUS PLANS

Water Plan 2013-18 and Corporate Plan 2013-18

Our Community corporate objectives and KPIs have been updated from previous Corporate Plan 2013-18.

Strategic Focus Area: OUR ENVIRONMENT

Corporate Intent: *To be an environmentally sustainable organisation, reducing our environmental footprint*

Corporate Objectives	Actions 2014-15	KPI Target 2014-15	Reporting Frequency
Minimise negative environmental impact	<ul style="list-style-type: none"> - Complete Yr1 of CWWTP Upgrade and Cowes Futures Upgrade. - Sewer modelling and capacity review completed. - Implementation of sewer spill response procedure. 	<p>100% compliance with EPA Licence</p> <p>Environmental performance standards and targets are included in Appendix C.</p>	Annually
Improve land biodiversity	<ul style="list-style-type: none"> - Implement Revegetation Plan at CWWTP. - Complete Lower Tenant Creek remnant vegetation protection project. - Delivering on Annual Land Management Plan based on the 5 year Plan. 	<p>100% delivery of pest plant and animal control program as per Annual Land Management Plan</p> <p>100% revegetation completed as per Annual Land Management Plan</p>	Quarterly
Strive for efficient use of natural resources	<ul style="list-style-type: none"> - Form Integrated Water Reference Group with major stakeholders to consider integrated water cycle management to develop a Memorandum of Understanding. 	<p>< 6,300 total net tonne CO₂ emissions</p> <p>Environmental performance standards and targets are included in Appendix C.</p>	Annually
Drive environmental considerations into our business decisions	<ul style="list-style-type: none"> - Evidence of procurement decisions taking into consideration environmental impact procurement framework. - Implementation of environmental procurement practices. - All major Capital works projects reviewed by Environment Team for compliance with Procurement Policy and relevant legislation. 	<p>100% compliance with environment procurement policy & procedures</p>	Quarterly

Table 8 Strategic Focus Area – Our Environment

Our Environment – Key Actions

Westernport Water will work towards minimising the negative environmental impacts from our operational activities by continuing to partner with Melbourne Water and Landcare in an integrated approach to managing the issues impacting the Candowie Catchment. Additionally, we will increase the 2014-15 wastewater irrigation volume by implementing the CWWTP and King Road Wastewater Treatment Plant (KRWWTP) irrigation improvements.

KRWWTP will also begin a cycle of natural resource management improvements aimed at conserving remnant vegetation at the site, undertaking complementary planting and reduce soil salinity through native vegetation planting.

Works will also continue to re-establish vegetation cover along Phillip Island's Salt Water Creek located on Westernport Water property. This area is currently undergoing significant grazing pressures from wallabies.

MATERIAL CHANGES WITH PREVIOUS PLANS

Water Plan 2013-18 and Corporate Plan 2013-18

Our Environment corporate objectives and KPIs have been updated from previous Corporate Plan 2013-18.

Business Risk

Westernport Water has a Business Risk Management framework to manage, identify, analyse, evaluate, treat and report on key business risks.

Westernport Water will be continuing on the previous year's undertakings to build risk capability, maturity and culture by adopting the Victorian Managed Insurance Association (VMIA) risk maturity model for risk management. During 2013-14 the Corporation's Risk Policy was reviewed and adopted by the Board. In 2014-15, the key focus will be on governance and accountability as well as the risk management culture.

The specific activities to deliver the program during 2014-15 are:

- organisational wide ownership of risk by ensuring each strategic risk has measurable treatment plans and controls which are reported to the Audit and Risk Committee quarterly;
- to improve the organisation wide risk culture, Westernport Water will adopt a more decentralised approach and improve the understanding of the risk language used across the organisation; and
- continue to build on risk management in day-to-day business decisions by continuing to hold risk workshops with operational groups.

The Risk Register presented within this 2014-15 Corporate Plan is a culmination of the review process in which the organisation has picked the top 10 risk areas for focus in 2014-15.

Table 9 Top 10 Risk Focus Areas for 2014-15

Risk Focus Area	Risk Statement	Activities
1 Financial Sustainability	1707- <i>Inability of corporation to pay its debts as and when they become due and payable.</i> 193 – <i>Inability to cope with changes in demand for products/services.</i>	- Revise integrated financial model - Develop process review efficiency model
2 Governance	4084- <i>Ineffective risk management systems and processes</i> 77- <i>Inadequate insurance protection</i> 1705- <i>Major project failure.</i> 1701- <i>Failure to comply with regulatory obligations</i>	- Deliver and regularly monitor Risk Management Business Plan 2014-15 - Implementation of Marsh nominated insurance review recommendations - Project Steering Committee - CWWTP upgrade
3 People and Culture	1696 – <i>Failure to provide safe workplace</i> 1694- <i>Inability to attract/retain/develop sufficiently skilled staff</i>	- Organisational Improvement program - Training and development program
4 Crises Management	1695- <i>Inadequate response to major disruptive event</i> 1689- <i>Significant water asset or infrastructure failure.</i>	- Progress and periodically review Business Continuity Plans - Continue of asset maintenance and renewal program - Identification and condition assessment of critical infrastructure - Internal audit IT security

Risk Focus Area	Risk Statement	Activities
5 Customer & Stakeholder Management	1685- Failure to meet or manage community expectations or loss of community support 4057- Failure to manage stakeholder needs and expectations	- Produce Social Media strategy and guidelines - Awareness and delivery of Annual Stakeholder Plan
6 Water Quality	689 –Water supply contamination	- Catchment landholder engagement with key partners - Water Quality Strategy 2014-17 implemented
7 Opportunity Innovation	1692- Under utilisation of assets including IT 1708- Missing opportunities for value creation 1702 Inadequate strategic planning	- Develop process review efficiency model - Access industry resources and associations, including the MoU. - Develop Innovation and Opportunity portfolio. - Learnings from San Remo Integrated Water Cycle Management Project
8 Information Data Management and Security	1690-Failure of critical IT and Business Systems. (ICT) 1703 -Lack of data management security resulting in loss of key corporate information	- Continue archive project - Managed Services Platform - Internal audit IT security
9 Changing Regulatory Environment	1702 Inadequate strategic planning 1700 Failure to plan appropriately for climate variability 1701 Failure to comply with regulatory requirements	- Invite regulators to present regularly to the Westernport Water Board - Develop and Implement Strategic Planning program
10 Wastewater Management	1699- Inability to sustain the environment. (failure to maintain beneficial uses) 1701- Failure to comply with regulatory obligations 766- Inability to treat and safely dispose of wastewater	- Complete Yr1 of CWWTP Upgrade and Cowes Futures Upgrade - Wastewater irrigation system upgrades - Biosolids 3rd party land disposal - Sewer modelling and capacity review completed, providing feedback to the Bass Coast Shire Council on stormwater issues.

The Department Environment & Primary Industries risk reporting portal has been used to collate and report our risks presented in our Corporate Plan which is included [Appendix A](#).

New Policy Initiatives

Melbourne's Water Future (MWF)

The vision and objectives of Melbourne's Water Future

The Minister for Water in December 2013 released a strategy for Melbourne's Water Future. While initially prepared for the metropolitan area, the regional water corporations have been requested to adopt the ethos and principles of the *Vision* embodied within this strategy achievable by the year 2050. This Corporate Plan is the first stage in recognising the pathway the corporation will need to follow to contribute to MWF vision.

For Melbourne, the Minister has provided guidance on the how the actions to achieve the vision by the year 2050 can be measured.

Strategies to deliver the vision, benefits and outcomes of Melbourne's Water Future

By adopting the MWF vision, the Minister is requesting regional water corporations to commence planning toward the 2050 targets. Supporting the Minister's request, Westernport Water has over recent years been developing projects which are consistent with the objectives and vision of Melbourne's Water Future. The Corporation has also committed projects as part of Water Plan 3 and are incorporated within this Corporate Plan providing a sound basis for the corporation to achieving the longer term vision.

Early Transition with Melbourne's Water Future

Westernport Water has recently completed a number of projects which complement the vision of Melbourne's Water Future. These projects are outlined below:

- ◆ completion of a modular style Class A water recycling treatment process at the CWWTP;
- ◆ doubling the capacity of Candowie Reservoir by raising the dam wall. This project provided a cost effective solution to ensure a sustainable local water supply for the region;
- ◆ community Orchard on Phillip Island. The community use Class A water to grow fruit and vegetables on land provided by Westernport Water; and
- ◆ 100 percent wastewater irrigation at the KRWWTP, including expansion of irrigation to meet increasing effluent requiring disposal to land.

Project Commitments for 2014-15

Moving on from our achievements, our focus over Corporate Plan 2014-19 is attention toward medium and long-term goals in respect to the Melbourne's Water Future 'Vision'. Our projects for 2014-15 are directed to the reduction of water usage and recycling of waste.

- ◆ A tree plantation supported by irrigation water sourced from the output of the CWWTP. This project will redirect a minimum of 70ML of wastewater from the ocean outfall to land for irrigation each season;
- ◆ San Remo Integrated Water Cycle Management (IWCM). This investigation study on a 'green field' residential development site at San Remo aims to understand how to reduce pollutants into Western Port, utilise all available water sources to reduce the dependency on potable water and to support the Governments initiative – 'sustainable living communities'.
- ◆ In 2014, biosolids from the CWWTP were incorporated into private agricultural land. The Regional Biosolids Management Plan approved by EPA, caters for reuse of the biosolids product for the next 3 years.

Possible future projects which are being considered by Westernport Water

While not specifically funded through the approved tariff structure of Water Plan 3, the corporation has a number of potential resource saving options to consider. These projects have not been scoped nor have the construction timelines been established, however previous projects completed by Westernport Water provide a perfect base for these new projects to be assessed in line with the criteria of the vision of Melbourne’s Water Future:

- the existing Class A water treatment plant is modular in design and will accommodate additional modules as demand for recycled water grows through new commercial customers or growth in residential developments within the recycled water district;
- working with land developers in our region and the Bass Coast Shire Council to influence future green field residential and commercial estates to include the principle findings from the San Remo IWCM – as noted above. Continue to mandate dual pipe systems in new real estate developments where economically viable;
- work with local government on evaluating possible sites within our brown field urban areas which could accommodate ‘retro fitting’ rain water and storm water harvesting. This would result in less storm water going to Western Port and reduce inflow into Westernport Water’s sewer system; and
- continue to promote Permanent Water Saving Rules and raise community awareness of local water issues and at the same time promoting ‘Right Water’ campaign messages.

Water Sector Efficiency Initiatives (WSEI)

The Minister for Water has provided guidance for the preparation of this Corporate Plan through the release of the ‘Water Sector Efficiency Initiative’. The purpose of this statement is to *‘deliver efficiency and system wide cost reductions across urban water businesses for the benefit of the community’*. Supporting this objective, the Government established a clear responsibility for water corporations to pass savings back to customers as part of the “Fairer Water Bills” initiative. The Office of Living Victoria actively managed all the urban water corporations throughout the preparation of the corporate plan by holding numerous workshops and facilitated the sharing of cost saving and productivity initiatives implemented by other urban water corporations across the state to assist water corporations to achieve cost savings targets.

Details of our Cost Saving Targets

The corporation has reviewed its operations and identified \$490K of cost savings and a further \$20K revenue opportunity for 2014-15. Following tables 10 and 11 detail the revenue and expense opportunities:

Table 10 Revenue Opportunities

Revenue	Comment	Amount \$ 000
Recycled Water	Working from a low base, additional new customers to be connected to our Class A recycled water system. Also identify new water re-use opportunities with existing customers. Most of the usage is during the summer season.	20
Total		20

Table 11 Expense Savings

Expenses	Comment	Amount \$ 000
Advertising and Promotions	Promotional programs will be maintained with an emphasis on providing information about water saving, water re-use through our Class A plant and less provision of promotional material being available to participants.	26
Bad Debts	Tighter controls over the late payment by customers through SMS messaging and other early contact points with the customer reduces the outstanding debt and resulting bad debts. The new billing system will improve reporting capabilities to manage these outstanding customer accounts.	21
Collection Costs	To launch a program to change customer behaviour to pay bills utilising low cost payment channels. The aim to move customers from Australia Post to Direct Debit.	2
Consultants	Utilisation of internal resources and knowledge to address business issues in place of contracting specialist external consultants.	61
Contractors	Through the Gippsland MoU develop a 'Social Media' strategy and coordinate the web page design and hosting would save an estimated \$17K. Social media resourcing, building online promotion of for water recycle and dam safety represent other minor Gippsland MoU savings.	33
	Included in this amount is an allowance determined by the Office of Living Victoria co-ordinated procurement savings which are to be determined.	76
Debt Collection	Improved management of customer receipts with early intervention programs reducing customer referral to the collection agency.	6
Doubtful Debts	The SMS, Direct Debit and early customer contacts are designed to drive down delinquent debt. With the new billing system we expect lower levels of impairment during the year.	20
Electricity	The Newhaven office has solar panels which require some optimisation. Also to address low energy lighting and isolation of meeting room air conditioning for operation only when the rooms are occupied.	10
Fringe Benefits Tax	Review after tax employee contributions for motor vehicles to reduce the FBT obligation.	20
Interest Expense	Improved management of inventory and debtors to reduce working capital across the business.	5
Materials & Supplies	Office of Living Victoria co-ordinated procurement savings which are to be determined.	26
Salaries & Wages	Through the Gippsland MoU seek periods of secondments to share skill sets particularly OH&S- \$20K. Changes to in house procurement resourcing to be covered by Gippsland MoU skill sets - \$30K.	51
Testing & Sampling	During 2013-14 some portion of the testing and sampling was redirected to in house services. The savings into 2014-15 reflecting a full year and further optimisation of the in house resources.	82
Training & Education	A Gippsland MoU opportunity to participate in centralised training reducing cost per employee.	21
Travel & Accommodation	Building a video conference capability at Newhaven, would allow Board members to remain in Melbourne avoiding travel and accommodation costs. Staff would also use this facility to contact Office of Living Victoria and other Gippsland corporations.	10
Uniforms	Deferment of office staff uniforms to a two year replacement interval.	10
Vehicles	Fleet managers across Gippsland are working to share fleet knowledge, align vehicle types allowing for repair contracts with a lower cost.	10
Total		490

The savings identified through the Fairer Water Bills initiative of \$510K for the full year 2014-15 are summarised by category as follows:

Table 12 Efficiency Targets

Category	Amount \$ 000
Revenue	
Increase sales of Class A	20
Sub-total	20
Expenses	
Financial Management	5
Gippsland MoU	97
Procurement	247
Co-ordinated Procurement	102
Other	39
Sub-total	490
Total Cost Savings Revenue target as per Office Of Living Victoria	510

Through this consultative process, the Office of Living Victoria assessed the capacity of each urban water corporation to deliver cost saving which could be returned to customers in the form of a lower tariff. Table 12 below shows the total cost savings targets per year from 2014-18. A component of the cost saving target is a *coordinated procurement saving* this is planned to be achieved as part of an industry wide collective to utilise the same suppliers and receive quantity rebates and discounts. As these savings are yet to be identified, Westernport Water will only pass these saving onto customers as the savings are realised.

The cost saving target starts in 2014-15 at approximately \$411K and escalates to \$542K by 2017-18.

Table 13 Customer Rebate 2014-18

	2014-15 \$	2015-16 \$	2016-17 \$	2017-18 \$
Total Cost Savings Target as per Office of Living Victoria	510,000	520,000	743,000	758,000
Less Co-ordinated Procurement Saving	(102,000)	(104,000)	(212,000)	(216,000)
Rebate to Customers – Amount	411,000	416,000	531,000	542,000
Rebate per Customer	23.00	23.40	29.80	30.45

For the 2014-15 period Westernport Water will pass on a one-off rebate of \$23.00 per customer.

The annual rebate will be paid to all customers from 1 January 2015. The rebate will apply to customers receiving water services and will also apply to our tenant customers. The rebate will be shown on the customer's bill as a separate line item. Tariffs will increase each year in line with the Essential Service Commission's Water Plan 3 determination which is zero real increase + CPI.

Protection of Customer Service Standards

The cost savings outlined in the table above are not directed at our operational staff who provide services to our customers. Our ability to attend water main breaks, sewer blockages or other call outs to fix critical infrastructure failures which impact customers are not affected by the adopted cost saving measures.

Support for our customers by the Customer Service team will be further enhanced with the implementation of a new billing system this coming financial year. The corporation recognises the importance of maintaining a high level of service to our customers and has ensured the cost savings will not impact our service levels to customers from the Customer Service team.

Gippsland Working Together

Westernport Water has been working with East Gippsland Water; Gippsland Water and South Gippsland Water as a collective to share resources, evaluate procurement opportunities and identify savings that will benefit the four Gippsland corporations. This work is sanctioned at Board level through a Memorandum of Understanding (MoU) signed by each corporation.

The MoU provides opportunity which is consistent with the corporate planning directions of the Minister for Water to reduce costs and improve the efficiencies of the respective corporations.

More specifically, the MoU identifies the following strategies:

- the sharing of joint expertise where this will enhance overall customer outcomes and the effectiveness of the organisations;
- the adoption of joint system options where they prove to be mutually beneficial, encourage innovation and build the capability of each organisation;
- each corporation will proactively seek to identify areas of mutual collaboration, examining all possibilities for areas of cooperation in the provision of services; and
- each corporation will, as a part of its individual strategic planning processes, look for possible areas of joint cooperation.

A management team acting as the MoU steering committee has been established and sub groups with a special interest activity are currently being formed. Specific cost saving targets and knowledge sharing objectives are at a high level and will be further developed in coming months. The MoU is a longer term networking cooperative with benefits realised through 2014-15, and optimal outcomes attainable throughout the remainder of the Corporate Plan 2014-19 period.

Planning Assumptions

Operating Environment Assumptions 2014-15

Westernport Water forecasts a net profit result of \$867K for 2014-15. Revenues are expected to be \$20.4M compared to \$19.7M for 2013-14. Expenditure is forecast to be \$19.5M in 2014-15, being \$0.4M lower than 2013-14 of \$19.9M.

The growth in revenue of \$0.7M is largely derived from operating revenues (service charges and metered charges) of \$0.7M. Although in preparing our Corporate Plan, growth in new customer connections are lower than predicted in Water Plan 3, with 1 percent growth instead of 2 percent growth.

The lower new customer connections also flow into our Corporate Plan capital revenue base. Land development activity for new housing estates is currently below the average from recent years. Prudently we have maintained the revenue in our Corporate Plan to match our forecast for 2013-14 of \$1.2M. Due to the volatility in the land development market we have included this income item in our sensitivity analysis.

Seasonal and extreme weather events may contribute to either a more favourable or less favourable outcome on our expected profit. There is no specific provision for any adverse weather conditions in our results.

While the corporation has an exposure to interest rates, we have a relatively low level of debt and the current low interest rate environment should continue over the next twelve months. Accordingly, we do not expect any significant impact on the results from movements in interest rates.

The completed water supply augmentation projects collectively provide security of water supply to our customers until 2055. As a result, should there be a prolonged dry period, our revenue assumptions for metered water will not be impacted by water availability issues over the Corporate Plan 2014-19 duration.

Within our service district there are no large industrial customers with a high water consumption who could cause revenue volatility either in demand changes or if they were to close their operations. The customer profile for Westernport Water is residential customers, commercial business and smaller non residential customers which in totality are stable, providing greater certainty to the revenue base.

Finance Assumptions 2014-15

The key financial assumptions used in the development of the 2014-15 Corporate Plan budgets are set out below. These assumptions have ensured the Corporation has been able to project a profit and a positive cash flow over the forecast period.

Revenue Assumptions

- ◆ Revenue has been increased by:
 - a 1% increase in the customer base and
 - tariffs have increased by 2.93% representing CPI as approved by the ESC in our Water Plan 3.
- ◆ Capital revenue is assumed to be 170 new allotments per year.
- ◆ Demand forecast is consistent with the previous year trend, allowing for 1% growth in property numbers, being lower than the Water Plan 3 forward estimates.
- ◆ Water usage per customer is assumed to be 70KL pa for residential customers and 415KL pa for non-residential customers.

OPEX Assumptions

- ◆ Expenditure has been reviewed under the guidance of the Minister to identify savings for both the short term and longer term, the latter being consistent with the objectives of Melbourne's Water Future.
- ◆ Staff cost has increased in line with the recently approved Enterprise Agreement and is consistent with over all Government policy for annual wage rises. The Corporation does not expect additional head count over the current year necessary for the corporate plan period.
- ◆ While electricity tariffs are under contract the kilowatt hours have been increasing year on year. Although weather events throughout the forecast period may change the actual demand for electricity, we remain optimistic our forecast savings will be achieved.
- ◆ As advised by the Department of Environment & Primary Industries in Water Plan 3 Guidance Notes, the Environmental Contribution levied at 5% of 2011-12 planned revenue, and will be effective from 1 July 2013 to 30 June 2017. From 1 July 2018 we have based the levy on 2015-16 revenue at 5%.
- ◆ CPI increase capped at 2% each year.
- ◆ No cost allocation for the use of metropolitan pool water. The current pricing principles for metropolitan pool water, as provided by Melbourne Water headworks system, are based on a usage per ML charge. Westernport Water does not expect to utilise its 1,000ML bulk entitlement in this Corporate Plan.

Other Assumptions

- ◆ The corporation plans to implement a new billing system during 2014-15. The new billing system is based on continuous customer billing compared to the current system which bills customers on a quarterly basis. The new billing system will impact cash flows favourably in the year. Conservatively, we have prepared the Cash Flow Statement without the one off gain from the new billing system as the timing of the implementation is dependent upon several factors and is difficult to predict.
- ◆ Timing of key capitalisation of major projects over the five year period, may affect the actual depreciation charge in any one year.
- ◆ Not undertaking any Government funded projects.
- ◆ No payments of dividends and company tax over the corporate plan period.
- ◆ No allowance for projects resulting from the Office of Living Victoria San Remo IWCM study.

Our financial KPIs are set out in [Appendix C](#).

Financial Sensitivity Analysis

Westernport Water has forecast a net profit of \$867K for 2014-15. Within this forecast financial result are a number of inherent assumptions, if the reality is different to these assumptions our forecast result could be quite different. We have prepared a sensitivity analysis which highlights the extent to which our forecast result could change depending upon the outcome of the key variables noted in table 14 below.

The sensitivity analysis indicates our net result could range from a net loss of \$480K to a net profit of \$1,154K.

Table 14 Profit Sensitivity Analysis

Variable	Sensitivity	Comments
Capital Revenue	50% loss of revenue (at risk cash component \$221K and the at risk non cash component \$448K).	An unpredictable variable – numerous factors beyond the control of Westernport Water.
Water Volumetric	+/- 10%	Factors in a hot dry summer or a wet cool summer
Chemicals	+\$240K	Multiple blue green algal events. Possible, include the cost of Melbourne Water as Candowie is closed and we draw water from the Melbourne system.
Power	+\$150K	Wet winter / spring additional pumping costs

Having identified the key variables which may impact our financial forecast for 2014-15, we have assessed these variables using our Risk Matrix. Capital revenue has two components, cash and non cash. Each revenue segment has different market drivers which should be assessed separately in the risk matrix. Both segments have a revenue impact of less than \$500K.

The score from the risk matrix has a moderate risk impact for the organisation for 2014-15.

Table 15 Revenue Risk Matrix

Variable	Consequence	Likelihood	Risk
Capital Revenue - Cash - Non cash	Moderate (Over \$100K less than \$500K)	Possible (once every 5 years)	Moderate
	Moderate (Over \$100K less than \$500K)	Possible (once every 5 years)	Moderate
Water Volumetric	Moderate (Over \$100K less than \$500K)	Possible (once every 5 years)	Moderate
Chemicals	Moderate (Over \$100K less than \$500K)	Possible (once every 5 years)	Moderate
Power	Moderate (Over \$100K less than \$500K)	Possible (once every 5 years)	Moderate

Profit Sensitivity – Down Side Assumption

If all the possible unfavourable outcomes noted above were to eventuate, the forecast result would reduce by \$1,347K, from a profit of \$867K to a loss of \$480K. This has been summarised in table 16 below:

Table 16 Financial Sensitivity – downside assumption

Profit and Loss	2014-15 Forecast \$ 000	Capital Revenue	Water Volumetric	Chemicals	Power	Down Side Net Result
Total Revenue	20,391					20,391
Revenue Adj.		(670)	(287)			(957)
Total Opex	(19,524)					(19,524)
Opex Adj				(240)	(150)	(390)
Net Result (Loss)	867					(480)

Profit Sensitivity – Up Side Assumption

Alternatively, if weather conditions were entirely favourable and customer demand for water increased by 10 percent and there were no additional cost pressures in the corporation the net result would be \$287K better than the current forecast result of \$867K. Table 17 below provides the details of this scenario:

Table 17 Financial Sensitivity – upside assumption

Profit and Loss	2014-15 Forecast \$ 000	Water Volumetric	Up Side Net Result
Total Revenue	20,391		20,391
Revenue Adj.		287	287
Total Opex	(19,524)		(19,524)
Opex Adj			-
Net Result	867		1,154

Customer and Demand Assumptions 2014-2015

Property Forecast

The major assumptions driving the property forecast are:

- ◆ Growth in residential properties of 1.0% from 2013-14.
- ◆ Reduction in unconnected vacant residential land of 1.5%.
- ◆ No significant growth in commercial customers.

One of the key assumptions underpinning our corporate plan proposals is the expected level of demand for our services. Westernport Water forecast assumptions are supported by the Victoria in the Future (2012) publication issued by the Department of Planning and Community Development, as well as the Bass Coast Shire Council's projections from Census data.

For 2014-15, Westernport Water has reviewed the growth assumptions used in Water Plan 3 (WP3) determination and revised them from 2 percent to 1 percent based on actual history reflecting a downward trend. However, from 2015-16 onwards we have adopted the initial WP3 assumptions which will be reviewed annually.

Table 18 Property Forecast

Property Type	Property Nos. 2014-15	Water Plan 3 Submission Year 2	Variance from WP3
Residential	14,637	15,125	-3.2%
Vacant Land (unconnected) ²	1,639	1,639	0%
Commercial	1,093	1,115	2%
TOTAL PROPERTIES	17,369	17,879	-2.9%

Customer Demand Forecast

Water consumption in 2014-15 is anticipated to be the same as 2013-14 for the following reasons:

- Highly seasonal customer visitation and continuing low usage for holiday homes;
- Ongoing water conservation programs aimed at constraining demand; and
- Consumer behaviour has not returned to pre 2007 drought demand.

Table 19 below provides forecast demand for 2014-15:

Table 19 Customer Demand Forecast

Customer Type	Demand (ML)	Water Plan 3 (ML)	Variance in assumptions (%)
Residential	1,024	1,077	-4.9%
Commercial	453	585	-22.5%
TOTAL CUSTOMER DEMAND	1,477	1,662	-11.1%

For 2014-15, Westernport Water has reviewed the water demand assumptions used in WP3 determination as shown in the table above. From 2015 onwards we have adopted the initial WP3 assumptions which will be reviewed in the lead up to each annual corporate plan. Forecasts are based on historic water consumption, population growth projections for the area and recent trends in water use.

Average Residential Pricing Assumptions 2014-19

The average annual water consumption for a Westernport Water residential customer is approximately 70kL³ and 415kL⁴ per commercial customer. The low residential average consumption figure is affected by the large percentage (approx. 55 percent) of residential properties that are holiday homes and use minimal water over a full year.

Table 20 below illustrates the customer impacts and pricing over the next five years:

³ Average residential consumption is based on customer demand forecast of 1,024ML and residential properties (not including connected vacant land) of 14,637

⁴ Average commercial consumption is based on customer demand forecast of 453ML and total commercial properties of 1,093

Table 20 Average Pricing Assumptions - Residential

Average Residential Account (70KL)	CPI ¹	Metered	Water Fixed	Waste Fixed	Total	% Change
2014-15	2.93%	\$133.36	\$370.72	\$571.56	\$1,075.64	2.33%
2015-16	2%	\$136.03	\$378.13	\$582.99	\$1,097.15	1.96%
2016-17	2%	\$138.75	\$385.70	\$594.65	\$1,119.10	1.96%
2017-18	2%	\$141.52	\$393.41	\$606.54	\$1,141.48	1.96%
2018-19	2%	\$144.36	\$401.28	\$618.67	\$1,164.31	1.96%

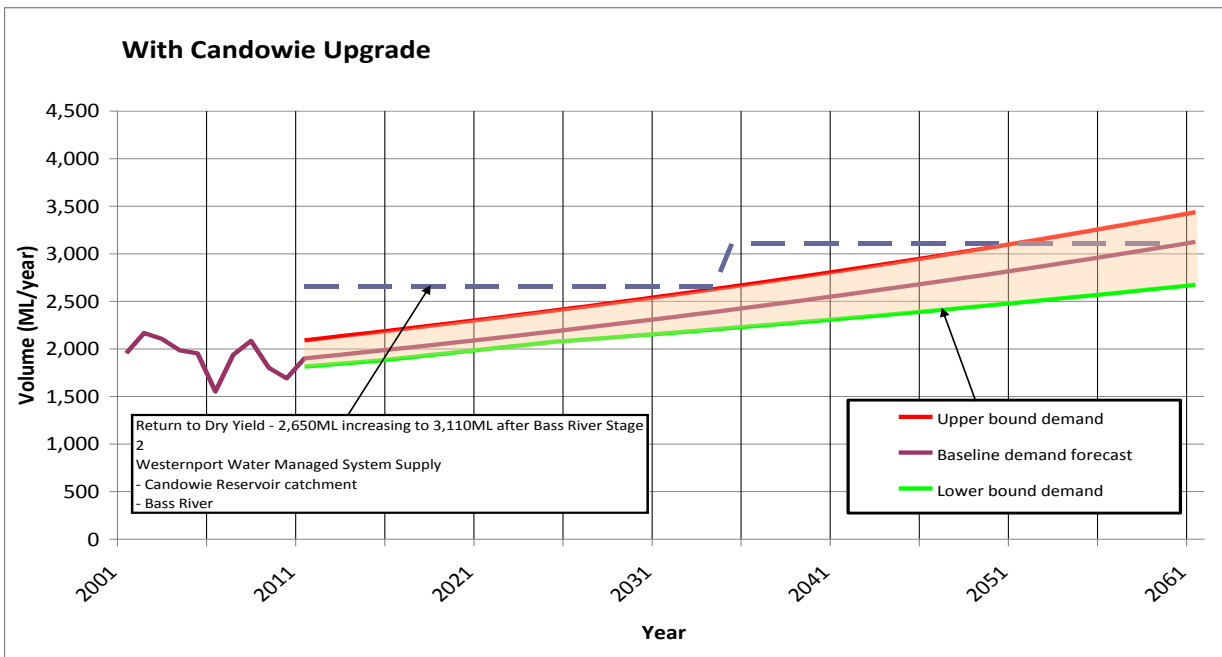
¹ CPI growth from 2015 -19 is assumed at 2% p.a.

Supply Assumptions 2014-15

Our Corporation accesses water from a diverse range of sources. The Bulk Entitlements we currently hold are 2,911ML from Tennent Creek and 3,000ML from the Bass River, as well as a licence to access up to 491ML of groundwater from the Corinella Aquifer.

Works to increase the capacity of Candowie Reservoir were completed in July 2013. Augmentation of Candowie Reservoir has increased the storage capacity from 2,263ML to 4,463ML providing sufficient stored water to meet current customer demand for three years. Works have commenced on a connection to the Metropolitan Pool, with a secured a bulk entitlement of up to 1,000ML per annum from the Melbourne Water Headworks System.

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



Demand is currently tracking along the lower bound envelope of our forecast. Sufficient water is therefore available to meet all community needs without restrictions over the 2014-15 period.

Recycled Water Assumptions 2014-2015

The Class A Recycled Water Plant was commissioned in July 2012. All new subdivisions on Phillip Island are required to connect to the recycled water dual pipe network.

Westernport Water is continuing to implement the Recycled Water Marketing Strategy to build the recycled water market and increase community awareness of recycled water.

Westernport Water has received a number of enquiries from potential recycled water customers in our service region to connect to the recycled water network, including farmers and a major tourist resort. For the 2014-15 period we have made no capital allowances to extend the recycled water network. 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. Future developments within the San Remo district planned along the proposed recycled water network will be required to install dual pipe (purple pipe).

Replacement of potable water usage with recycled water has been increased by 10 percent on 2013-14 volumes for connected residential properties. Approximately 1,400 residential customers are expected to connect over the next ten year planning period. Currently 165 residential customers and five commercial customers are receiving recycled water.

Appendix A – Risk Templates

Please find enclosed table located at the rear of the document

Appendix B – Financial Templates

Table B1 - Operating Revenue

	2014-15 \$ 000	2015-16 \$ 000	2016-17 \$ 000	2017-18 \$ 000	2018-19 \$ 000
Operating Statement					
Revenue					
Service Charges	15,761	15,660	15,443	15,210	15,426
Usage Charges	2,884	2,984	3,097	3,223	3,365
Developer Contribution	580	591	603	615	627
Developer Contribution - Gifted Assets	760	775	791	807	823
Investment Interest	34	51	52	53	54
Other revenue	372	410	429	448	468
Total Revenue	20,391	20,471	20,414	20,356	20,763
Expense					
Operating & Maintenance Expense	3,603	3,557	3,338	3,158	3,221
Administration Expense	1,775	1,752	1,644	1,556	1,587
Environmental Contributions	794	810	826	932	932
Borrowing Cost / Interest Expense	504	496	391	341	275
Depreciation / Amortisation	5,766	5,839	5,642	5,868	6,018
IT	681	695	709	723	737
Labour	5,957	5,960	5,897	5,790	5,725
Consultants	444	338	311	258	263
Other Expense					
Total Expense	19,524	19,446	18,758	18,626	18,758
Earnings before tax	867	1,025	1,655	1,730	2,005
Income Tax					
Net Operating Result	867	1,025	1,655	1,730	2,005
Profit on sale of assets					
Dividend exp					
Transfers to / from reserves					
Other Adjustments					
Net Profit / (Loss)	867	1,025	1,655	1,730	2,005
Retained Profit (Loss) Carried Forward	66,136	67,002	68,027	69,683	71,413
Closing Retained Profit / (Loss)	67,002	68,027	69,683	71,413	73,418

Table B2 - Balance Sheet

Balance Sheet	2014-15 \$ 000	2015-16 \$ 000	2016-17 \$ 000	2017-18 \$ 000	2018-19 \$ 000
Current Assets					
Cash on Hand	62	35	100	68	77
Receivables	1,735	1,342	1,008	1,126	1,043
less Provision for Impaired Receivables	(224)	(254)	(284)	(315)	(347)
Inventories	550	550	550	550	550
Prepayments	120	120	120	120	120
Other Current Assets	82	82	82	82	82
Total Current Assets	2,326	1,876	1,576	1,631	1,525
Non-current Assets					
Infrastructure	192,658	201,049	207,078	213,773	220,911
less accum deprec	(25,535)	(31,373)	(37,015)	(42,883)	(48,901)
Infrastructure WDV	167,123	169,676	170,063	170,890	172,010
Capital Works in Progress	8,961	5,238	5,889	5,815	4,200
Total Property Plant & Equipment	176,084	174,914	175,952	176,705	176,210
Non-current Receivables	100	100	100	100	100
Total Non-current Assets	176,184	175,014	176,052	176,805	176,310
Total Assets	178,509	176,890	177,627	178,436	177,835
Current Liabilities					
Current Payables	1,708	1,514	1,265	1,143	1,138
Short Term Borrowing	3,570	2,670	3,100	3,400	2,150
Employee Benefits	1,175	1,175	1,175	1,175	1,175
Other Current Liabilities	8	9	9	9	9
Total Current Liabilities	6,462	5,367	5,549	5,727	4,471
Non-current Liabilities					
Long term Borrowings	8,000	6,450	5,350	4,250	2,900
Employee Benefits	202	202	202	202	202
Deferred Tax Liabilities	13,656	13,656	13,656	13,656	13,656
Total Non Current Liabilities	21,858	20,308	19,208	18,108	16,758
Total Liabilities	28,320	25,675	24,757	23,835	21,229
Net Assets	150,190	151,215	152,870	154,601	156,606
Equity					
Government Equity Contributions	51,323	51,323	51,323	51,323	51,323
Asset Revaluation Reserve	31,865	31,865	31,865	31,865	31,865
Accumulated Funds	67,002	68,027	69,683	71,413	73,418
Total Equity	150,190	151,215	152,870	154,601	156,606

Table B3 - Cash Flow Statement

Cash Flow Statement	2014-15	2015-16	2016-17	2017-18	2018-19
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Cash Receipts					
Service and Usage Charges	18,644	19,037	18,873	18,316	18,875
Other Customer revenue	741	756	771	786	802
Receipts from Government					
Developer Contributions	580	591	603	615	627
GST refunds from ATO	1,189	1,040	1,211	1,159	1,047
Interest	34	51	52	53	54
Other cash receipts	372	410	429	448	468
Total cash receipts from Operations	21,560	21,885	21,939	21,377	21,873
Cash Payments					
Payments to Suppliers and Employees	(12,971)	(12,272)	(11,868)	(11,453)	(11,502)
Interest cost	(504)	(496)	(391)	(341)	(275)
GST paid to ATO	(1,189)	(1,040)	(1,211)	(1,159)	(1,047)
Environmental Contributions	(794)	(810)	(826)	(932)	(932)
Other Payments	(732)	(750)	(769)	(788)	(808)
Total cash payments from Operations	(16,190)	(15,368)	(15,066)	(14,674)	(14,564)
Net Cash Inflow from Operations	5,370	6,517	6,873	6,703	7,310
Cash Flow from Investing Activities					
Payments for Property Plant & Equipment	(5,467)	(4,094)	(6,139)	(5,935)	(4,700)
Proceeds from sale of Assets	-	-	-	-	-
Net Cash Flow from Investing Activities	(5,467)	(4,094)	(6,139)	(5,935)	(4,700)
Cash Flow from Financing Activities					
Repayment of fixed borrowings	(1,000)	(1,550)	(1,100)	(1,100)	(1,350)
Proceeds from Borrowings	6,700	-	4,100	300	-
Repayment of Borrowings	(7,050)	(2,450)	(4,770)	(1,100)	(2,600)
Net cash Flow from Financing Activities	(350)	(2,450)	(670)	(800)	(2,600)
Net Increase / Decrease in Cash	(448)	(27)	64	(32)	10
Cash held at beginning	510	62	35	100	68
Cash held at end	62	35	100	68	77

Appendix C – Regulatory Performance Indicators

Table C1- Financial Performance Indicators

Financial KPI	Reference Point Target	2014-15 Projection	2013 – 14 Forecast	2012-13 Actual	2011-12 Actual	2010-11 Actual	2009-10 Actual
F1 Interest Cover (Cash) Net operating cash flows before net interest and tax / net interest payments	2.5	12.43	6.21	61.22	58.90	(193.03) ¹	82.12
F2 Gearing Ratio (Debt to Assets) Total debt including finance leases / total assets * 100	< 50%	6.5%	6.5%	3.6%	2.6%	1.2%	1.2%
F3 Internal Financing Ratio Net operating cash flows less dividends / net capital expenditure * 100	35%	98.2%	31.7%	78.2%	77.3%	89.5%	124.4%
F4 Current Ratio Current assets / current liabilities (excluding long term employee provisions and revenue in advance)	Target greater than zero based on water business Corporate Plan	0.40	0.56	0.32	0.45	0.53	0.86
F5 Return on Assets (based on statutory asset values) Earnings before net interest and tax / average assets * 100	Target greater than zero based on water business Corporate Plan %	0.8%	0.5%	0.8%	1.9%	1.5%	2.1%
F6 Return on Equity Net Profit after Tax / Average Total Equity *100	Target greater than zero based on water business Corporate Plan %	0.6%	0.3%	0.8%	2.1%	1.5%	2.1%
F7 EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue *100	Target greater than zero based on water business Corporate Plan %	34.8%	33.7%	31.2%	36.5%	32.8%	36.2%

¹ Interest received greater than interest paid

Table C2 - Water & Sewer Services Performance Indicators

Water Service KPI		Reference Point Target	2014-15 Projection	2013-14 Target	2012-13 Actual	2011-12 Actual	2010-11 Actual	2009-10 Actual
WS1	Customers experiencing (1) or more unplanned water interruptions in the year.	As specified in the customer service code if applicable (%)	1,500	1,500	1,286	NA	3,758	6,000
WS2	Customer – minutes to restore water supply	As specified in the customer service code if applicable (minutes)	90	90	124.4	175	118	65
WS3	Unplanned water supply interruptions restored within 5 hours	As specified in the customer service code if applicable (%)	100	100	97.3	95	100	98
WSR1	Water deliveries in accordance with service standards for rural customers	As specified in the customer service code if applicable (%)	NA	NA	NA	NA	NA	NA
WSR2	Unavailability of pressurised domestic and stock network supply for rural customers	As specified in the customer service code if applicable (%)	NA	NA	NA	NA	NA	NA
WSR3	Applications for section 51 groundwater licences determined in (x) days	As specified in the customer service code if applicable (%)	NA	NA	NA	NA	NA	NA
Sewerage Service KPI		Reference Point Target	2014-15 Projection	2013-14 Target	2012-13 Actual	2011-12 Actual	2010-11 Actual	2009-10 Actual
SS1	Sewer spills from reticulation and branch sewers (P1 and P2) contained within 5 hours	As specified in the customer service code if applicable (%)	0	0	10	16	16	11
SS2	Sewer spills customer interruptions (P1 and P2) contained within 5 hours	As specified in the customer service code if applicable (%)	100	100	100	88	88	90

Table C3 - Customer Responsiveness & Environmental Performance Indicators

Customer responsiveness KPI (per 1000 customers)		Reference Point Target	2014-15 Projection	2013-14 Target	2012-13 Actual	2011-12 Actual	2010-11 Actual	2009-10 Actual
CR1	Water quality complaints – colour, taste and odour, blue water, other	Average of five year results based on WP2 or Corporate Plan target	0	0	1.01	2.54	1.44	2.75
CR2	Sewerage service quality and reliability complaints	Average of five year results based on WP2 or Corporate Plan target	0	0	0	0.1	0	0
CR3	Sewerage odours complaints	Average of five year results based on WP2 or Corporate Plan target	0	0	1.06	1.36	0.05	0.35
Cr4	Billing Complaints	Average of five year results based on WP2 or Corporate Plan target	1.1	1.1	1.01	0.195	0.28	0.99
Environmental KPI		Reference Point Target	2014-15 Projection	2013-14 Target	2012-13 Actual	2011-12 Actual	2010-11 Actual	2009-10 Actual
E1	Effluent re-use volume (end use)	Corporate Plan target %	19	18.5	18	9.2	12	15.3
E2	Total net CO2 equivalent emissions	Corporate Plan target (tonnes)	6,300	6,350	6,260	7,280	4,487	4,317

Table C4 - WP3 Service Performance Targets

Water	ESC Average 2007-2012	WP3 Service Performance Targets				
		2013/14 Target	2014/15 Target	2015/16 Target	2016/17 Target	2017/18 Target
Unplanned water supply interruptions (per 100km)	35	40	40	35	35	35
Average time taken to attend bursts and leaks (priority 1) (minutes)	12.8	30	30	30	30	30
Average time taken to attend bursts and leaks (priority 2) (minutes)	68.4	100	100	90	90	90
Average time taken to attend bursts and leaks (priority 3) (minutes)	224.52	450	450	450	450	450
Unplanned water supply interruptions restored within 5 hours (per cent)	98%	100%	100%	100%	100%	100%
Planned water supply interruptions restored within 5 hours (per cent)	94%	100%	100%	100%	100%	100%
Average unplanned customer minutes off water supply	63	60	60	60	60	60
Average planned customer minutes off water supply	98.2	90	90	90	90	90
Average unplanned frequency of water supply interruptions	0.531	0.5	0.5	0.5	0.5	0.5
Average planned frequency of water supply interruptions	0.5384	0.5	0.5	0.5	0.5	0.5
Average duration of unplanned water supply interruptions (minutes)	114.8	120	120	120	120	120
Average duration of planned water supply interruptions (minutes)	179.20	120	120	120	120	120
Number of customers experiencing more than 1 unplanned water supply interruptions in the year	?	1500	1500	1500	1500	1500
Unaccounted for water	8%	10.0%	10.0%	10.0%	10.0%	10.0%

Sewerage

* Sewerage blockages (per 100km)	6.40	12	12	10	10	10
Average time to attend sewer spills and blockages (minutes)	129.80	90	90	90	90	90
Average time to rectify a sewer blockage (minutes)	223.00	200	200	200	200	200
Spills contained within 5 hours (per cent)	91%	100%	100%	100%	100%	100%
Customers receiving more than 3 sewer blockages in the year		0	0	0	0	0

Customer service

Complaints to EWOV (per 1000 customers)		1.1	1.1	1.1	1.1	1.1
Telephone calls answered within 30 seconds	94%	90%	90%	90%	90%	90%

Minimum flow rates

20mm	15
25mm	30
32mm	60
40mm	90
50mm	na

Additional services

[CO2 / Green energy target]						
[Recycled water target]	11%	18.5%	19.0%	31.5%	32.0%	33.0%
[Biosolids reuse]		100%	100%	100%	100%	100%
[Environmental discharge indicator]						
[Drinking water quality indicators]	100%	100%	100%	100%	100%	100%

* ESC draft determination did not agree with service standard – sewerage blockages per 100km as presented above.

Appendix D - Progress to achieving Melbourne's Water Future benefits and goals by 2050

Table D1 - Melbourne's Water Future Performance Indicators

MWF - Benefit	MWF – Target	Westernport Water - Progress
Annual water sector costs \$M	Reductions of 10-15%	By 2018-19 operating costs will be 13.7% lower than our bas case for 2014-15.
Water demand (ML)	Reduction of up to 45%	Water demand from customers has not returned to pre 2007 drought usage. Westernport Water continues to promote permanent water saving guidelines. A longer term strategy is required to be formulated.
Wastewater discharge (ML)	Reduction of up to 35%	See WP3 Irrigation and Class A
Stormwater run-off (ML)	Reduction of up to 40%	The San Remo Integrated Water Cycle Management project will assist with planning to reduce storm water run-off.
Greenhouse gas emissions (tonnes)	Savings of up to 1 million tonnes for Melbourne	Westernport Water is yet to set specific targets to reduce GHG.
Nutrient discharge (tonnes)	Reduction of 12-20%	BNR plant Class A at CWWTP.
Reductions in peaks in system flows	To be confirmed the Office of Living Victoria	-

Appendix E – Capital Expenditure detail

Table E1 - 2014-15 Capital Program compared with Water Plan 3

Project Driver	Project Details	Corporate Plan	Water Plan 3 (2013\$)				2018-19
		2014-15	2014-15	2015-16	2016-17	2017-18	
COMPLIANCE	Cowes Tree Plantation	75,000	75,000				
	Archies Creek Chloramination (carryover)	44,000					
	CWWTP - Master Plan Works	2,203,497	1,300,000	670,000	290,000	240,000	500,000
	CWWTP - Sludge Management	50,000	50,000	50,000	50,000	50,000	50,000
	IBWPP Tertiary Treatment		100,000	2,060,000			
	King Rd – Plantation		50,000				
	KRWWTP - Sludge Management				5,000		
	Odour Control - Church St Pump Station	245,000					
	IBWPP Sludge Management Program	25,500	25,000	25,000	25,000	25,000	25,000
	Wastewater Future - Cowes PS upgrades	911,000	760,000				
	Safety Equipment – Shoring Guards (New)	25,000					
Compliance Total		3,578,997	2,360,000	2,805,000	370,000	315,000	575,000
GROWTH	Cowes Class A extension - Link main				30,000	530,000	
	King Rd – Irrigation	150,000	250,000		150,000		
	King Rd WWTP Storage Lagoon				200,000		3,000,000
	Wastewater Future - Cowes reticulation		150,000	-	4,640,000	2,500,000	
	Watermain extensions						300,000
Growth Total		150,000	400,000	-	5,020,000	3,030,000	3,300,000
IMPROVED SERVICES	Landvic updates - automate to Open Spatial GIS	30,600	30,000				
	Medium pressure pump station - alarms	71,400	70,000		180,000		
	R & D contributions	25,000	25,000	25,000	25,000	25,000	
	Rhyll Rd pump upgrade		100,000				

Project Driver	Project Details	Corporate Plan	Water Plan 3 (2013\$)				2018-19
		2014-15	2014-15	2015-16	2016-17	2017-18	
	San Remo Basin HYPO system Upgrade						
	Sewer main improvements	100,000	100,000	100,000	100,000	100,000	100,000
	New projects	324,730					
	Carry over projects		300,000	300,000	300,000	202,000	
Improved service Total		551,730	625,000	425,000	605,000	327,000	100,00
RENEWALS	Switchboard Replacements		150,000	150,000			
	CWWTP - Civil & Mech & Elec	51,000	50,000	50,000	50,000	50,000	50,000
	IBWPP - Civil & Mech & Elec	150,000	60,000	70,000	60,000	50,000	50,000
	IBWPP - Pump & Valve Replacement Program	150,000	150,000				
	KRWWTP - Civil & Mech & Elec	20,000	20,000	20,000	20,000	20,000	
	Meter replacement program	20,400	20,000	100,000	20,000	20,000	20,000
	Motor Vehicle Replacements Program	210,000	50,000	100,000	50,000	50,000	50,000
	Water Main Replacement Program (3)		480,000	515,000	-	-	200,000
	San Remo Basin Cover Replacement				105,000	2,090,000	
	Solar Battery replacement	51,000	50,000				
	SPS - Civil Works	50,000	50,000	50,000	50,000	50,000	150,000
	SPS - Mech and Elec Works	100,000	100,000	100,000	100,000	100,000	
	Water Distribution system - Mech and Elec Works	50,000	50,000	50,000	50,000	50,000	50,000
	Woolamai pump station - generator		100,000				
	Low Value Assets – Depot	170,400					
	New Projects	308,000					
Stanley Rd - Master Plan	40,000	120,000					
Renewal Total		1,370,800	1,450,000	1,205,000	505,000	2,480,000	
OTHER	Replace gas detectors					15,000	
Grand Total		5,651,527	\$4,835,000	\$4,435,000	\$6,500,000	\$6,167,000	4,615,000

Table E2 - 2014-15 Capital Program including Office of Living Victoria savings by project

Project Driver	Project	Corporate Plan	Water Plan 3 (2013\$)			Comment
		2014-15	2015-16	2016-17	2017-18	
Compliance	CWWTP – Master Plan works		369,000	290,000	240,000	Project has been re-designed
Growth	Wastewater Futures – Cowes Reticulation			185,600	100,000	As per Deloitte's assume a softer market @ 4% less than estimated
Growth	Cowes Class A extension – Link main				21,200	As per Deloitte's assume a softer market @ 4% less than estimated
Improved Services	New projects - Enlighten	68,730				Reduced as project commenced in 13/14
Improved Services	Sewer Main improvements			50,000	50,000	Current (13/14) trend is less than forecast
Renewals	Low Value Assets – Depot	120,400				Double up's identified
Renewals	San Remo Basin Cover Replacement				83,600	As per Deloitte's assume a softer market @ 4% less than estimated
Total savings offered		189,130	369,000	525,600	494,800	Total over WP3 \$1.578M
Revised Capex spend		5,462,397	4,066,000	5,974,400	5,672,200	
Total Real Savings required		204,000	312,120	530,604	541,216	Total over WP3 \$1.588M

Where project specific savings have been identified through design changes, downward trends or other operational savings the full cost savings have been included. For other projects Westernport Water has adopted the following approach, as per Deloitte's independent review of the proposed efficiency savings, to arrive at its Capex savings:

Market Approach - 4% of ESC Baseline to reflect softening in market conditions¹

Notes:

1. The market conditions savings percent is based on WorleyParsons and Deloitte commercial experience and a survey of major contractors. Non metro savings assumption is 50 percent of metro savings due to a lesser degree of market softening in these areas especially where local providers are used.

Water Corporation	Item	Category	Risk Title	Risk Description	Inherent Likelihood	Inherent Consequence	Inherent Risk Rating	Current Controls	Category	Residual Likelihood	Residual Consequence	Residual Risk Rating	Future Controls	Category	Risk Group	Risk Cluster
WPW	77	Governance	Inadequate insurance protection	Inappropriate/ ignorance of insurance coverage. Insured risk not adequately assessed.	0.2	1	0.2	Broker, annual review process, insurance handbook.	Administrative and Business Systems	0.1	1	0.1	Undertake a insured risk analysis with Marsh in 2014/15 to ensure WPW has adequate cover.	Administrative and Business Systems	Governance/Regulation/Legal	E - Corporate governance
								Insurance risk benchmarking across Vic Water industry	Administrative and Business Systems							
WPW	689	Infrastructure	Water Supply Contamination	<ul style="list-style-type: none"> Terrorism or willful damage Loss of disinfection system to produce safe drinking water or Non disinfected water leaving the water treatment plant. Cryptosporidium and giardia detected in raw water supply. Animal faeces in raw water Failure of treatment processes and procedures SCADA Failure and or data error Terrorism or willful damage Significant environmental event (fire/flood) 	0	5	0	Future design for UV complete.	Physical Controls	0.033333333	1	0.033333333	Tertiary treatment during WP3	Physical Controls	Service Delivery/Product Performance	AA - Water quality service standards
								Event monitoring, routine sampling to confirm source and presence of protozoa including cryptosporidium & giardia. In line Turbidity meters for all filters.	Physical Controls				Implement Landcare mgmt plan during 2014/15	Physical Controls		
								IBWPP operations manual /event monitoring	Administrative and Business Systems				Continue to partner with relevant catchment managers 2014/15	Administrative and Business Systems		
								In line Turbidity meters for all filters.	Physical Controls				Continue to develop & improve engagement with Catchment Landholders to educate on impacts of land use, and work with landholders to develop strategies to reduce impact on waterways	Administrative and Business Systems		
								Buffer zone secured around Cardowie.	Physical Controls				Connection to Melbourne Pool	Physical Controls		
								WQRMP Backflow program. Cross contamination controls. Staff training.	Administrative and Business Systems				Water Quality Strategy 2014 – 2017 implemented	Administrative and Business Systems		
WPW	766	Infrastructure	Significant wastewater asset or infrastructure failure.	<ul style="list-style-type: none"> Inability to access essential services (e.g. electricity, gas, fuel) Terrorism or willful damage Poor or insufficient asset maintenance. Poor asset selection (quality, durability increasing age & or lack of maintenance. Culture of reactive maintenance. 	0.2	1	0.2	On going SCADA program.	Physical Controls	0.1	0.5	0.05	Implement works based on EPA works approval for CWWTP upgrade. Complete upgrade Chapel St PS during 2013/14	Physical Controls	Assets/Infrastructure	W - Wastewater infrastructure
								Continued focus on asset planning and maintenance programs with ongoing condition assessments of above and below ground assets during	Administrative and Business Systems				Waste water futures program. CWWTP upgrade during WP3	Physical Controls		
								Asset maintenance & renewal plans.	Strategic Planning				-Sewer modelling and capacity review completed, providing feedback to the Bass Coast Shire Council on stormwater issues.	External Stakeholders		
WPW	1685	Reputation	Failure to meet or manage community expectations or loss of community support.	<ul style="list-style-type: none"> Poor interaction with the community. Poor or inaccurate understanding of community expectations Loss of trust and respect (due to WPW actions or decisions) Poor response to changes in community expectations Ineffective communication strategy. Increasing water costs Events covered in other areas such as: - Water quality issues - Environmental impacts - Project failure - Fraud - Poor strategic decisions 	0.2	1	0.2	Active CCP.	External Stakeholders	0.1	0.5	0.05	Develop social media strategy and guidelines to support existing communication channels 2014/15 Implement & monitor stakeholder management plan.	Administrative and Business Systems	Political/Reputation	U - Stakeholder management
								Annual open forums. Board minutes on website	External Stakeholders				Produce Social media strategy and guidelines	Administrative and Business Systems		
								Economic evaluation and analysis via Investment Gateway Process (IGP) for assessing value to the community	Administrative and Business Systems							
								Major projects endorsed by local community	External Stakeholders							
								Collaboration with CCP, local media & Government.(State / Federal) Annual Cust. survey.	External Stakeholders							
								Engagement strategy - Public forums, Council, WPW website, open days.	External Stakeholders							
								Ongoing delivery of annual stakeholder engagement plan	Administrative and Business Systems							
WPW	1689	Infrastructure	Significant water asset or infrastructure failure.	<ul style="list-style-type: none"> Inability to access essential services (e.g. electricity, gas, fuel) Terrorism or willful damage Poor or insufficient asset maintenance. Poor asset selection (quality, durability 	0.2	1	0.2	Continued focus on asset planning and maintenance programs with ongoing condition assessments of above and below ground assets.	Administrative and Business Systems	0.1	0.1	0.01	Further develop asset maintenance & renewal plans.	Strategic Planning	Assets/Infrastructure	W - Wastewater infrastructure
								Review flow meters/pressure meters.	Administrative and Business Systems				Condition assessment and identification of critical infrastructure.	Administrative and Business Systems		
								Dam wall safety inspection and safety program.	Administrative and Business Systems				Replace HOBAS mains at Newhaven bridge abutment with steel	Physical Controls		
								On going SCADA program.	Physical Controls				MSP/ IT system security	Administrative and Business Systems		

Reference	Category	Impact	Consequence	Frequency	Severity	Control	Residual	Priority	Owner	Impact						
						Performance management framework	Administrative and Business Systems									
						Scholarship programs. Work experience programs with local schools, Careers forums.	External Stakeholders									
						Member Gippsland youth commitment.	External Stakeholders									
						Measure & monitor attrition rate.	Administrative and Business Systems									
						SSA water people matters survey.	Administrative and Business Systems									
						Trainee program for water/waste water operators.	Administrative and Business Systems									
WPW	1695	Social	Inadequate response to major disruptive event	<ul style="list-style-type: none"> Lack of BCP plans across critical infrastructure / processes & or BCP's not tested Incident management team not familiar with emergency response processes Lack of training of key personnel to manage major incidents 	0.1	1	0.1	1	0.1	0.5	0.05	Quarterly BCP events to test response & recovery plans during 2014/15. Continue of asset maintenance and renewal program Identification and Condition assessment of critical infrastructure MSP/ IT system security	Administrative and Business Systems Physical Controls Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems Physical Controls Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems	Service Delivery/Product Performance	G - Emergency events and response	
WPW	1696	Social	Failure to provide a safe workplace	<ul style="list-style-type: none"> Lack of hazard identification or management. Risk taking culture (poor awareness) Ineffective OHS processes. 	0.2	5	1	1	0.1	1	0.1	0.1	All WPW staff are trained and able to identify H&S gaps and resolve issues within agreed timeframes. Undertake OHSMS system quality audit review 2014/15	Administrative and Business Systems Administrative and Business Systems Organisational Development Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems	People	N - OH&S (excluding major emergencies)
WPW	1699	Environmental	Inability to sustain the environment. (failure to maintain beneficial uses)	<ul style="list-style-type: none"> Poor understanding of or investigations into the environmental management. Corporate decisions do not sufficiently consider environmental impacts. 	0.2	1	0.2	1	0.1	0.5	0.05	Continue to implement Regional EIP for biosolids Year 2 Annual Marine study of impact of Ocean outfall discharge Wastewater Treatment Plant Upgrade (reduce nutrient load to ocean) Wastewater irrigation system upgrades	Administrative and Business Systems Governance Administrative and Business Systems Administrative and Business Systems Administrative and Business Systems	Environment	H - Environmental impact	

Risk Register

WPW	1700	Environmental	Failure to plan appropriately for Climate Variability	<ul style="list-style-type: none"> Negative impacts of climate change Unexpected regulatory changes 	0.2	1	0.2	<p>Council Coastal planning criteria vulnerability for Climate Variability.</p> <p>Flood planning - critical asset inundation identification.</p> <p>Design & planning for low lying areas mapped</p> <p>Participation in township development infrastructure plans.</p>	<p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Strategic Planning</p>	0.1	0.5	0.05	<p>Utilize sewer model for Phillip Island & San Remo to accommodate increased flows</p> <p>Implement sewer model for PI/San Remo</p> <p>Monitor changed planning overlays when implementing sewer upgrades</p>	<p>Physical Controls</p> <p>Physical Controls</p> <p>Administrative and Business Systems</p>	Strategic Planning	U - Planning for drought and climate change
WPW	1701	Reputation	Failure to comply with regulatory obligations.	<ul style="list-style-type: none"> Poor obligation awareness. Compliance monitoring failure / weakness. Staff do not support or value compliance processes or requirements New/changing and complex legislation. Lack of resources to keep abreast of regulatory changes 	0.2	1	0.2	<p>Rigorous internal/external audit plan. vago. ESC, ESV, DoH.</p> <p>Development of compliance register/ external reporting packages.</p> <p>MIS/IRIS/TRIM supported by Business compliance systems.</p> <p>Executive account & review.</p> <p>Regulatory training/refreshers</p> <p>Monthly KPI report to stakeholders. eg DSE, ESC.</p> <p>Internal compliance team (WQ/WWQ/HS/EMS)</p>	<p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Organisational Development</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p>	0.1	0.5	0.05	<p>Compliance with new regulations and guideline changes -DoH, Water /sewer, Water Act.</p> <p>Develop & implement of the Corporations regulatory compliance framework in 2014/15</p> <p>Internal audit program developed with IA partners from 2013/16</p> <p>Further develop a formal governance framework with recognition of risk.</p> <p>Development of system for Performance against corporate plan and KPI's for 2014-2015 Corporate Plan.</p>	<p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Governance</p>	Governance/Regulation/Legal	L - Legislative Compliance
WPW	1702	Economic	Inappropriate strategic decisions.	<ul style="list-style-type: none"> Inappropriate, incorrect or incorrect information. Loss of focus on core business Failure to keep abreast with changing environment (new technologies, practices, methods) Failure to plan/budget for climate change. Poor strategic planning process Insufficient Board skills and mix Communication failure between the Board, sub-committees and management. Lack of consultation 	0.1	0.5	0.05	<p>Economic evaluation and analysis via Investment Gateway Process (IGP)</p> <p>Annual Strategic planning with Board with Board scrutiny.</p> <p>Investment logic mapping.</p> <p>Risk based approach to outputs of due diligence of strategic decisions.</p>	<p>Governance</p> <p>Strategic Planning</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p>	0.1	0.5	0.05	<p>On going review and monitoring of strategic decisions by the Board and executive.</p> <p>Implementation of Board Strategy Program</p>	<p>Governance</p> <p>Administrative and Business Systems</p>	Strategic Planning	V - Strategic planning (other than drought and climate change)
WPW	1703	Reputation	Lack of data management security resulting in loss of key corporate information	<ul style="list-style-type: none"> Staff unaware of privacy and document release requirements. Records not appropriately secured or backed-up. 	0.2	0.5	0.1	<p>Records management framework.</p> <p>Training privacy/prov.</p> <p>Instrument of delegation/correspondence.</p> <p>Confidentiality agreements.</p> <p>Designated Media/comms person. Approvals communications process.</p> <p>TRIM user access control levels.</p> <p>ICT audit completed</p> <p>IT security policy with initial & refresher induction for staff.</p> <p>PROV compliance framework implemented.</p> <p>Managed services annual attestation for DR, security & PROV</p>	<p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p>	0.1	0.5	0.05	<p>Continuation of archive project in 2014/15.</p>	<p>Administrative and Business Systems</p>	Assets/Infrastructure	K - IT and business systems
WPW	1705	Reputation	Major project failure	<ul style="list-style-type: none"> Poor contractor selection and management Overreliance on individual contractors/suppliers Poor project management practices Poorly structured tenders and/or contracts. Cost blow-outs 	0.2	1	0.2	<p>Investment gateway review and Board scrutiny</p> <p>Project management framework & process.</p> <p>Stakeholder engagement training for leadership team / project managers.</p> <p>External Contractor viability assessment.</p>	<p>Administrative and Business Systems</p> <p>Administrative and Business Systems</p> <p>External Stakeholders</p> <p>Administrative and Business Systems</p>	0.1	0.5	0.05	<p>Project Steering Committee meeting monthly representatives from Board and Executive.</p>	<p>Administrative and Business Systems</p>	Assets/Infrastructure	M - Major project delivery

