

# 2022 **CORPORATE PLAN**

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2022 - 2027





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## MESSAGE FROM THE CHAIR AND MANAGING DIRECTOR

South Gippsland Water is responsible for water, sewerage and associated services delivery across a large part of southern Victoria and plays a significant role in the development of the region. This 2022/23 Corporate Plan provides a sound framework to continue to deliver our future vision of sustainable services that contribute to the prosperity and wellbeing of our communities and natural environments.

Over the past two years we have continued to deliver safe sustainable water and wastewater services during the time of a global pandemic – coronavirus (COVID-19). As the coming year enters a phase of COVID-19 recovery, we are taking a considered approach to identifying and transitioning to our future ways of working. Key decisions associated with our future working environment including fleet and facilities will be finalised over the coming year. We will remain vigilant during this time to ensure the health, safety and wellbeing of our customers and communities, and continue to develop the programs put in place to assist those customers experiencing financial hardship.

The plan builds on works completed during 2021/22 and has been prepared in the context of the final year of the 2020 Price Determination. The plan remains committed to the projects, services and prices provided in that Determination.

It seeks to respond to existing and future challenges of population growth and climate change, as well as progress a number of programs identified in our Urban Water Strategy 2022.

The Urban Water Strategy has identified a number of future requirements for the region, including:

- Improving water security to communities of Leongatha, Inverloch, Wonthaggi, Cape Paterson, Korumburra, Poowong, Loch, Nyora and Toora; and
- Protecting the environment and providing reliable wastewater services to Wonthaggi and Foster

As part of our duty of care to the environment, this Corporate Plan includes several programs and major projects targeted at the high-risk systems in order to progressively reduce risk, via augmentations to wastewater systems and wastewater mains renewals. For example, the \$30.7M renewal of the Venus Bay Outfall will improve environmental outcomes and secure major customers for the benefits of economic growth and prosperity of the region.

The work on our 2023 Price Submission to the Essential Services Commission (ESC) is underway. The associated comprehensive analysis of our services, business programs, expenditure and pricing will identify efficiencies and determine appropriate investment necessary to meet customer expectations, including affordability.

We have foreshadowed to continue with moderate real price increases over the five-year Corporate Plan period, being 2%, 2%, 2%, 3% and 3%. This path is consistent with our 2020 Price Submission to the ESC and subject to finalisation of our 2023 Price Submission and regulatory assessment. While ensuring the financial sustainability of the Corporation, importantly, we will continue to focus on ways to support vulnerable customers to balance the needs of those who need financial support.

With customers at the forefront of our decision making, these planning processes are based on a shared understanding of the aspirations and values and developed in partnership with our customers, Traditional Owners, wider communities, and government.

On behalf of the Board of Directors and executive team South Gippsland Water presents its 2022/23 Corporate Plan.



Philip Clark  
**Chair**



Philippe du Plessis  
**Managing Director**

## STATEMENT OF CORPORATE INTENT

The Corporate Plan includes the vision, undertakings and objectives of the Corporation as well as the 2022-2027 financial statements containing the information required by the Minister.

South Gippsland Water is responsible to the Victorian Minister for Water through the General Statement of Obligations, the Emissions Reduction Statement of Obligations, and the Minister's Letter of Expectation for all water corporations in Victoria.

In accordance with Section 247 and 248 of the Water Act 1989, this Corporate Plan outlines how South Gippsland Water will deliver its obligations and accountabilities in providing water, sewerage, and associated services. The plan complies with the requirements of the guidelines issued by the Department of Environment Land Water and Planning (DELWP) and the Department of Treasury and Finance.

# 1. BUSINESS OBJECTIVES

## Our Future Vision

South Gippsland Water has a skills-based, eight-member Board, appointed by the Minister for Water and managed by an executive team, led by the Managing Director, who is also a Board member.

During 2021/22 South Gippsland Water Board of Directors completed a strategic direction review process and identified a set of key principles that underpin the way we run our business and key areas of focus for transitioning to our future state. The process was underpinned by a commitment to deliver on the outcomes identified by customers, our Vision 2023, and the State Government.

The 2022/23 - 2026/27 Corporate Plan provides a sound framework to achieve South Gippsland Water's future vision as shown below:





### *Our Customer Focus*

Together with customers, South Gippsland Water have developed Customer Outcome statements and programs to deliver the outcomes and measures of success. The five elements and activity we have committed to are as follows.

#### **Reliability:**

We will plan for the future, be reliable and minimise unplanned interruptions to services.

To manage the risks associated with reliable services we will:

- Renew high risk pump stations, wastewater and water pipes
- Ensure timely communication of planned and unplanned interruptions
- Manage the most effective and economical balance between proactive and reactive maintenance
- Improve information and technology systems to monitor and identify when systems fail

**Water:** We will provide safe, clean drinking water.

In order to do this, we will:

- Improve water treatment plant treatment processes during algae outbreaks and for disinfection
- Invest to renew aging water treatment plants and treated water storages
- Continue scheduled maintenance programs to prevent discoloured water

**Wastewater:** We will provide a safe wastewater service that contributes to the liveability of our communities.

In order to do this, we will:

- Invest in system upgrades to ensure compliance and cater for growth areas
- Undertake preventative maintenance programs to reduce network blockages and spills
- Upgrade wastewater treatment assets

**Environment:** We will be environmentally sustainable and adapt to a future impacted by climate variability.

In order to do this, we will:

- Continue the SGW greenhouse gas emissions reduction program
- Promote water efficiency across the region and actively participate in water reuse programs
- Actively participate in catchment management programs

**Customer Integrity:** We will act with honesty, respect and strive to balance affordability, value for money and fairness

In order to do this, we will:

- Provide programs to strengthen our support for customers
- Provide open and honest communications as identified in our vulnerability study

The table below demonstrates our performance against customer outcomes for the period 2018/19 to 2021/22. Below standard performances with respect to wastewater in 2019/20 and 2020/21 were due to compliance breaches at the Foster and Korumburra Wastewater Treatment Plants. This is further explored in section 6. Environmental Compliance Risks. The Corporate Plan includes a range of wastewater infrastructure projects to upgrade our wastewater systems and reduce the risk of our systems impacting the surrounding environments.

Table 1: Customer Outcome performance 2018/19 to 2021/22 year to date

Outcome	18/19	19/20	20/21	21/22 (Year to date)
1. We will plan for the future, be reliable, minimise unplanned interruptions to services	Yellow	Green	Green	Green
2. Provide safe, clean drinking water for the benefit of our customers and communities	Yellow	Green	Green	Green
3. Provide a safe wastewater service that contributes to the health and liveability of our communities and environment	Green	Red	Red	Green
4. Be environmentally responsible, sustainable and adapt to a future impacted by climate variability	Green	Green	Yellow	Green
5. Treat all customers, community with honesty, respect and strive to balance affordability, value for money and fairness	Green	Green	Green	Green
<b>Overall</b>	Green	Green	Green	Green

#### Did you know

South Gippsland Water ranks 1st in "Value for Money" and remained in the top five for most areas of the ESC state-wide survey

#### Delivering on Our 2020 Price Submission


This Corporate Plan encompasses the final year of the 2020 Essential Services Commission Price Determination. The Plan builds on works completed during 2021/22 and the programs identified in the development of the 2020 Submission.

The challenges of adjusting to the impacts of COVID-19, climate change, varying rainfall patterns, economic development and population growth identified in our planning processes remain. The management of a number of significant emergency incidents over the last 18 months has highlighted the need for prioritising and continuing our robust capital program.

The 2020 Price Determination provides for a 2% real price increase<sup>1</sup> to be implemented for the 2022/23 financial year. Development of the Corporation's operational and capital programs for the period are

<sup>1</sup> Excluding CPI and Cost of Debt adjustments





indicating continuing costs pressures and higher capital needs. Ultimately the 2023 Price Submission process will determine tariff impacts from 2023/24 going forward. For the purposes of this Corporate Plan, real price increases of 2%, 2%, 2%, 3% and 3% have been incorporated, which is consistent with our 2020 Price Submission.

With a focus on higher levels of collaboration between water corporations and other local stakeholders, we will continue to identify business improvements and efficiencies through our ongoing partnership with Westernport Water, East Gippsland Water, Gippsland Water, and Southern Rural Water. Known as the Gippsland Region Water Alliance, these partnerships represent a unique alliance of regional water businesses that delivers improvement opportunities through collaboration that ultimately benefits staff, customers and the wider Gippsland community.

This Corporate Plan continues to represent a balanced approach of managing environmental, social, and economic factors to provide quality water and wastewater services to the communities of South Gippsland.

We remain committed to providing a safe, healthy, diverse, and supportive workplace. The corporate culture of excellence has continued, underpinned by committed leaders throughout the organisation. The safety of our people and communities is paramount.

#### **Customer support in delivering services**

During the height of community restrictions related to the COVID-19 pandemic, the Corporation reached out to customers, and in particular, 360 non-residential customers via direct phone contact to understand if and how they were being impacted.

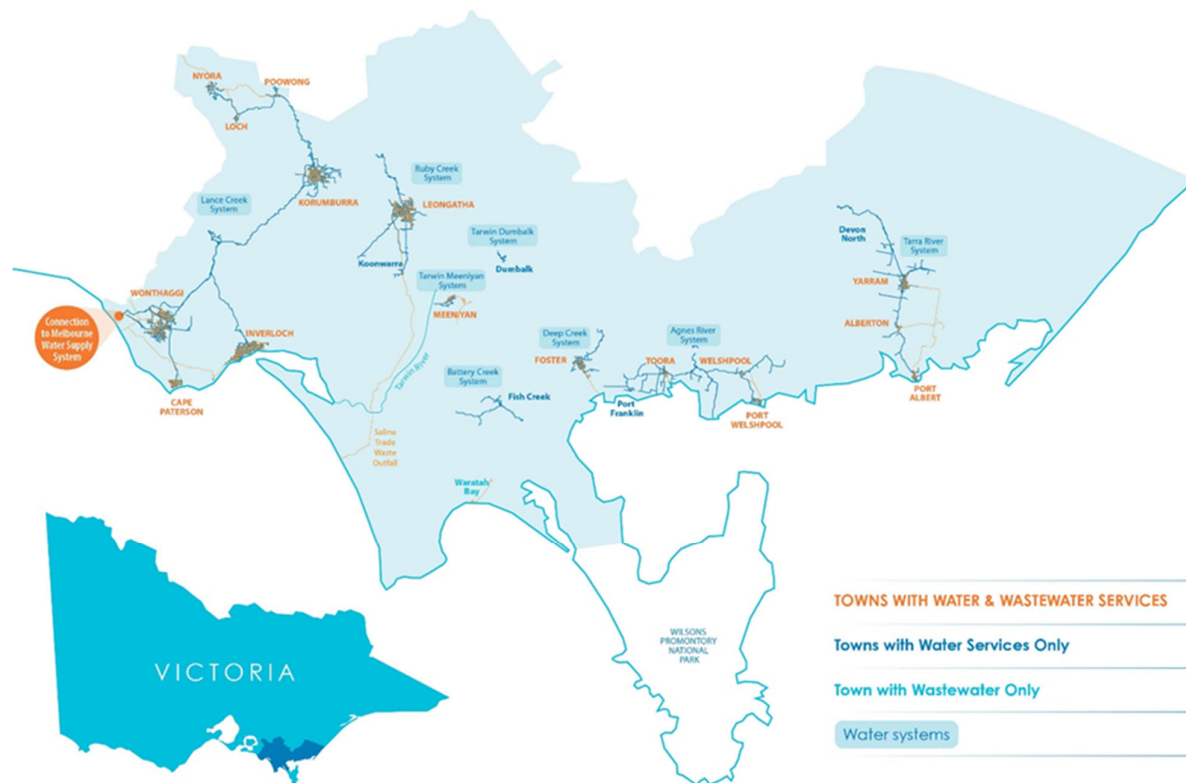
Many businesses were doing “OK”, but a number took our offers related to easing the financial impacts they were experiencing. Customers told us, the simple act of ‘checking in’ with our communities provided a sense of value and trust.



## 2. OUR REGION AND SERVICES

The services that South Gippsland Water provides are essential to the economic survival, development, and wellbeing of the region. Accordingly, collaborative programs and activities with other regional agencies provide an integrated regional approach in developing strategies and plans for services, partnerships, and natural resource management.

Figure 1 South Gippsland Water region services





## Headworks

Our service area covers 4,000 square kilometres

Water catchments with a total area of 1,234 square kilometres

Servicing 22 townships

## Water Services

- 8 separate water supply systems
- 8 water treatment plants
- 750 km of water mains
- 13 reservoirs and 18 service storages
- 4,631 million litres (ML) annual volume of drinking water supplied to customers
- servicing 22,405 water assessments (accounts) over 22 rural centres.

## Wastewater Services

- 10 conventional wastewater collection systems
- 1 vacuum wastewater system
- 2 pressure sewer systems
- 11 sewerage treatment plants
- 1 dedicated saline trade waste system
- 520km of wastewater mains
- 5 marine environment outfalls
- 3 inland water discharge points
- Collecting 4,364 ML and treating around 3,437 ML of wastewater
- Servicing 20,171 wastewater assessments (including trade waste) in 16 townships

South Gippsland Water provides a full range of water supply functions for households and major customers. These include environmental stewardship of drinking water catchments, water storage, treatment, delivery, and maintenance of townships' reticulated supplies.

The wastewater we collect, including trade waste is treated to be released back into the environment or reused for environmental and/or economic benefit. Our water treatment plants produce some 4,600ML per annum of potable drinking water. Of the eight water systems nearly 65% of water customers (some 14,400) are supplied from one system, Lance Creek, which is connected to the Melbourne water supply network. With the exception of Leongatha, our next largest water system with 3,500 water customers, the remaining six water systems service regional townships with an average customer base of approximately 760 connections per system as demonstrated in the following table.

Table 2: Small Water System Customer Base

Water System	Tarwin River	Battery Creek	Tarwin River	Deep Creek	Agnes River	Tarra River
Township	Dumbalk	Fish Creek	Meeniyan	Foster	Toora, Port Franklin, Welshpool, Port Welshpool	Yarram, Port Albert, Alberton, Devon North
Customers	109	209	278	953	1,133	1,883

### Our Region

We operate disparate water and wastewater systems, many with relatively small populations. Providing valued services to our communities that meet high compliance standards of regulators presents many challenges

The quality of raw water varies seasonally and across the region. South Gippsland weather patterns can be quite extreme, catchments are generally open and diverse, and the water storages small. This creates water treatment challenges which are a significant driver of operating costs.

The delivery of water and wastewater services within this environment has been challenging. We have broadly met our service performance targets over the past twelve months. However, the continuing impacts of COVID-19 in our region and the organisation, while abating, are continuing to be realised through a number of areas, including staff and contractor availability, critical supply chains, costs, etc.

While not related to COVID-19, we have managed three major emergency incidents over the past 18 months:

- A compliance breach at the Korumburra Wastewater Treatment Plant (January 2021) arising from an unknown source of high concentration industrial waste which critically impacted plant operations
- Significant storms impacting electricity and general services right across the region (June 2021)
- A Boil Water Alert for the township of Inverloch (March 2022). This action was a cautious response to potential contamination of a clear water storage. At no time was the water unsafe to drink.

The programs included in this Corporate Plan have a focus on continuing the transition to our future vision of becoming a more resilient business, and the works required to mitigate service provision risks.

Our organisation operates with a team that is small by industry standards with an average bill lower than our regional partners. Our planning delivers a program to meet the stringent regulatory demands, satisfy customer expectations and meet the requirements of working safely.



### *Planning for the next five years*

This Corporate Plan continues with our ongoing capital and operation programs, recognising the ongoing challenges as well as emerging issues including:

- Existing and upcoming compliance and services challenges with the potential to impact the environment, largely due to climate variability, ageing infrastructure and pockets of significant growth
- The Corporation's dependence on two Major Customers (accounting for 25% of water consumption and 20% of revenue) and requirement for associated short term major infrastructure investment
- Navigating an increasingly complex operating environment
- The balance of delivering on customer expectations, maintaining affordable tariffs and being sustainable into the future.

## **3. CORPORATE FOCUS AREAS**

### *Water for Victoria*

Our Corporate Plan is developed in alignment with the State Government Water for Victoria priority policy areas and our own strategic future vision. Recognition of these future directions provides a road map to deliver a shared plan for collaborative, efficient, innovative and affordable water services. A number of projects to deliver on Water for Victoria priorities and the Minister's Letter of Expectations are in place and we will continue to progress these in the coming years as demonstrated in the following pages:

## Climate Change

*Provide Services that minimise environmental impacts, reduce greenhouse gas emissions, adapt to climate change, increase renewable energy use and put in place adaption strategies and actions*

Initiatives in place	2022/23 Corporate Plan	2024 and beyond
<ul style="list-style-type: none"> <li>• SGW's behind the meter solar project complete with over one Megawatt solar capacity installed</li> <li>• Water efficiency awareness and programs in place and ongoing across the region</li> <li>• Collaboration with farmers in Fish Creek for alternate water supplies which reduced the town supply demand by 40%</li> <li>• Completion and delivery of key planning processes such as the Urban Water Strategy, Drought Response Plans, and a more ambitious Emissions Reduction Pledge</li> </ul>	<p>The Corporation is committed to reducing greenhouse gas emissions by 15% by 2025 and transitioning to net zero emissions by 2035. Further South Gippsland Water will:</p> <ul style="list-style-type: none"> <li>• Develop its Net Zero Emission Strategy</li> <li>• Develop a Circular Economy Strategy and commence “quick wins”</li> <li>• Continue to develop the Biosolids strategy which will be developed and implemented to drive activities such as composting to re-use</li> <li>• Implement initiatives identified in the Urban Water Strategy to secure water and wastewater services under a range of climate outcomes</li> <li>• Pilot the introduction of Digital Metering to assist customers to understand and reduce water use</li> <li>• Commence implementation of the Lance Creek Reservoir Health Project. A key objective of the project is to mitigate the potential for increased algal bloom as a result of Climate Change</li> </ul>	<ul style="list-style-type: none"> <li>• Identify medium term Circular Economy actions</li> <li>• Continue to install and review renewable energy systems and opportunities</li> <li>• Implement and drive the Biosolids strategy activities</li> <li>• Revisit Energy Audits and feasible associated activities to ensure energy efficiency such as the potential for wind mixers and/or microbubble aeration</li> <li>• Partner with the water industry and local organisations to identify options to reduce emissions and develop carbon offset projects</li> </ul>

## Customer and community outcomes

*All aspects of service delivery will be customer and community centered. Continue to build on effective community engagement and partnerships in planning and implementation of service delivery. Demonstrate high levels of customer satisfaction*

Initiatives in place	2022/23 Corporate Plan	2024 and beyond
<ul style="list-style-type: none"><li>• Five Customer Outcomes, approved by customers and adopted by SGW in 2018</li><li>• Customer Outcomes further reviewed in 2020 with performance monitored by the ESC</li><li>• A customer focus to listen and respond to our customer's voice is in place via our customer service team and engagement programs</li><li>• Customer Advisory Committee to assist in ensuring the customer voice is included in our planning and projects.</li></ul>	<p>South Gippsland Water will:</p> <ul style="list-style-type: none"><li>• Continue to deliver programs to meet and improve on the outcomes measures and targets agreed with customers</li><li>• Further understand what our customers value with respect to our services for inclusion in the 2023 Price Submission to the Essential Services Commission</li><li>• Finalise and commence implementation of our Customer Experience Strategy</li><li>• Continue to measure customer satisfaction and use results to inform future projects by participating in and learning from:<ul style="list-style-type: none"><li>○ The Essential Service Commission Customer Satisfaction Survey</li><li>○ The South Gippsland Water annual survey, in partnership with the Gippsland Region Water Alliance</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Foster community and stakeholder partnerships and leverage for co-investment and value creation in long term service delivery</li><li>• Continue implementation of our Customer Experience Strategy</li></ul>

## Deliver water for Aboriginal cultural, spiritual, and economic values

*Recognise and support self-determination of Aboriginal cultural values and economic inclusion. Demonstrate genuine engagement for involvement in business opportunities, water planning and decisions. Monitor progress via a planning process*

Initiatives in place	2022/23 Corporate Plan	2024 and beyond
<ul style="list-style-type: none"> <li>Established connection with communities and conduit to explore integrated services</li> <li>An active member of the Gippsland Environmental Agencies (GEA) and the Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) partnership</li> <li>Collaboration with the Bunurong Land Council Aboriginal Corporation (BLCAC) via the Rethinking Reservoirs project</li> <li>Collaboration outcomes included in the Urban Water Strategy</li> </ul>	<p>South Gippsland Water will:</p> <ul style="list-style-type: none"> <li>Continue to be an active member of the GEA GLaWAC partnership and action plan activities, including a review of progress and establishment of new partner action plan</li> <li>Continue organisational cultural training and review procurement policies and practices in order to increase economic opportunities</li> <li>Further strengthen our partnership with the DELWP program to listen and act in the best interest of Traditional Owners and Aboriginal communities</li> <li>Seek opportunity for regional collaboration via development of the 2023 Price Submission</li> </ul>	<ul style="list-style-type: none"> <li>Continue to incorporate critical cultural knowledge, and develop specific agreed actions, about the sites we manage within strategic and planning documentation</li> <li>Foster relationships with Traditional Owners, as a practical way to implement a Reconciliation Action Plan by 2023/24</li> <li>Commit to initiatives that support the transfer of water management to Traditional Owners</li> </ul>



## Resilient and liveable cities and towns

*Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments. Champion water's contribution to the resilience of townships and implement water efficiency initiatives. Progress towards implementing circular economy principles*

Initiatives in place	2022/23 Corporate Plan	2024 and beyond
<ul style="list-style-type: none"> <li>• Opportunities recognised in the Urban Water Strategy collaboration for reuse projects with liveability benefits</li> <li>• Completion of the Lance Creek water supply connection to the Melbourne Supply System, securing water services to 65% of the Corporation's customer base</li> <li>• Further optimizing State Water Grid and Lance Creek Reservoir blend ratios to deliver optimum taste and odour results for customers connected to the Lance Creek Water Supply System</li> <li>• Increased asset renewals budget to provide long term, reliable services to our customers</li> </ul>	<p>South Gippsland Water will:</p> <ul style="list-style-type: none"> <li>• Implement initiatives identified in the Urban Water Strategy to secure water and wastewater services under a range of climate outcomes</li> <li>• Be a leader and collaborator within the Gippsland Region Integrated Water Management (IWM) forum which provides a platform to identify alternative water sources, potable replacement, or demand management projects</li> <li>• In developing the 2023 Price Submission, collaborate with key stakeholders on local opportunities and projects with liveability benefits</li> <li>• Develop a Circular Economy Strategy and commence "quick wins"</li> </ul>	<ul style="list-style-type: none"> <li>• Further develop programs identified in the Urban Water Strategy with consideration of Integrated Water Management solutions</li> <li>• Identify medium term Circular Economy actions</li> </ul>

## Recognise recreational values

*Support the wellbeing for rural and regional communities by considering recreational values in water management (where water storages are accessible for recreation)*

Initiatives in place	2022/23 Corporate Plan	2024 and beyond
<ul style="list-style-type: none"><li>• Support provided via the Rethinking Reservoirs program for recreational enhancement at the Korumburra Golf Club, and regional value at Ness Gully Reservoir</li><li>• Construction and promotion of a Bird Hide at the Meeniyan Wastewater Treatment Plant and Wetlands adjacent to the iconic Great Southern Rail Trail</li><li>• Reuse programs in place at the Toora and Meeniyan recreation reserves, the Stony Creek Racecourse and the Meeniyan Golf Club</li></ul>	<p>South Gippsland Water will:</p> <ul style="list-style-type: none"><li>• Extend the Meeniyan Bird Hide program with the community to enhance the Great Southern Rail Trail user experience</li><li>• Partner with the Poowong Landcare group in a program at the Little Bass Reservoir to construct a fish nursery and revegetate the site</li><li>• Partner with the Yarram Community on a Heesco project to create a mural on the Yarram Water Tower as part of the township art trail</li><li>• Explore further water reuse opportunities identified in the Urban Water Strategy and via the regional IWM forum, i.e. Leongatha stormwater harvesting</li></ul>	<ul style="list-style-type: none"><li>• Continue to develop the Rethinking Reservoirs project to understand the future potential of the Little Bass and Bellview Reservoirs</li><li>• Continue to partner with local communities for shared value projects, especially as they relate to multi use of SGW assets</li></ul>

## Leadership and culture

*Reflect the needs of our diverse communities, develop strategies and goals that will increase cultural diversity in the workforce and gender equity in leadership.*

Initiatives in place	2022/23 Corporate Plan	2024 and beyond
<ul style="list-style-type: none"><li>• The Corporation's Equity Inclusion and Diversity Strategic Plan 2021 – 2024 adopted in-line with Government expectations regarding leadership and culture and endorsed by the wider organisation and the Board</li><li>• 2021 Leadership and Development program completed; outcomes assessed informing a 2022 program</li><li>• Phase two of the Safety Leadership program completed and programs in place for SGW to continue to start safe, work safe and go home safe</li></ul>	<p>South Gippsland Water will:</p> <ul style="list-style-type: none"><li>• Continue to implement the Equity, Inclusion and Diversity Strategic Plan</li><li>• Finalise a Workplace gender equality audit and develop a Gender Equality Action Plan</li><li>• Deliver the SGW 2022/23 Leadership Program to progress leadership at all levels</li><li>• Continue to implement the Health, Safety and Wellbeing roadmap for cultural improvement</li></ul>	<p>Review and refine the Corporation's initiatives and programs with respect to:</p> <ul style="list-style-type: none"><li>• Delivery of and reporting on the Equity, Inclusion and Diversity Strategic Plan and GEAP</li><li>• Performance and development programs</li><li>• Start Safe, Work Safe, Home Safe</li></ul>

## Performance and Financial sustainability

*Improve efficiency and consistency in the reporting of performance while delivering safe and cost-effective services in a financially sustainable way.*

Initiatives in place	2022/23 Corporate Plan	2024 and beyond
<ul style="list-style-type: none"> <li>• Implementation of the 2020 Price Decision providing a path to improve financial sustainability</li> <li>• Completion and analysis of the WSAA Benchmarking process to further understand organisational efficiencies and areas for targeted programs</li> <li>• Efficiency initiatives under the Gippsland Region Water Alliance (GRWA)</li> <li>• Review of Venus Bay Outfall (VBO) project to ensure customer and stakeholder focus, innovation and whole of life merit</li> </ul>	<p>South Gippsland Water will:</p> <ul style="list-style-type: none"> <li>• Continue to implement year three of the 2020 Price Determination to improve financial sustainability</li> <li>• Develop a Digital Strategy to identify short, medium and long terms opportunities for the Corporation to simplify the business for customer, stakeholder and employee benefit</li> <li>• Use the Gippsland Region Water Alliance (GRWA) as a vehicle to help deliver productivity/efficiencies, including the potential for shared benefit in ICT</li> <li>• Utilising the VBO review, design and implement a major infrastructure review framework to ensure that significant projects are customer and stakeholder focused, innovative and whole of life cycle efficient</li> <li>• Implement a 1.4% operating efficiency target, offset by 1.7% growth operational expenditure.</li> <li>• Continue implementation of the Strategic Asset Management Plan to ensure efficient delivery of wider corporate performance objectives and targets</li> </ul>	<ul style="list-style-type: none"> <li>• Update the business planning and reporting framework to ensure clearly defined accountabilities</li> <li>• Review all major projects/strategies utilising the major infrastructure review framework</li> </ul>

## 4. KEY BUSINESS DRIVERS

### *At a Glance*

- Implement the remaining Price Determination real increase in tariffs of 2% in 2022/23
- 2%, 2%, 2%, 3%, and 3% real increases in tariffs over the Corporate Plan period (consistent with our 2020 Price Submission but subject to regulatory assessment)
- 1.80% per annum residential customer growth
- 0.75% per annum non-residential growth
- Average annual household water consumption of 121kL
- Inflation rates of:
  - 5.09% 2022/23
  - 2.10% 2023/24 onwards
- Wage inflation of 2.0% per annum
- 0.5% annual increase in the superannuation guarantee 2022/23 to 2025/26
- Borrowing forecast rates include 1.11% weighted average for the Financial Accommodation Levy (FAL), plus an escalating interest rate in line with TCV forecast

### *Demand*

The demand analysis recently completed for the Corporation's Price Submission has been generally adopted for the 2022/23 Corporate Plan.

Residential property connections are forecast to grow at 1.80% per annum for water and wastewater. South Gippsland Water has used the Victoria in Future (VIF) growth rate forecasts.

The non-residential water and wastewater property connection growth is forecast at 0.75% per annum.

A residential water consumption of 121kL per year (reflecting the ten-year average) has been forecast to continue. Historical residential water consumption has remained relatively stable and is amongst the lowest in the State.

Non-residential and major customer water consumption has been tested against recent trends and direct customer forecasts. Non-residential consumption can be difficult to predict due to the current environment and usage trends could still evolve. The recent volatile nature of the economic environment has added considerable risk to demand forecasting. Scenario modelling for non-residential consumption has indicated that if consumption were to be at the lowest point, i.e. 5% less than planned, the impact would be a reduction of \$0.36M over 5 years (\$0.07M) per year.

The Corporate Plan has assumed demand forecasts consistent with the recent Price Submission and will monitor fluctuations with a view to absorbing any downside risk for 2022/23.

The following table provides an overview of historic and forecast water consumption trends.

Table 3: Water Consumption Trends 2016/17 - 2026/27

Water Volume Consumption  (Megalitre)	Actual					Est	Forecast				
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Residential	2,034	2,067	2,090	2,044	2,141	2,178	2,220	2,263	2,308	2,353	2,401
Non-Residential	588	576	611	563	562	589	593	598	602	607	611
Concessional	340	354	347	351	313	332	335	337	340	342	345
Agreement	236	238	240	231	183	222	223	225	227	228	230
Standpipe	17	35	40	28	28	28	28	28	28	28	28
<b>Sub-total</b>	<b>3,215</b>	<b>3,271</b>	<b>3,329</b>	<b>3,217</b>	<b>3,227</b>	<b>3,349</b>	<b>3,399</b>	<b>3,451</b>	<b>3,504</b>	<b>3,559</b>	<b>3,615</b>
Saputo	896	727	811	983	910	959	1,000	1,000	1,000	1,000	1,000
Burra Foods	307	330	312	362	363	382	400	400	400	400	400
Other Majors	195	203	190	155	113	132	139	140	140	141	141
<b>Sub-total</b>	<b>1,398</b>	<b>1,260</b>	<b>1,313</b>	<b>1,499</b>	<b>1,386</b>	<b>1,473</b>	<b>1,539</b>	<b>1,540</b>	<b>1,540</b>	<b>1,541</b>	<b>1,541</b>
<b>Total</b>	<b>4,613</b>	<b>4,530</b>	<b>4,642</b>	<b>4,717</b>	<b>4,613</b>	<b>4,822</b>	<b>4,939</b>	<b>4,991</b>	<b>5,044</b>	<b>5,099</b>	<b>5,156</b>

#### *Water allocation and supply availability*

During 2021/22 South Gippsland Water developed its Urban Water Strategy. This process included a comprehensive analysis of water and wastewater demand and supply options across the region. The Strategy takes into account growth, demand reduction initiatives, water delivery efficiency and augmentation options for the next 50 years. The Urban Water Strategy will form the basis of our planning processes for the next five years. The Strategy includes a number of actions which are included in this Corporate Plan.

Of note are five strategic short-term decisions for systems that require augmentation, the outcome of these decisions will be included in the 2023 Price Submission to commence implementation in the next regulatory period.

The five items relate to:

- Leongatha Water Supply upgrade
- Lance Creek Bulk Entitlement water purchase
- Tarra River Water Supply System
- Wonthaggi Wastewater System
- Foster Wastewater System



Two systems require immediate attention to secure the water supplies for the long term:

*Lance Creek Water Supply System*

The Lance Creek Supply system services approximately 65% of the Corporation's customer base. The Lance Creek system is connected to the Melbourne Supply System utilising a Bulk Entitlement to access up to 1 GL of water.

Completion of the Urban Water Strategy recognised the Lance Creek system will not meet the target frequency of restrictions between the late 2020's and late 2040's. Subject to the 2022 Price Submission process and customer support, South Gippsland Water proposes to purchase an additional 2GL Bulk Entitlement in 2023/24.

*Ruby Creek Water Supply System*

Ruby Creek Water Supply System that services Leongatha and surrounds does not meet our target frequency of restrictions and requires upgrade.

A short-term program has been developed that includes water efficiency upgrades and renewal of groundwater bores commencing in this corporate planning period. These works alone will not be sufficient to provide long term water security in Leongatha and a major upgrade is needed. Further investigation with respect to the extent and timing will be completed in partnership with our customers commencing in this Corporate Plan period.



## 5. MAJOR RISKS

### *Maintaining the balance - price, service and being sustainable into the future*

In response to COVID-19, and more recently cost of living increases we have strengthened our support programs to assist our customers who need it most. We will continue to work with customers impacted by the COVID-19 pandemic and cost of living increases, as well as continued service delivery and resilience planning for the next regulatory period.

The 2020 Price Determination real tariff increases will have been applied by 2022/23 and as foreshadowed, further moderate real tariff increases from 2023/24 to 2027/28 will be required.


Our forecasts show that increasing operational and capital expenditure is required to meet the expectations of our regulators and customers. The Corporation has already absorbed a significant proportion of this expenditure via revenue shortfalls recognised in the 2020 Price Determination. However, maintaining revenue shortfalls will continue to lead towards deteriorating financial sustainability for the organisation.

In the Corporate Planning period, the Corporation is planning for increased investment for wastewater systems and the Venus Bay Outfall in order to manage growth and compliance risks. Beyond the Corporate Plan period, there is a requirement for further substantial investment in growth and compliance (Wonthaggi sewer system and wastewater treatment plant augmentation, Foster wastewater treatment plant upgrade, and Leongatha water supply). These investments result in a deteriorating balance sheet unless sustainable tariffs are in place. The Corporation is also exploring the feasibility of securing grants to support the upcoming capital program in the next 2 regulatory periods. We are actively considering a range of options to balance the required capital investments and minimise the effect on customer bills.

#### **Key points for consideration**

The plan forecasts ongoing deficits going forward, and a diminishing financial position as represented in Table 8: Key Performance Indicators 2021/22 to 2030/31.

The Corporation is acutely aware of the need to balance affordability, services that meet appropriate standards, and the long term financial viability of the organisation



Further initiatives underway to understand and achieve a balance between price, services and being sustainable into the future include:

- To ensuring that our decisions are guided by our Major Infrastructure Review Framework which ensures that significant projects are customer and stakeholder focused, innovative and whole of life cycle efficient
- Continuing to implement the Strategic Asset Management Plan to provide a clear framework for strategic asset decision making that aligns with achievement of wider corporate performance objectives and targets
- Using the Gippsland Region Water Alliance (GRWA) as a vehicle to help deliver productivity/efficiencies, including the potential for shared benefit in ICT and implementation of the Victorian Government Purchasing Board reform
- Implementing a 1.4% per annum operating expenditure efficiency target against a 1.7% weighted average growth in customers
- On-going participation in the Water Services Australia Association (WSAA) operating cost benchmarking process. Participation in the program provides an understanding of our cost base relative to peer corporations and helps identify areas where cost savings may be possible
- Continuing and enhancing targeted support programs and initiatives to assist customers who may be experiencing financial difficulties.


#### *Uncertainty of major customer demand*

Non-residential water usage equates to approximately 30% of South Gippsland Water's water consumption. The Corporation's two largest major customers, Saputo and Burra Foods alone make up approximately 25% of total demand (20% of total revenue).

We maintain close relationships with major customers in order to understand and respond as best as possible to their needs. However, the volatile nature of the external environment adds considerable risk to demand forecasting and recovery of capital investment.

Long-term industrial growth is difficult to predict due to short planning horizons and a range of external impacts. While both Saputo and Burra Foods have maintained reasonably consistent levels of production and therefore water use, international market risks remain volatile due to the impacts of COVID-19 and geopolitical tensions.

Previously, Saputo's business has been impacted by international market factors, influencing production volumes and milk prices. Advice from Saputo is that the organisation has embarked on a water efficiency program expected to realise modest savings. Overall, however, water demand and supply is expected to be relatively constant at around 1,000ML/pa.



Our modelling process has included analysis of a range of scenarios with respect to Saputo water consumption:

- Low consumption: estimated at 950 ML. The impact of this low consumption scenario over the Corporate Plan period would be a reduction from \$14.4M to \$13.6M of revenue, totalling \$0.8M across the 5 years (\$0.16M/year)
- A high consumption scenario: forecast provided by Saputo at 1,079 ML, which would see revenue rise from \$14.4M to \$15.5M, totalling \$1.1M across the 5 years (\$0.22M/year).

Treated saline wastewater from Saputo is transferred via the Venus Bay Outfall (VBO). Planning has commenced for a significant upgrade of the pipeline. The renewal costs have been updated from \$14.5M identified in last year's Corporate Plan to \$30.7M. The revised costs are based on increased environmental compliance risk, and an opportunity to renew the pipeline in entirety, in order to include transfer Burra Foods wastewater from our Korumburra domestic plant to the outfall (freeing up capacity for domestic growth). This Corporate Plan now assumes the pipeline will be renewed over a three-year period commencing in 2022/23.

Burra Foods is located in Korumburra and has had strong water demand over the last five years. As above, wastewater demands generated from Burra Foods are also under review in order to deliver a secure long-term solution that benefits the environment, the customer, and the region.

Commercial negotiations are continuing in order to renew Trade Waste agreements with respect to the VBO upgrade and water supply services.

#### *Uncertainty about the impacts of climate change*

Climate science indicates that Victoria will become warmer and drier in the coming decades, with more extreme events including drought, floods, and heatwaves. Updated analysis prepared for the Urban Water Strategy includes the impacts of climate change on our systems as a result of lower rainfall, alongside the increase in population and industry across the region.

Of our eight water systems servicing the region, the majority are annual fill and spill systems. The urgency of augmentation timing for the two systems that require upgrade (under medium climate change), Lance Creek and Leongatha, varies depending on the climate change scenario.

South Gippsland Water endeavours to better understand and monitor the potential impacts of climate change/variability via active involvement in assessing climate developments together with experts and other bodies, i.e. BOM, CSIRO, DELWP, VicWater, etc. The understanding helps us forecast water availability across the region and to proactively manage water resources for the benefit of customers.

Table 4 below, details when water resources will need to be upgraded under a range of climate change scenarios up to the end of the Urban Water Strategy planning period (2070). The dates shown in the table are the estimated date when action will be needed under each scenario (rounded to the nearest 5 years).

Table 4: Water System supply upgrades and timing under a range of climate scenarios.

Water System	Towns	Forecast date for water resource upgrades under different climate change scenarios			Management proposed
		Low	Medium	High	
Lance Creek	Wonthaggi, Inverloch, Cape Paterson, Korumburra, Poowong, Loch, Nyora	2050	2035	2025	Purchase additional Bulk Entitlement (BE) under existing agreement with state government
Ruby Creek	Leongatha, Koonwarra	Now	Now	Now	Options investigations underway including alternate supply and interconnection
Tarwin East	Dumbalk	> 2070	Now	Now	Water efficiency programs and possible future interconnection
Tarwin	Meeniyan	> 2070	> 2070	2025	Water efficiency programs and possible future interconnection
Battery Creek	Fish Creek	> 2070	> 2070	2050	System maintenance required including leakage reduction and dam safety works
Deep Creek	Foster	> 2070	> 2070	> 2070	Water efficiency programs
Agnes River	Toora, Port Franklin, Port Welshpool, Welshpool	> 2070	> 2070	> 2070	Water efficiency programs, including a water treatment plan reuse scheme
Tarra River	Yarram, Alberton, Port Albert, Devon North	2060	2040	Now	Investigation of the purchase of additional ground water licence(s)



### *Environmental compliance risks*

The capacity and condition of our regional infrastructure has a direct link to meeting regulatory and customer reliability expectations for water and wastewater systems, particularly in the context of climate change, regional growth and aging assets.

With respect to wastewater systems, we have completed various projects to further understand our asset condition and performance to ensure infrastructure investment is targeted at the systems that are at the highest risk of failure. However, there is a risk that our current rate of investment does not reflect the expenditure required to achieve customer outcomes and environmental compliance obligations.

We have identified increased sewer spills and EPA Discharge Licence non-compliance as a risk to the environment and organisation. This Corporate Plan includes several programs and major projects that will progressively reduce this risk:

- Wonthaggi Wastewater System
- Foster Wastewater System
- Korumburra Wastewater Mains renewal
- Venus Bay Outfall

#### **Key points for consideration**

Asset and risk understanding have allowed us to identify and program works to address key infrastructure deficiencies to reduce the risk of harm to the environment



### *Attracting, retaining, and resourcing the organisation in the long term*

The remote location and size of the Corporation presents challenges with respect to attracting and retaining skilled staff. South Gippsland Water's current People and Culture Plan includes a number of strategies to continue addressing these challenges, including:

- Ensuring attraction and recruitment methods reach and appeal to a diverse range of high quality, skilled candidates
- The Corporation has implemented a range of equity, diversity and inclusion priorities. Results to date include improved gender diversity. Sourcing diverse high-quality candidates will continue to be a priority. Next stage work will focus on broadening inclusion of Aboriginal community members in Corporation decision-making, and employment opportunities
- Continuing work to position South Gippsland Water locally and regionally to be recognised as an employer of choice including prioritising support for flexible work arrangements
- Ensuring staff have access to appropriate learning and development opportunities that address future workforce requirements and enhance current succession planning strategies, with a focus on building the capacity of current and future leaders
- Further formalising systems, processes, and practices to ensure staff are recognised and rewarded and promoting a safe, healthy, motivated, engaged and innovative workforce
- Continuing to build partnerships within the Gippsland Region Water Alliance partners and other industry networks to investigate innovative ways of working together and resourcing our needs in an innovative and efficient manner

## 6. FINANCIAL DETAILS AND PERFORMANCE

### *Material changes from previous 2021/22 Corporate Plan:*

Material changes from the previous 2022 Corporate Plan for the five-year forecast from 2022/23 to 2026/27 are:

- In the 2021/22 and 2022/23 years, there was reduced revenue due to the Cost of Debt adjustments. This is offset by the CPI increase of 5.09% for 2022/23. Real tariff uplifts have been revised downward from 3% in 2023/24 and 2024/25, to 2% to reflect the tariff increases flagged in the 2020 Price Submission. Overall, revenue is lower by \$2.5M over the 5 years for service and volume charges.
- The Corporation is expecting \$4.3M in additional capital income from gifted assets over the forecast period. Over the five year forecast period, prescribed operating costs are higher with the inclusion of the additional Melbourne Bulk Water entitlement 2GL purchase in 2023/24, with an increase of \$3.5M. Other increases include \$0.7M in growth related operating costs, \$0.6M increase in higher insurance premiums, \$0.8M in utilities, \$0.87M in vehicle costs, \$0.6M in training, and \$0.24M in Carbon Emission compliance.
- Financing costs are forecast to increase by \$3.9M due to increased debt over the forecast period with debt rising from \$152M in 2026/27 to \$191M
- Depreciation is forecast to rise by \$11.1M due to the revaluation of assets in 2020/21 and an increase in capital expenditure of \$26M, with higher investment for wastewater systems and the Venus Bay Outfall in order to manage growth and compliance risks.
- The gearing ratio has slightly increased from 30% to 31.8% as a result of higher borrowings, and cash interest cover has decreased from 3.48 to 2.55 by 2026/27.



## Operating Statement

The table below details the projected operating statement for 2022/23 to 2027/28. Refer to Appendix A for a quarterly breakdown of the 2022/23 financial year.

Table 5: SGW Operating Statement 2022/23 to 2027/28.

PROFIT AND LOSS \$'000	2021/22 Forecast	2022/23	2023/24	2024/25	2025/26	2026/27
Service Charges	17,174	18,436	19,529	20,701	22,149	23,704
Volume Charges	10,177	11,098	11,679	12,292	13,038	13,863
Trade Waste	4,015	4,252	4,427	4,608	4,773	4,947
Capital Income	6,200	4,326	4,721	5,241	5,307	5,050
Other	1,134	1,114	1,413	1,434	1,459	1,484
<b>TOTAL REVENUE</b>	<b>38,701</b>	<b>39,227</b>	<b>41,768</b>	<b>44,276</b>	<b>46,726</b>	<b>49,048</b>
Salary and On-costs	12,262	12,358	12,639	12,926	13,220	13,520
Financing Costs	2,951	3,539	4,464	6,082	7,116	7,709
Depreciation	14,021	14,390	14,746	16,036	16,493	16,676
Other Expenses	11,993	12,391	13,822	14,191	14,488	14,793
<b>TOTAL COSTS</b>	<b>41,227</b>	<b>42,678</b>	<b>45,671</b>	<b>49,235</b>	<b>51,317</b>	<b>52,698</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(2,526)</b>	<b>(3,451)</b>	<b>(3,903)</b>	<b>(4,959)</b>	<b>(4,591)</b>	<b>(3,651)</b>
Tax expense	657	863	976	1,240	1,148	913
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>(1,870)</b>	<b>(2,588)</b>	<b>(2,927)</b>	<b>(3,719)</b>	<b>(3,443)</b>	<b>(2,738)</b>

## Cash Flow Statement

Table 6: Cash Flow Statement 2022/23 to 2027/28.

CASHFLOW	\$'000	2021/22 Forecast	2022/23	2023/24	2024/25	2025/26	2026/27
Total Cash Receipts from Operations		37,467	40,158	43,281	47,449	47,811	48,750
Total Cash Payments from Operations		(28,647)	(29,164)	(31,613)	(34,779)	(37,345)	(36,792)
<b>Net Cash provided/(used) by Operating Activities</b>		<b>8,819</b>	<b>10,994</b>	<b>11,668</b>	<b>12,671</b>	<b>10,466</b>	<b>11,958</b>
Proceeds from Sale of Assets		248	83	385	385	385	385
Payments for Non-Current Assets		(17,933)	(26,673)	(30,079)	(52,310)	(29,617)	(20,163)
<b>Net Cash provided/(used) in Investing Activities</b>		<b>(17,686)</b>	<b>(26,590)</b>	<b>(29,694)</b>	<b>(51,925)</b>	<b>(29,232)</b>	<b>(19,778)</b>
Proceeds/(Repayments) from Borrowings		6,600	15,493	18,002	39,030	19,020	7,880
Proceeds from Government Equity Cont.		0	0	0	0	0	0
Contractors deposits		(1,536)	89	25	222	(254)	(67)
<b>Net Cash provided/(used) from Financing Activities</b>		<b>5,064</b>	<b>15,582</b>	<b>18,027</b>	<b>39,252</b>	<b>18,766</b>	<b>7,813</b>
<b>Net Increase/(Decrease) in Cash</b>		<b>(3,802)</b>	<b>(14)</b>		<b>(3)</b>	<b>1</b>	<b>(7)</b>
<b>Beginning Cash</b>		<b>3,865</b>	<b>63</b>	<b>49</b>	<b>49</b>	<b>47</b>	<b>47</b>
<b>ENDING CASH</b>		<b>63</b>	<b>49</b>	<b>49</b>	<b>47</b>	<b>47</b>	<b>40</b>

## Balance Sheet

Table 7: Balance Sheet 2022/23 to 2027/28.

BALANCE SHEET	\$'000	FY21/22 Forecast	FY22/23	FY23/24	FY24/25	FY25/26	FY26/27
Cash and Bank		63	49	49	47	47	40
Receivables		1,836	2,034	2,145	2,263	2,403	2,556
Other current assets		3,606	3,768	3,880	3,999	4,148	4,308
<b>Total Current Assets</b>		<b>5,505</b>	<b>5,850</b>	<b>6,074</b>	<b>6,309</b>	<b>6,599</b>	<b>6,904</b>
ZEW Investment		5	5	5	5	5	5
Receivables-Long term		215	185	155	125	95	65
Fixed Assets		489,479	499,779	513,579	544,846	559,646	563,873
WIP		3,574	6,050	6,847	11,069	5,916	4,422
Deferred Tax Assets		21,653	22,516	23,492	24,731	25,879	26,792
<b>Total Non-Current Assets</b>		<b>514,927</b>	<b>528,536</b>	<b>544,078</b>	<b>580,777</b>	<b>591,541</b>	<b>595,157</b>
<b>TOTAL ASSETS</b>		<b>520,432</b>	<b>534,386</b>	<b>550,152</b>	<b>587,086</b>	<b>598,139</b>	<b>602,061</b>
Loans - Current		2,118	2,118	2,118	2,118	2,118	2,118
Provisions		6,423	6,423	6,423	5,554	3,778	3,778
Other payables		2,989	4,035	4,334	6,813	4,051	3,343
<b>Total Current Liabilities</b>		<b>11,530</b>	<b>12,576</b>	<b>12,875</b>	<b>14,485</b>	<b>9,947</b>	<b>9,239</b>
Loans - Non-Current		89,900	105,393	123,395	162,425	181,445	189,325
Provision - Non-Current LSL		637	640	1,033	1,046	1,060	548
Deferred Tax Liabilities		84,308	84,308	84,308	84,308	84,308	84,308
<b>Total Non-Current Liabilities</b>		<b>174,845</b>	<b>190,341</b>	<b>208,736</b>	<b>247,780</b>	<b>266,814</b>	<b>274,181</b>
<b>TOTAL LIABILITIES</b>		<b>186,375</b>	<b>202,917</b>	<b>221,611</b>	<b>262,264</b>	<b>276,761</b>	<b>283,420</b>
<b>NET ASSETS</b>		<b>334,057</b>	<b>331,469</b>	<b>328,541</b>	<b>324,822</b>	<b>321,379</b>	<b>318,641</b>
Government Equity Contributions		95,333	95,333	95,333	95,333	95,333	95,333
Asset Revaluation Reserve		187,838	187,838	187,838	187,838	187,838	187,838
Accumulated Funds (Losses)		50,886	48,298	45,370	41,651	38,208	35,470
<b>TOTAL EQUITY</b>		<b>334,057</b>	<b>331,469</b>	<b>328,541</b>	<b>324,822</b>	<b>321,379</b>	<b>318,641</b>

## Financial Performance Indicators

Key financial performance indicators forecast for 2021/22 to 2030/31 are provided in the table below.

Financing charges have been budgeted utilising TCV forecast rates forward to 2025/26 and trended upwards for the remainder of the Corporate Plan period.

- Gearing is forecast to increase from 17.7% at end of 2022/23 to 31.8% by 2026/27
- Cash interest cover decreases from 3.99 at end of 2022/23 to 2.55 by 2026/27

Scenario analysis of interest rate changes has resulted in the following observations:

- In the event of a 1% interest rate rise to TCV projections (current as at February 2022) on new debt arising in the Corporations' portfolio, the financial metrics would increase the gearing ratio to 32.6% and decrease cash interest cover to 2.09 by FY2026/27.
- In this *higher* interest rate scenario, a cash interest cover is modelled at 1.90 by 2031/32 given a potentially larger capital program in Regulatory Period 6.

The Board and Executive Leadership Team are actively evaluating and considering options to improve on the declining financial metrics, which are largely due to the capital investments required over the next 2 regulatory periods. Management are considering options to achieve efficiencies to counter growth in operating costs. This has a benefit of providing a better cash interest cover over the longer term. However, the main driver of debt is capital expenditure growth to meet customer and regulator expectations over Regulatory Periods 5 and 6, and further capital prioritisation options are being considered

The key improvement area are financially sustainable tariffs which would be higher, in real terms, than the percentages provided for in Regulatory Period 5 of 2% to 2025/26 and 3% to 2027/28, which were shown to result in a regulatory shortfall.

Table 8: Key Performance Indicators 2021/22 to 2030/31.

KEY RATIO'S	2021/22 Forecast	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Current Ratio	0.48	0.47	0.47	0.44	0.66	0.75	0.76	0.56	0.73	0.69
Quick Ratio	0.70	0.57	0.56	0.37	0.67	0.86	0.84	0.42	0.69	0.59
Gearing Ratio	17.7%	20.1%	22.8%	28.0%	30.7%	31.8%	32.8%	36.9%	39.1%	41.5%
Internal Financing Ratio	49.9%	41.3%	39.3%	24.4%	35.8%	60.5%	63.4%	29.8%	44.9%	41.2%
Interest Cover (EBIT)	0.14	0.03	0.13	0.18	0.35	0.53	0.59	0.62	0.71	0.74
Interest Cover (Cash)	3.99	4.11	3.61	3.08	2.47	2.55	2.60	2.66	2.43	2.39
Debt / Equity	28%	32%	38%	51%	57%	60%	63%	76%	84%	93%

## Operational Performance

Table 9: Service Standards for the period of 2022/23 to 2026/27

Water and Sewerage Network Reliability	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Forecast	Target	Target	Target	Target	Target
<b>Water Service – Planned minutes off supply.</b> Minutes on average a customer was without water supply during a year	*12	100	100	100	100	100
<b>Water Service – Unplanned minutes off supply.</b> Minutes on average a customer was without water supply during a year	11	25	25	25	25	25
<b>Unplanned water supply interruptions.</b> Percentage of customers receiving (5) unplanned interruptions in the year	0	0	0	0	0	0
<b>Sewerage Service – sewer blockages.</b> Number of sewer blockages reported per 100 kilometres of sewer main	14	18	18	18	18	18
<b>Sewerage Service – sewer spills.</b> Number of sewer spills reported per 100 kilometres of sewer main	25	28	28	28	28	28
<b>Sewerage Service - containment of sewer spills.</b> Percentage of sewer spills from reticulation and branch sewers contained within 5 hours	98%	95%	95%	95%	95%	95%
Customer Responsiveness	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Forecast	Target	Target	Target	Target	Target
<b>Water quality complaints</b> No. of complaints per 100 customers	.3	.6	.6	.6	.6	.6
<b>Payment issue complaints</b> No. of complaints per 100 customers	1	1.2	1.2	1.2	1.2	1.2
<b>Total complaints</b> No. of complaints per 100 customers	1.4	2	2	2	2	2
Water Reuse	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Forecast	Target	Target	Target	Target	Target
<b>Effluent treatment and reuse</b> Proportion of water recycled as a percentage of the volume of effluent produced	4.5%	4%	4%	4%	4%	4%

\*Completion of planned works impacted by COVID-19 restrictions to community and workforce mobility

## APPENDIX A – SUPPORTING FINANCIAL INFORMATION

Table 10: 2022/23 Operating Statement - quarterly breakdown

	Quarter 1 - September	Quarter 2 - December	Quarter 3 - March	Quarter 4 - June	Corporate Plan Budget
	Budget	Budget	Budget	Budget	Budget
<b>PROFIT AND LOSS '\$000</b>					
<b>Income</b>					
Service charges	4,609	4,609	4,609	4,609	18,436
Volume charges	3,472	3,472	3,472	3,472	13,888
Tradewaste and cisterns	366	366	366	366	1,462
Capital income	1,081	1,081	1,081	1,081	4,326
Other	278	278	278	278	1,114
<b>Total income</b>	<b>9,807</b>	<b>9,807</b>	<b>9,807</b>	<b>9,807</b>	<b>39,227</b>
<b>Expenditure</b>					
Salary and oncosts	3,089	3,089	3,089	3,089	12,358
Financing costs	885	885	885	885	3,539
Depreciation	3,597	3,597	3,597	3,597	14,390
Other expenses	3,097	3,098	3,098	3,098	12,391
<b>Total expenditure</b>	<b>10,669</b>	<b>10,669</b>	<b>10,669</b>	<b>10,670</b>	<b>42,678</b>
<b>Total surplus (deficit)</b>	<b>(862)</b>	<b>(863)</b>	<b>(863)</b>	<b>(863)</b>	<b>(3,451)</b>

Table 11: 2022/23 Cash Flow Statement – quarterly breakdown

	Quarter 1 - September	Quarter 2 - December	Quarter 3 - March	Quarter 4 - June	Corporate Plan Budget
	Budget	Budget	Budget	Budget	
CASHFLOW '\$000					
Service and Usage Charges Income	8,376	5,281	9,549	10,168	33,373
Developer Contributions	556	556	556	556	2,226
Other income	1,140	1,140	1,140	1,140	4,559
Payments to Suppliers and Employees	(6,526)	(6,174)	(6,437)	(6,488)	(25,624)
Interest and Other Costs of Finance Paid	(529)	(1,462)	(312)	(1,235)	(3,539)
Net cashflow from operations	3,017	(659)	4,496	4,140	10,994
Proceeds from sale of assets	21	21	21	21	83
Payments for non-current assets	(8,406)	(8,658)	(4,826)	(4,783)	(26,673)
Net cashflow from investing activities	(8,386)	(8,637)	(4,805)	(4,762)	(26,590)
Net proceeds from borrowing	5,340	9,257	315	581	15,493
Government contributions	-	-	-	-	
Contractor deposits	22	22	22	22	89
Net cashflow from financing activities	5,362	9,279	337	603	15,582
Net increase (decrease) in cash	(7)	(17)	28	(18)	(14)
Cash held at the beginning of the period	63	56	39	67	63
Cash held at the end of the period	56	39	67	49	49



Table 12: 2022/23 Balance Sheet – quarterly breakdown

	Quarter 1 - September	Quarter 2 - December	Quarter 3 - March	Quarter 4 - June	Corporate Plan Budget
	Budget	Budget	Budget	Budget	
<b>BALANCE SHEET '\$000</b>					
Cash at bank	56	39	67	49	49
Receivables	2,067	2,065	2,063	2,059	2,059
Other current assets	3,242	2,492	6,325	3,742	3,742
<b>Total current assets</b>	<b>5,366</b>	<b>4,596</b>	<b>8,456</b>	<b>5,850</b>	<b>5,850</b>
Receivables - long term	213	205	198	190	190
Fixed assets	491,483	494,689	494,552	499,779	499,779
Capital works in progress	5,624	9,904	2,237	6,050	6,050
Deferred tax assets	21,869	22,084	22,300	22,516	22,516
<b>Total non-current assets</b>	<b>519,189</b>	<b>526,882</b>	<b>519,287</b>	<b>528,536</b>	<b>528,536</b>
Short term loans	2,118	2,118	2,118	2,118	2,118
Provisions	3,795	3,820	3,845	3,778	3,778
Other current liabilities	6,389	7,317	4,487	6,680	6,680
<b>Total current liabilities</b>	<b>12,302</b>	<b>13,255</b>	<b>10,449</b>	<b>12,576</b>	<b>12,576</b>
Long term loans	95,240	104,497	104,812	105,393	105,393
Provisions - long term	376	376	376	376	376
Other	355	449	543	264	264
Deferred tax liabilities	84,308	84,308	84,308	84,308	84,308
<b>Total non-current liabilities</b>	<b>180,279</b>	<b>189,630</b>	<b>190,039</b>	<b>190,341</b>	<b>190,341</b>
<b>Net assets</b>	<b>331,974</b>	<b>328,593</b>	<b>327,253</b>	<b>331,469</b>	<b>331,469</b>
<b>Total equity and reserves</b>	<b>331,974</b>	<b>328,593</b>	<b>327,253</b>	<b>331,469</b>	<b>331,469</b>

Table 13: Customer Tariffs 2021/22 – 2026/27

		Approved			Proposed		
Tariffs are expressed in nominal \$	Frequency of charge	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
1.1 Water access fees (per annum)							
Access fee – Developed	Tri-annual	330.18	348.52	362.95	377.99	397.50	418.03
Access fee – Undeveloped	Tri-annual	330.18	348.52	362.95	377.99	397.50	418.03
Access fee – Agreements	Tri-annual	297.18	313.70	326.69	340.22	357.79	376.27
Access fee – Concessional	Tri-annual	264.84	279.56	291.14	303.20	318.85	335.32
1.2 Water usage charges (per kL)							
Volumetric fee – Murray Goulburn	Monthly	2.47	2.64	2.75	2.87	2.98	3.14
Volumetric fee – Other Majors	Monthly	2.03	2.18	2.27	2.36	2.49	2.61
Volumetric fee – All others	Tri-annual	2.03	2.18	2.27	2.36	2.49	2.61
1.3 Sewerage access fees (per annum)							
Residential and non-residential							
Access fee – Developed	Tri-annual	512.43	540.89	563.29	586.62	616.91	648.77
Access fee – Undeveloped	Tri-annual	289.92	306.03	318.70	335.16	352.46	370.67
1.4 Cistern access fees (per annum)							
1-2 Cisterns	Tri-annual	174.48	184.16	191.79	199.73	210.04	220.89
3-5 Cisterns	Tri-annual	459.00	484.48	504.54	525.44	552.57	581.11
6-10 Cisterns	Tri-annual	888.81	938.18	977.03	1,017.50	1,070.04	1,125.30
11-15 Cisterns	Tri-annual	1,423.20	1,502.24	1,564.45	1,629.25	1,713.37	1,801.86
16-20 Cisterns	Tri-annual	2,373.09	2,504.86	2,608.59	2,716.64	2,856.91	3,004.45
21-26 Cisterns	Tri-annual	3,396.54	3,585.14	3,733.61	3,888.26	4,089.02	4,300.19
27-35 Cisterns	Tri-annual	4,163.16	4,394.33	4,576.31	4,765.87	5,011.93	5,270.77
36–Greater Cisterns	Tri-annual	4,757.07	5,021.24	5,229.18	5,445.78	5,726.95	6,022.72

	Frequency of charge	Approved		Proposed			
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Volume Charge – (per kL)</b>							
Volume Charge	Tri-annual	2.05	2.19	2.28	2.38	2.50	2.63
<b>1.6 Minor trade waste fees</b>							
<b>Application fees (per application)</b>							
Category 1	Tri-annual	133.55	140.35	143.29	146.30	149.38	152.51
Category 2	Tri-annual	213.05	223.89	228.59	233.39	238.30	243.30
Category 3	Tri-annual	390.02	409.87	418.48	427.26	436.24	445.40
<b>Access fees (per annum)</b>							
Access fee – Category 1	Tri-annual	708.21	747.55	778.51	810.75	852.61	896.65
Access fee – Category 2	Tri-annual	940.77	993.02	1,034.14	1,076.98	1,132.58	1,191.08
Access fee – Category 3	Tri-annual	1,167.06	1,231.88	1,282.89	1,336.03	1,405.02	1,477.58
<b>Volumetric fees (per kL)</b>							
All Categories	Tri-annual	0.9774	1.0477	1.0911	1.1363	1.1950	1.2567
<b>Quality fees (per kg)</b>							
BOD	Tri-annual	0.73	0.77	0.79	0.80	0.82	0.84
SS	Tri-annual	0.69	0.73	0.74	0.76	0.77	0.79
Nitrogen	Tri-annual	3.11	3.27	3.33	3.40	3.48	3.55
Phosphorus	Tri-annual	17.72	18.63	19.02	19.42	19.82	20.24
<b>Additional sampling (per sample)</b>							
All Categories	Each	At cost	At cost	At cost	At cost	At cost	At cost
<b>Exceedance fees (per kg)</b>							
Oil & Grease	Each	0.11	0.11	0.12	0.12	0.12	0.13
Sodium	Each	0.11	0.11	0.12	0.12	0.12	0.13
TOS	Each	0.79	0.83	0.85	0.87	0.88	0.91
<b>Asset protection fee</b>							
<i>*Alternate annual fee for customers not electing to install a grease trap</i>	Per annum	1,558.77	1,638.10	1,672.50	1,707.62	1,743.48	1,780.09

	Frequency of charge	Approved		Proposed			
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Treatment violation fee</b> <i>*Customers that do not complete a trade waste application/ maintain their pre-treatment</i>	Per occasion	319.54	335.80		350.05	357.40	364.91
<b>1.7 New customer contributions (per lot)</b>							
<b>Water &amp; Sewer (all customers)</b>		2,395.67	2,517.58	2,570.45	2,624.43	2,679.54	2,735.81
<b>1.8 Miscellaneous fees and charges</b>							
<b>Property information statements</b> <i>*For providing a certificate issued in accordance with Section 158 of the, Water Act 1989.</i>		59.89	62.93	64.25	65.60	66.98	68.39
<b>Special Meter Reading s</b> <i>*Providing a certificate which indicates water usage charges up to a specified date.</i>		46.03	48.37	49.39	50.43	51.48	52.57
<b>As constructed charge</b>		74.85	78.66	80.31	81.99	83.72	85.48
<b>20mm Tapping Fee</b> <i>*For meter and labour associated in providing a tapping to the water main.</i>		413.92	434.98	444.12	453.44	462.96	472.69
<b>Plumbing Industry Commission (PIC) Fee</b> <i>*For providing sewer plans/plumbing applications</i>		232.38	244.21	249.34	254.57	259.92	265.38
<b>Standpipe Water Sales (per kL)</b> <i>*Water via a metered standpipe.</i>							
- Registered Users		6.83	7.08	7.37	7.68	8.08	8.49
- Unregistered Users		8.81	9.44	9.83	10.24	10.77	11.33
<b>Septic Tank Waste Receival (per kL)</b> <i>*Fee imposed on septic tank waste carters, for the disposing of sewage and/or other acceptable waste.</i>		28.20	29.64	30.26	30.89	31.54	32.20
<b>Miscellaneous Services</b>		At cost	At cost	At cost	At cost	At cost	At cost

Table 14: Customer Pricing Impacts

Customer Impact	Water Tariffs		Sewer Tariffs		Total	% Change from previous year
	Fixed	Variable	Fixed	Variable	Tariffs	
Residential - 121kLp.a (Average use)						
2022/23	348.52	261.54	540.89	-	1,150.95	5.91%
2023/24	362.95	272.37	563.29	-	1,198.61	4.14%
2024/25	377.99	283.65	586.62	-	1,248.26	4.14%
2025/26	397.50	298.30	616.91	-	1,312.71	5.16%
2026/27	418.03	313.70	648.77	-	1,380.50	5.16%
Non-residential - 121kLp.a (Average use)						
2022/23	348.52	261.54	540.89	-	1,150.95	5.91%
2023/24	362.95	272.37	563.29	-	1,198.61	4.14%
2024/25	377.99	283.65	586.62	-	1,248.26	4.14%
2025/26	397.50	298.30	616.91	-	1,312.71	5.16%
2026/27	418.03	313.70	648.77	-	1,380.50	5.16%
Tenants - 121kLp.a (Average use)						
2022/23	-	261.54	-	-	261.54	7.12%
2023/24	-	272.37	-	-	272.37	4.14%
2024/25	-	283.65	-	-	283.65	4.14%
2025/26	-	298.30	-	-	298.30	5.16%
2026/27	-	313.70	-	-	313.70	5.16%