

# Corporate Plan

Financial years 2017-19



## Document Approval and Issue Notice

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**PREPARED:**

**(for release)**

Jason Browne, Department Manager Business Performance

Date: 31/03/2016

**ENDORSED:**

**(for release)**

Dean Page, General Manager Finance and Commercial Services

Date: 31/03/2016

**APPROVED:**

**(for acceptance)**

Michael Brewster, Chief Executive Officer

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## 1. Executive summary

We are pleased to submit our third Corporate Plan to owner councils for the FY2017–19 plan period.

One year in to the FY2016–18 Price and Services Plan (PSP2) we will continue to focus our efforts on delivering on the objectives noted in the Corporate Plan while identifying opportunities for TasWater's longer term objectives to be sustained beyond PSP2. We have updated our strategic framework to reflect the learnings of the past year and feedback from stakeholders requesting a simpler set of messages.

### 1.1. Background

Last year's Corporate Plan was formulated around the outcomes of the Office of the Tasmanian Economic Regulator's (OTTER) 2015 Price Determination Investigation, and this Corporate Plan will continue to balance the competing priorities of infrastructure investment, stakeholder outcomes and managing price increases for our customers.

### 1.2. Primary aims for the Corporate Plan period

The primary aims for the Corporate Plan are to:

- Progress drinking water quality improvements so the risk of a major public health incident is minimised to as low as reasonably practicable
- Further improve customer experiences and reducing the community impact of asset failures
- Improve environmental performance
- Enhance organisational resilience to minimise the impact of major incidents on the community
- Increase productivity by reducing costs and wherever feasible rationalising the number of operational assets
- Build community support for the business and its vital contribution to the state
- Build a culture underpinned by our values and a commitment to safety, excellence, innovation and customer centricity.

### 1.3. Targeted improvements

Our primary goals for the next three-year corporate planning period are as follows:

- No temporary Boil Water Alerts put in place in year three (FY2018–19) from 1 occurrence in the current financial year to date<sup>1</sup>
- Customer satisfaction increasing to 85 per cent
- Treated sewage volume compliance lifted from 45 per cent<sup>1</sup> to 60 per cent
- Reduction of 25 per cent in the number of reportable dry weather sewage spills from 120<sup>2</sup> to 90
- Further productivity savings of \$10.5 million per annum
- The number of towns on Boil Water Alerts and Public Health Alerts is reduced from 23<sup>1</sup> to 5 or less
- A 45 per cent improvement in our total recordable injury frequency rate from 14.8<sup>1</sup> to 8.

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<sup>1</sup> As at 31 December 2015

<sup>2</sup> As at 31 December 2015, extrapolated for the full year

## 1.4. Strategic initiatives

The following key strategic initiatives will facilitate the realisation of our primary aims:

- Drinking water quality improvement strategy
- Sewage Treatment Plant (STP) performance improvement strategy
- Productivity improvement and cost reduction program
- Network operations centre
- Zero harm health and safety program
- Communications, brand strategy and associated campaigns.

## 1.5. Financial expectations

Budget Net Profit after Tax for the three-year Corporate Plan period is \$26.3 million (FY2016–17), \$35.6 million (FY2017–18) and \$41.0 million (FY2018–19). This level of profitability will support the provision of \$30.0 million per annum in distributions to owner councils for FY2016–17 and FY2017–18, followed by \$31.5 million in FY2018–19.

Gearing over the period is expected to increase from 29.0 per cent to 30.9 per cent with no net increase in debt arising from the payment of dividends as a result of anticipated cost savings.

Capital expenditure over the period is projected to total \$320.0 million – \$105.0 million (FY2016–17), \$105.0 million (FY2017–18) and \$110.0 million (FY2018–19).

Retained earnings at the end of the Corporate Plan period are expected to be \$69.1 million with a closing total equity of \$1,596.9 million.

## 1.6. Managing risks

Over the past 12 months we have started work on gaining a deeper understanding of our risks across the business and defining our risk appetite as an organisation. Out of this process we have resolved that our top five risks are: water quality/public health risk, environmental/third party risk, asset failure risk, worker and public safety risk, and business continuity risk. These risks have influenced our strategic choices and prioritisation in the Corporate Plan, and will be monitored during the plan period to assess our performance.

## 1.7. Long term planning

As long term asset custodians we look beyond the current plan to ensure future generations have quality essential services that support the needs of the community. In some instances, our ability to realise our vision is dependent upon support from governments. Two such matters requiring government support are changes to the regulatory model and securing external funding to support asset rationalisation, accelerated compliance and improved outcomes for customers.

This Corporate Plan does not contemplate the receipt of any external funding for major projects such as the Launceston Sewerage Improvement Scheme (LSIP), upgrades to the Launceston combined stormwater and sewerage system, rationalisation of greater Hobart's STPs and rationalisation of the north west STPs.

Without such external funding it is unlikely that any of these projects will proceed in the next 10 years.

## 2. About TasWater

### 2.1. Our background

The Tasmanian Water and Sewerage Corporation Pty Ltd, trading as TasWater, was incorporated on 5 February 2013 under the *Water and Sewerage Corporation Act 2012* (Tas) and commenced operation on 1 July 2013.

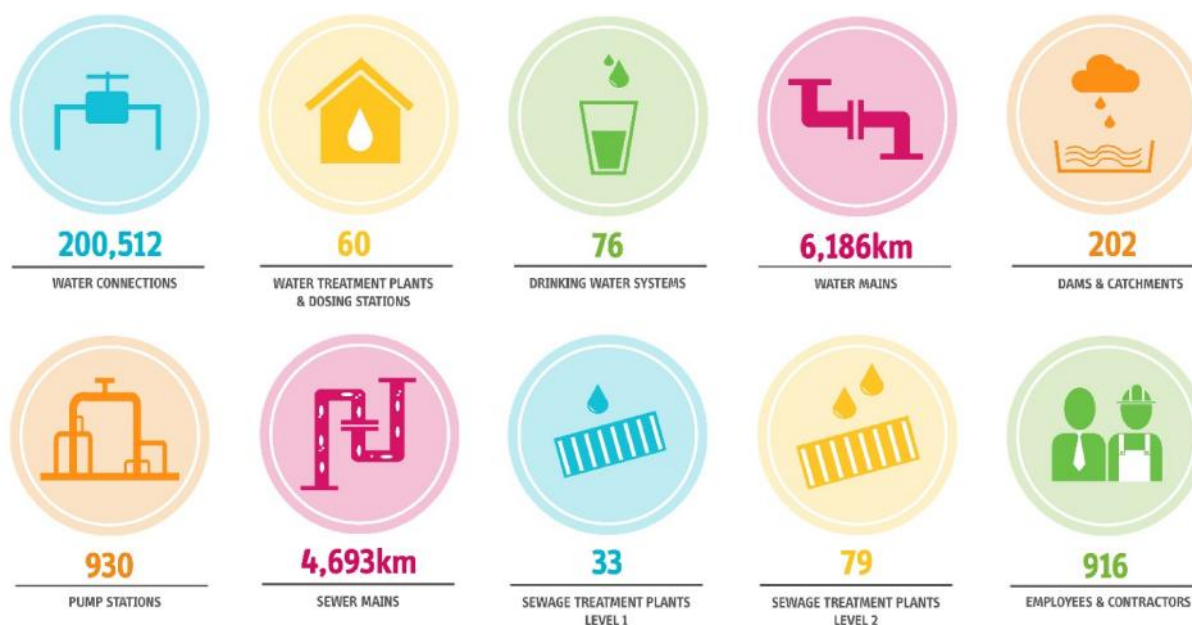
TasWater is owned by the 29 local government councils of Tasmania and provides water and wastewater services to residential and business customers across Tasmania.

### 2.2. Our activities

Our core business is to provide two essential services for Tasmanians:

- The sourcing, treatment and reliable delivery of quality drinking water to our customers
- The collection, transportation, treatment and safe return of the wastewater to the environment.

**Figure 1: TasWater key facts and figures**



## 2.3. Governance

In undertaking these duties, TasWater's actions are governed by a range of regulatory and legislative instruments including but not limited to:

- *Water and Sewerage Corporation Act 2012*
- *Water and Sewerage Industry Act 2008*
- *Environmental Management and Pollution Control Act 1994 (EMPCA)*
- *Public Health Act 1997*
- Shareholders' Letter of Expectations
- *Land Use Planning and Approvals Act 1993*.

Our Corporate Plan has been developed in accordance with the requirements of the Shareholders' Letter of Expectations. Further information on the relevant legislation, regulations and policies that govern our business can be found on our website ([www.taswater.com.au](http://www.taswater.com.au)).



### 3. Our strategic framework

#### 3.1. A vision for the future

Our vision is to be:

**‘A trusted and respected provider of essential services that is making a positive difference to Tasmania’**

Our vision reflects the organisation wide focus on what really matters to our owners, customers and the community, who are dependent on us for what are effectively essential services in the community.

#### 3.2. Our shared values

The delivery of our strategy for the future is not just about what we do, but also how we do it.

While our strategic objectives describe what we are aiming to achieve, our values describe how, in terms of behaviours, we will achieve them.

Our values, as developed by our employees, reflect how we wish to operate in providing services to our community:

- **Honest & straight forward.** We uphold the values and behaviours of TasWater in every action and decision
- **Getting it right.** We will develop responsible solutions and strive for continual improvement in all that we do
- **Long term thinking.** We will deliver outcomes that are in the best interests of the Tasmanian community
- **Working together.** We will work together as one TasWater to meet the expectations of our customers
- **Taking ownership.** We will take personal responsibility for meeting commitments.

#### 3.3. Realising our vision and values

In developing our strategic framework, which provides the supporting foundation of our Corporate Plan, we reviewed the expectations of our customers, regulators and owners. While the needs of our stakeholders often align, there are instances where they differ.

Different and competing expectations mean that we need to make choices to balance outcomes. The choices on how to best allocate our scarce resources to deliver the appropriate outcomes are managed through the application of our vision and strategic framework.

The delivery of our vision requires that we take an informed and pragmatic view of the current challenges facing the community and the industry today to establish the priorities for the coming years.

Key considerations in defining our vision and shaping our strategic direction were the need to deliver infrastructure that complies with contemporary health and environmental compliance requirements, addressing ageing assets in need of investment, and balancing these needs against community affordability concerns.

Our strategic framework provides a means to better understand the expectations of our stakeholders and align our business activities to meet them. By understanding where we provide the greatest value for our stakeholders (our value drivers), we are able to more effectively and efficiently focus our efforts in delivering the activities that really matter for the wider community.

In this way, the framework provides a tool for assessing our decision making and evaluative processes and for monitoring and controlling our performance.

**Figure 2: Our Strategic Framework: What we are all about**

<b>OUR VISION</b> "We will become..." <b>A trusted and respected provider of essential services that is making a positive difference to Tasmania</b>				
<b>VALUE DRIVERS</b> "We will focus our efforts on..."	<b>Customer and community outcomes</b>	<b>Commercial and economic outcomes</b>	<b>Water and environmental outcomes</b>	<b>Our people and culture outcomes</b>
<b>STRATEGIC OBJECTIVES</b> "Our primary objective is to..."	Build key stakeholders confidence and trust in us	Provide services that are affordable, positive for Tasmania and can be sustained	Provide safe drinking water and environmentally friendly waste water solutions	Build a culture and skill base that meets the long term needs of the business
<b>OUTCOMES</b> "By 2021..."	The majority of the negative commentary in our space will be gone	Significant progress will have been made towards transforming the state's water and sewerage infrastructure	Our drinking water systems will be resilient and fully compliant	We will have built a culture that reflects our values and desire to be innovative, customer centric and focused on excellence
<b>OUTCOMES</b> "By 2026..."	We will be the most trusted and respected government owned business in Tasmania	We will have addressed Tasmania's key water and sewerage infrastructure challenges	Our environmental discharges and by-products will consistently meet modern day environmental expectations	We will be an employer of choice at the national level with a high performing and sustainable workforce

**Figure 3: Our Strategic Framework: How we will deliver our vision**

<b>VALUE DRIVERS</b> "We will focus our efforts on..."	<b>Customer and community outcomes</b>	<b>Commercial and economic outcomes</b>	<b>Water and environmental outcomes</b>	<b>Our people and culture outcomes</b>
<b>OUR STRATEGIES</b> "To achieve our primary objectives we will..."	Invest in programs that enhance customer experiences  Take a long term strategic approach to engaging with key stakeholders and the broader community  Minimise service interruptions and impacts from sewage spills and water interruptions	Ensure we have the necessary funding sources to deliver our desired long term outcomes  Improve business productivity and reduce costs to achieve our financial plans  Operate the business in a manner that is consistent with our risk appetite	Invest in robust drinking water systems to ensure water is safe for consumption  Lift sewerage system performance to align with modern day environmental standards	Invest in programs that create a safe working environment  Invest in leadership development, skills training programs and innovation  Develop programs to realise our desired culture
<b>KEY RESULT AREAS</b> "We will track our progress by monitoring improvements in..."	Customer experience  Reputation  Service standards  Community impact severity	Financial performance  Productivity improvement  Risk management  Compliance	Drinking water quality  Environmental compliance and impact	Safety performance  Organisation capability  Culture development

### 3.4. Measuring performance and monitoring our progress

The following sections of the Corporate Plan set out the strategies, Key Result Areas (KRAs), Key Performance Indicators (KPIs), Targets and Strategic Initiatives by value driver that support the delivery of our Strategic Objectives.

The following outline the meaning used to define strategies, KRAs, KPIs, Targets and Strategic Initiatives for the purpose of this Corporate Plan:

- **Strategy** represents the high level approach for each Value Driver over the three-year Corporate Plan period
- **Key Result Areas** are the strategic factors where we must achieve strong results in order to achieve our strategic outcomes and vision
- **Key Performance Indicators** are the criteria by which performance against goals is measured
- **Targets** are the outcomes being sought for each measure
- **Strategic Initiatives** are the sub strategies, programs of work and major system improvements needed to deliver the targeted outcomes over the period of the Corporate Plan.

It is important to note that there is a high degree of interrelationship between the value drivers and as a result the delivery of one strategic initiative may support the accomplishment of more than one KPI. As we better understand the expectations of our stakeholders, and the industry and business matures there will be a need to refine our key performance indicators.

The strategies and strategic initiatives are at different stages of development and implementation, with some gaining provisional funding pending further investigation and a business benefits process, while others are close to completion.

## 4. Strategic risks

Our updated strategic risk matrix can be found in Appendix 1 on page 31. The top five strategic risks are:

- **Water quality/public health risk:** A failure to provide safe drinking water resulting in a serious public health incident and/or impact on the Tasmanian economy
- **Environmental/third party risk:** A failure of our sewerage system processes, infrastructure or other routine business activities resulting in serious or material environmental harm or impact on third parties
- **Asset failure risk:** Failure of critical assets, including dam failure
- **Worker and public safety risk:** A worker or member of the public is seriously injured or killed as a result of our work practices or a serious hazard at our workplace
- **Business continuity risk:** We cannot adequately respond to and provide service continuity after an incident such as a bushfire, critical asset failure or severe weather event.

We have further refined the strategic risks indicated in the previous Corporate Plan, built on some of the key controls which have been previously established, and identified additional controls that will assist in further mitigating our key risks. Initiatives to date have included our Dam Safety Management Plan, Sewerage Spills Abatement Program, further development of the Incident and Emergency Management framework, and a major focus on 'zero harm' throughout the business, including in our contractor management practices.

These strategic risks have guided us in making our strategic choices and in particular the prioritisation of initiatives for this Corporate Plan.

## 5. Customer and community outcomes

### 5.1. Customer experience

We are focused on building a customer service culture across the entire organisation to ensure that our customers are the centre of our business. To provide a positive customer experience we aim to ensure that we satisfy customers by ensuring that we provide consistent services in a timely and effective manner.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Build a Customer Service Centre of Excellence
- Develop a range of customer improvement tools and self service programs
- Introduction of an integrated Customer Relationship Management (CRM) system
- A Customer Billing System Improvement Program.

### 5.2. Reputation

Our objective is to build a reputation based upon confidence and trust. In order to realise this outcome we must take a strategic approach to stakeholder engagement, regularly seek feedback on our performance and tailor our processes to improve our engagement practices.

Our communications must be informative and demonstrate the value for money that is being provided through our investments and operations.

We will ensure we work with communities through education initiatives and environmental campaigns that improve awareness of the work being undertaken to invest in a positive future for the state's infrastructure.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Implementation of a strategic communications and brand strategy and associated campaigns
- Ongoing roll out of our Community Education Strategy and Community Engagement Program
- Development of a long term plan to support our PSP3 regulatory submission
- Ongoing roll out of our Key Stakeholder Engagement Strategy and development of a feedback program.

### 5.3. Service standards

Our long term aim is to reduce the number of service interruptions and maintain compliance with regulated response times.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Further investments in our Water Main Renewals Program
- Further investments in our Alarm and Monitoring System Improvement Program
- Further investment in our SCADA Upgrade and Consolidation Program
- A fully operational Network Operation Centre covering the whole state.



#### 5.4. Community impact severity

Our long term aim is to reduce the frequency and severity of sewage spills, particularly in sensitive receiving waters such as oyster leases, beaches and raw water catchments used for bathing and as a drinking water source.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Continued roll out of our Shellfish Risk Mitigation Program
- Implementation of our Sewage Spill Abatement Strategy
- Development of a climate change impact mitigation strategy
- Development of a long term drinking water system contingency plan for drought protection.

#### 5.5. Delivery framework

The following table sets out the key elements of the delivery framework for the customer and community outcomes value driver and the linkage between each element of the framework.

Note: during FY2016–17 a Community Perception Survey and a Brand Survey will be investigated, including targets, for inclusion in the FY2018–20 Corporate Plan.

**Table 1: Customer and community outcomes: Planning Period Delivery Framework**

Strategy		Key Result Area (KRA)	Key Performance Indicator (KPI)	Targets			Strategic Initiatives
				FY2016–17	FY2017–18	FY2018–19	
1	Invest in programs that enhance customer experiences	Customer experience	Customer satisfaction	70%	80%	85%	1.1 Customer service centre of excellence
			First point resolution	75%	80%	80%	1.2 Customer improvement tools and self service program
			Customer effort score	2.0	1.5	1.5	1.3 Customer relationship management (CRM) system
			Calls answered in the first 30 seconds+	85%	85%	85%	1.4 Customer billing system improvement program
			Complaints (per 1,000 properties)+	9	9	9	
2	Take a long term strategic approach to engaging with key stakeholders and the broader community	Reputation	Ratio of favourable to unfavourable media articles	2:1	3:1	3:1	2.1 Communications, brand strategy and associated campaigns 2.2 Community education strategy 2.3 Community engagement program 2.4 Long term plan for PSP3 and beyond 2.5 Key stakeholder engagement strategy and feedback program
3	Minimise service interruptions and impacts from sewage spills and water interruptions	Service standards	Time taken to attend Priority 1 water bursts and leaks (minutes)+*	60	60	60	3.1 Water main renewals program
			Time to attend sewage breaks, chokes and spills (minutes)+*	60	60	60	3.2 Alarm and monitoring system improvement program
			Sewer breaks and chokes (per 100km of main)+	52	49	46	3.3 SCADA upgrade and consolidation program
			Unplanned water supply interruptions (per 100km of main)+	68	54	51	3.4 Network operations centre
		Community impact severity	Wet weather sewage spills to sensitive receiving waters^	35	33	30	4.1 Shellfish risk mitigation program
			Oyster farm shutdowns caused by sewage spills^	3	2	1	4.2 Sewage spill abatement strategy
			Reportable dry weather sewage spills per annum	110	100	90	4.3 Climate change impact strategy 4.4 Long term drinking water system contingency plan

^ For rainfall events of less than 1 in 5 recurrence interval

+ Regulated performance indicator – Office of the Tasmanian Economic Regulator (OTTER)

\* To be achieved at least 90% of time per Customer Service Code

## 6. Commercial and economic outcomes

### 6.1. Financial performance

The key financial outcomes arising from the execution of the Corporate Plan include:

- Budgeted Net Profit after Tax for the three-year corporate plan period is \$26.3 million (FY2016–17), \$35.6 million (FY2017–18) and \$41.0 million (FY2018–19).
- \$30.0 million per annum in distributions to owner councils for FY2016–17 and FY2017–18, followed by \$31.5 million for FY2018–19.
- Gearing increases from 29.0 per cent to 30.9 per cent.
- Capital expenditure of \$320.0 million
- Retained earnings of \$69.1 million
- Closing Total Equity of \$1,596.9 million.

We will continue efforts to secure significant external funding for unfunded major capital programs aimed at enabling earlier key compliance outcomes and asset rationalisation. Should the external funding attempt be successful there will be significant improvement in compliance with regulated requirements over a shorter period, and better infrastructure lifecycle cost outcomes. An unsuccessful result may require us to renegotiate with regulators.

### 6.2. Productivity improvement

We continue to look for ways to improve the quality and efficiency of our product and service, to ensure our essential services provide value for money to our customers. This is especially important as many of our projected capital and operational projects are compliance driven and will continue to place upward pressure on labour and material costs following implementation.

The recent Water Services Association of Australia (WSAA) 2015 benchmarking exercise highlighted the extent to which our ratio of plant numbers to population served and revenue received is significantly disproportionate to interstate peers.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Benchmarking to gain some relative perspective on the efficiency and effectiveness of our operations against industry peers
- Investigating options to further rationalise asset levels
- Productivity improvement and cost reduction program
- Asset rationalisation strategy
- Revenue leakage reduction program
- Efficiency reviews on unregulated activities.

### 6.3. Risk management

Managing our risks effectively is important to ensure the quality of our product and services to customers and the community. Over the past 12 months we have started work on gaining a deeper understanding of our risks and defining our risk appetite as an organisation.

As a provider of essential services to our customers and the community we are committed to ensuring that we have a high level of resilience, and are therefore able to continue to deliver our services when challenged by external factors. The health and wellbeing of the community is dependent on us delivering our services and being able to quickly restore services where they are interrupted.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Continuing our work on gaining a deeper understanding of our risk and defining our risk appetite as an organisation
- Implementing the Disaster Recovery Plan and Business Continuity Plan
- Finalising the Incident and Emergency Management Plan (IEMP) training and awareness program and rolling it out across the organisation
- Decommissioning dams no longer required, or exploring interest with government, councils or private enterprise where public amenity may be an issue
- Review and adoption of WSAA design codes, and relevant TasWater Supplements.

### 6.4. Compliance

We continue to develop our compliance culture to drive the achievement of our vision of being trusted and respected.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Continue to build the compliance program to ensure consistent organisation wide practices
- Continue to consolidate our audit activity to ensure consistent organisation wide practices, and avoid duplication.

### 6.5. Delivery framework

The following table sets out the key elements of the delivery framework for the Financial and Commercial Performance value driver and the linkage between each element of the framework.

Note: during FY2016–17 an indicator to measure and monitor our risk management performance will be investigated, including targets for inclusion in the FY2018–20 Corporate Plan.

**Table 2: Commercial and economic outcomes: Planning Period Delivery Framework**

Strategy		Key Result Area (KRA)	Key Performance Indicator (KPI)	Targets			Strategic Initiatives
				FY2016–17	FY2017–18	FY2018–19	
1	Ensure we have the necessary funding sources to deliver our desired long term outcomes	Financial performance	Net profit after tax	\$26.3M	\$35.6M	\$41.0M	1.1 External funding for unfunded major capital programs
			Capital expenditure	\$105.0M	\$105.0M	\$110.0M	1.2 PSP3 program of works
			Interest cover ratio (times)	3.0	3.6	3.9	1.3 Legislative and regulatory changes for recovery of efficient costs to support our long term program
			Gearing ratio	29.0%	30.1%	30.9%	1.4 Regulatory compliance cost and time reduction program
			Net cash flow from operations	\$87.1M	\$99.3M	\$108.9M	1.5 Resolution of LCC combined system dispute and implementation of service agreement
							1.6 Data improvement strategy
2	Improve business productivity and reduce costs to achieve our financial plans	Productivity improvement	Sustainable cost savings	\$3.5M	\$8.5M	\$10.5M	2.1 Productivity improvement and cost reduction program
			Number of water systems	68	65	TBD#	2.2 Asset rationalisation strategy
			Increase income from revenue leakage initiatives	\$1.0M	\$3.0M	\$3.0M	2.3 Revenue leakage reduction program
							2.4 Process improvement program
							2.5 Project management systems
							2.6 Asset management information system (AMIS)
							2.7 Preventative maintenance program
							2.8 Design and technical standards
							2.9 Continual improvement program
							2.10 Efficacy review of unregulated activities (e.g. irrigation pricing)
3	Operate the business in a manner that is consistent with our risk appetite	Risk management	Number of dams that plot above the ANCOLD limit of tolerability for societal risk	10	6	4	3.1 Risk management strategy and framework
		Compliance	Water commercial and industrial customers on target tariff@	93.1%	97.1%	99.1%	3.2 Complete roll out of incident & emergency management plan (IEMP)
			Sewage commercial and industrial customers on target tariff@	61.1%	72.2%	85.8%	3.3 Disaster recovery plan
			Non-compliances rated serious	4	4	4	3.4 Business continuity plan
							3.5 Dam safety management plan
							3.6 Compliance program
							3.7 Audit strategy and program

# Further reductions have been identified but are subject to business cases and funding approval, targets are expected to be updated in the FY2018-20 Corporate Plan

@ Targets are inline with the customer pricing transition outlined in PSP2



## 7. Water and environmental outcomes

### 7.1. Drinking water quality

We are committed to consistently providing drinking water to the standard set out in Australian Drinking Water Guidelines. As one of our core products it is important that our customers have confidence in our ability to consistently deliver quality water.

In managing the process of 'catchment to tap' there are many risks and challenges of an ageing infrastructure network previously managed over three regions.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Rolling out a strategic project to quantify our risks from catchment to tap and applying best practice water quality management to protect our customers
- Investing in the Small Towns Water Quality Improvement Plan
- Catchment surveys, treatment plant process audits, whole of system risk assessments and establishment of critical control points for every drinking water system in Tasmania
- Improvements to fluoridation and chlorination will continue over the plan period to meet the requirements of the new Fluoride Code of Practice and to improve dosing reliability and control
- Installing technology to water treatment plants, and implementing the Algal Management Plan.

### 7.2. Environmental compliance

We still have considerable sewage compliance challenges that will require significant capital investment and operational change over a number of years. We are focused on improving our environmental compliance with a strong awareness of the impacts non-compliant practices have on industry and the environment. Our operational and capital projects over the plan period are targeted at addressing these non-compliant areas.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Implement the Trade Waste Management Plan
- Improve our governance of recycled water management, including customer management, pricing, scheme management and audits, optimisation of existing schemes and identifying new schemes
- Development of the STP Compliance Improvement Strategic Initiative
- Implement the Sludge Management Program
- Implement the Digester Cleaning Program
- Implement waste water treatment process audits and condition assessments
- Undertake environmental studies and establish contemporary discharge limits
- Implement standardised monitoring and customer auditing programs
- Work with the Environment Protection Authority (EPA) to improve recycled water regulation.

### 7.3. Delivery framework

The following table sets out the key elements of the delivery framework for the water and environmental outcomes value driver and the linkage between each element of the framework.

**Table 3: Water and environmental outcomes: Planning Period Delivery Framework**

Strategy	Key Result Area (KRA)	Key Performance Indicator (KPI)	Targets			Strategic Initiatives
			FY2016–17	FY2017–18	FY2018–19	
1 Invest in robust drinking water systems to ensure water is safe for consumption	Drinking water quality	Number of systems from which we receive more than 10 taste and odour water supply complaints per annum	5	3	2	1.1 Drinking water quality improvement strategy
		Number of <i>E.coli</i> detections	30	20	5	1.2 Drinking water quality management plan
		Short term boil water alerts put in place by DHHS	2	1	0	1.3 Small towns water quality improvement plan
		Towns on long term Boil Water Alerts or Public Health Alerts	13	11	TBD#	1.4 Catchment management plan
		Percentage of compliant fluoride systems	96%	96%	99%	1.5 Algal management plan
		Percentage of compliant potable systems	98%	98%	98%	1.6 Hazard analysis and critical control point program
2 Lift sewerage system performance to align with modern day environmental standards	Environmental compliance and impact	Trade waste customers with current consents/ contracts	80%	90%	100%	2.1 Trade waste strategy
		Volume of compliant effluent	52%	56%	60%	2.2 Environmental stewardship strategy
		Number of environmental non-compliances rated serious	0	0	0	2.3 Wastewater management plan
						2.4 STP performance improvement strategy
						2.5 Inflow/infiltration strategy
						2.6 Recycled water strategy

# Further reductions have been identified but are subject to business cases and funding approval, targets are expected to be updated in the FY2018-20 Corporate Plan

## 8. Our people and culture outcomes

### 8.1. Safety performance

We continue to progress towards our goal of achieving zero harm. Significant improvement has been made in reducing the frequency and severity of injuries to our employees. However, with the growth of our capital program, we have seen an increase in the number of contractor incidents. Therefore we need to focus our efforts on ensuring the safety of our contractors and suppliers and ensure that they apply similar standards of safety to their workforces. To this end we have embarked on a comprehensive contractor management program to assess and support our contractors and suppliers to achieve this goal.

In order to achieve zero harm we will continue to provide structured health and safety programs which are aimed at reducing our risks, improving the wellbeing of our workforce and supporting the ability of employees and leaders to effectively manage safety.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Continued implementation of the Health and Safety Program
- Contractor Management Program
- Implementation of the Fatality Risk Profile Reduction Program
- Ongoing roll out of our Health and Wellbeing Program to support our focus on zero harm
- Implementation of our Behavioural Safety Improvement Strategy.

### 8.2. Organisation capability

Our goal over the period is to ensure that we have a workforce that has the capability to meet the needs of the business.

We have invested significantly in leadership development and delivering programs linked to critical competencies for the business, such as project management and contract management as well as supporting employees to gain nationally accredited qualifications. The focus in all of these areas will continue.

In FY2014–15 we introduced a new performance review process, the Performance Development Agreement, which is designed to provide feedback on performance as well as focus on development for the individual. We will continue to improve and embed the Performance Development Agreement so as to ensure we have a highly competent and engaged workforce.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Continue the implementation of Succession and Talent Management Program
- Continue our career path planning
- Implement divisional workforce planning
- Implement our Ageing Workforce Program.

### 8.3. Culture development

Having established the TasWater Values and Behaviours our goal is to become a values based organisation so that our values flow through to what the customer experiences and our brand reflects our values.

We have integrated our values into all of our people processes and systems in order to create a culture that is aligned to the values. This work will continue and will be extended to include other key processes and systems in the business, with particular emphasis on our customer systems and processes.

Over the past 12 months we have commenced 'The Way We Work Program' across the business, which is aimed at not only embedding our values, but promoting collaboration and communication between teams.

Over the coming period we will conduct our first culture survey which will establish our baseline performance and allow us to set targets for the future. It will also enable us to ensure that our cultural development programs are targeted to the right areas.

Key strategic initiatives over the corporate planning period that will support the key result area are:

- Implementation of the Cultural Management Action Plan
- Implementation of 360 degree feedback surveys for all senior leaders
- Development and implementation of an internal communication framework
- Development of the strategy for FY2016–17 and FY2017–18 enterprise agreements.

### 8.4. Delivery framework

The following table sets out the key elements of the delivery framework for the Our People and Culture value driver and the linkage between each element of the framework.

Note: during FY2016–17 an indicator to measure and monitor our leadership, training and development, and communication performance will be investigated, including targets, for inclusion in the FY2018–20 Corporate Plan.

**Table 4: Our people and culture: Planning Period Delivery Framework**

Strategy		Key Result Area (KRA)	Key Performance Indicator (KPI)	Targets			Strategic Initiatives
				FY2016–17	FY2017–18	FY2018–19	
1	Invest in programs that create a safe working environment	Safety Performance	Lost time injury frequency rate (LTIFR)	4	3	2	1.1 Zero harm health & safety program
			Total recordable injury frequency rate (TRIFR)	15	11	8	1.2 Behavioural safety improvement program
			Notifiable incidents	5	3	2	1.3 Fatality risk reduction program
2	Invest in leadership development, skills training programs and innovation	Organisation capability	Innovations under trial	3	4	5	2.1 Workforce capability program
			% of internal appointments to vacancies	40%	50%	60%	2.2 Workforce planning program
			% of completions for formal qualifications	75%	80%	90%	2.3 Innovation strategy and supporting program
3	Develop programs to realise our desired culture	Culture development	Voluntary turnover rate	10%	10%	10%	3.1 Cultural development program 3.2 Employee relations strategy



## 9. The key challenges ahead

### 9.1. Quality and security of water supply

The past 12 months have continued to provide challenges for us around ensuring consistent quality and security of water supply, as we experience changing weather patterns impacting on raw water quality and rainfall. During the Corporate Plan period, we will maintain investigations into options that further improve the sustainability of our water supply network, and capital works programs will continue to renew and upgrade the ageing network at the root of our water quality concerns.

### 9.2. Environmental compliance

Our environmental compliance levels continue to be pressured by an ageing infrastructure network across the state. Until renewal and upgrade capital works are completed that will address these non-compliances, our operating and maintenance resources will be channelled to minimise environmental harm.

### 9.3. Workforce ready for technology change

Technology advances continue to transform the way we do business internally and with customers, suppliers and other stakeholders. We will continue to grow a learning and development culture in our workforce that embraces the opportunity to engage with the technology and improvement opportunities.

### 9.4. Balancing stakeholder expectations

Like many businesses in the current economic environment we are conscious of the delicate balancing act between customers, shareholders, employees and other key stakeholders. Keeping downward pressure on prices, while delivering quality essential services and meeting the expectations of our shareholders, will continue to be a key challenge for us over the Corporate Plan period.

We will continue to deepen our understanding of these key stakeholder expectations and in turn refine our strategic responses as necessary to meet the challenges. Decision making will continue to heavily reflect on the impacts to our customers, shareholders and the community.

### 9.5. Regulatory framework

Our recent experience working through the regulatory process to complete the PSP2 has reaffirmed practical issues with the regulatory framework we currently operate within. Over the planning period we will explore options and engage with the state government and key regulators, including the Economic Regulator and the Environment Protection Authority, looking for opportunities to refine the regulatory model, with the goal of improving outcomes for the community and our customers.

## 10. Positioning the business for the long term

Over the past 12 months we have identified two key areas that will require government support to realise our vision.

External funding for major projects such as the Launceston Sewerage Improvement Scheme (LSIP), upgrades to the Launceston combined stormwater and sewerage system, rationalisation of greater Hobart's STPs and rationalisation of the north west STPs will be essential. Long term financial projections undertaken during the past 12 months indicate that without external funding to support the implementation of these major initiatives, they will not proceed over the next 10 years.

Our recent experience working through the regulatory process to complete the PSP2 has confirmed a number of practical issues with the current version of the regulatory framework. Key among these is the need for regulatory pricing period submissions and determinations to be linked to a long term plan for the improvement of services and infrastructure.

If government support can be secured in both of these areas the benefits from the initiatives will be accelerated compliance and improved customer experiences.

## 11. Our capital and operating budgets

### 11.1. Forecast growth and demand

In December 2014, the Tasmanian Department of Treasury and Finance released its population projections for the state. The key outcomes of the work indicated that the medium population projection would result in an average growth rate of 0.3 per cent per annum.

In its 2015 Price Determination Investigation Final Report, the Economic Regulator adopted this annual growth rate to forecast growth in the number of customer connections and water and sewage volumes for the FY2016–18 period.

### 11.2. Revenue and expense assumptions

#### 11.2.1. Revenue assumptions

Total revenue for financial years 2017–19 is forecast to be \$310 million, \$319 million, and \$334 million respectively.

The revenue assumptions have been predominantly based on the underlying assumptions and financial projections reflected within the 2015 Price Determination. As FY2018–19 is outside the PSP2 period, revenue growth is assumed to be 5.0 per cent per annum based on assumed price increases under PSP3 and increased customer numbers.

#### 11.2.2. Fixed water and sewerage income

The net fixed water and sewerage revenue forecast for FY2016–17 is 6.0 per cent higher than the FY2015–16 forecast. The revenue increase is based on modelling prepared for PSP2, which includes OTTER's required reduction to revenue as detailed within its 2015 price determination.

#### 11.2.3. Developer charges

The two-year state government grant of \$5.0million per annum relating to the headworks component of developer charges expired in April 2016. As a result, revenue of \$5.0 million per annum will not be received in FY2016-17.

#### 11.2.4. Non-interest expense assumptions

Cost expectations have been developed using a bottom up approach. The escalation of current year costs have predominantly been based on the Consumer Price Index (CPI) increases of 2.0 per cent.

The following assumptions underpin the expenses contained within the Corporate Plan:

- CPI is assumed to be 2.0 per cent in FY2016–17 and 2.0 per cent in FY2017–18 and FY2018–19
- Labour expenses will increase by 2.0 per cent in line with the enterprise agreements
- Power expenses (including LPG) have been modelled by external consulting agencies
- Chemical expenses are assumed to increase by 15.0 per cent in FY2016–17 and 2.0 per cent in FY2017–18 and FY2018–19, which is primarily due to the volume of chemicals used increasing from higher treatment levels and the introduction of new treatment plants in FY2015–16.

#### **11.2.5. Interest expense assumptions**

The average interest rate for the loan portfolio, including the Loan Guarantee Fee (LGF), is forecast at 4.5 per cent for the Corporate Plan period.

A credit rating equivalent to a Standard and Poor's (S&P) rating of 'A' has been assumed for the Corporate Plan. Changes to this credit rating will impact the level of LGF that has to be applied to the loan portfolio.

## 12. Our financial projections

### 12.1. Income statement

**Table 5: Three-year financial plan income statement**

	FY2016–17 Budget (\$'000)	FY2017–18 Forecast (\$'000)	FY2018–19 Forecast (\$'000)
<b>Revenue</b>			
Fixed charges	218,990	229,142	240,595
Volumetric charges	59,922	64,706	67,921
Services & consulting revenue	5,060	4,855	5,098
Headworks	250	–	–
Contributed assets	12,000	12,240	12,485
Government grants	1,549	1,549	1,549
Sundry revenue	1,668	1,702	1,787
Revenue assurance	1,000	3,000	3,000
Launceston Combined Sewerage System	5,250	1,530	1,561
<b>Total Revenue</b>	<b>305,689</b>	<b>318,723</b>	<b>333,995</b>
<b>Expenses</b>			
Chemicals, power & royalties	24,513	25,056	26,146
Materials & services	28,473	29,858	30,456
Water sampling	3,076	3,137	3,200
Salaries & related personnel expenditure	87,415	88,179	90,988
Regulatory costs	2,670	2,723	2,778
Governance	1,146	1,169	1,192
Information systems	6,103	6,225	6,350
Customer collection expenses	2,619	2,671	2,724
Contract services	3,025	2,576	2,627
Administration/Other	4,523	4,613	4,706
Community relations	287	292	298
Facility management	7,491	7,641	7,794
Insurance	1,630	1,662	1,696
Motor vehicle	4,071	4,153	4,236
Contingency & new initiatives	5,731	5,731	5,731
Productivity and cost savings	(3,500)	(8,500)	(10,500)
<b>Total Expenses</b>	<b>179,273</b>	<b>177,188</b>	<b>180,421</b>
<b>Earnings before Interest &amp; Depreciation</b>	<b>126,416</b>	<b>141,535</b>	<b>153,573</b>
Loan Guarantee Fee (LGF)	2,599	2,782	2,838
Interest expense	16,271	16,787	17,458
Depreciation	69,952	71,176	74,735
<b>Net Operating Profit before Tax</b>	<b>37,594</b>	<b>50,790</b>	<b>58,543</b>
Tax	11,278	15,237	17,563
<b>Net Profit after Tax</b>	<b>26,316</b>	<b>35,553</b>	<b>40,980</b>



## 12.2. Cash flow statement

**Table 6: Three-year financial plan cash flow statement**

	FY2016–17 Budget (\$'000)	FY2017–18 Forecast (\$'000)	FY2018–19 Forecast (\$'000)
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	294,627	305,113	319,178
Receipts from government/grants	-	-	-
Payments to suppliers & employees	(201,600)	(194,907)	(198,464)
Refund from ATO	18,327	17,719	18,042
Interest received	540	553	567
Interest paid	(16,271)	(16,787)	(17,458)
Loan Guarantee Fee paid	(1,457)	(2,604)	(2,734)
Income Tax Equivalents paid	(7,116)	(9,750)	(10,237)
<b>Net Cash from Operating Activities</b>	<b>87,050</b>	<b>99,338</b>	<b>108,894</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant & equipment	(105,000)	(105,000)	(110,000)
Government contributions	-	-	-
Proceeds from payments for property, plant & equipment	200	200	200
<b>Net Cash Flows from Investing Activities</b>	<b>(104,800)</b>	<b>(104,800)</b>	<b>(109,800)</b>
<b>Cash Flows from Financing Activities</b>			
Net Proceeds from Borrowings	39,177	23,109	19,434
Dividends paid	(21,427)	(17,646)	(18,528)
<b>Net Cash Flows from Financing Activities</b>	<b>17,750</b>	<b>5,463</b>	<b>906</b>
<b>Net Movement in Cash for the Year</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening Cash Balance	2,500	2,500	2,500
<b>Closing Cash Balance</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>

## 12.3. Owner distributions

**Table 7: Three-year financial plan owner distributions**

	FY2016–17 Budget (\$'000)	FY2017–18 Forecast (\$'000)	FY2018–19 Forecast (\$'000)
Loan Guarantee Fees	1,457	2,604	2,734
Tax Equivalents	7,116	9,750	10,237
Dividends	21,427	17,646	18,528
<b>Total Distribution</b>	<b>30,000</b>	<b>30,000</b>	<b>31,500</b>

## 12.4. Balance sheet

**Table 8: Three-Year financial plan balance sheet**

	FY2016–17 (Budget) (\$'000)	FY2017–18 (Forecast) (\$'000)	FY2018–19 (Forecast) (\$'000)
<b>Current Assets</b>			
Cash and cash equivalents	2,500	2,500	2,500
Receivables	47,766	49,136	51,468
Inventories	5,852	5,969	6,088
Prepayments	1,968	2,008	2,048
<b>Total Current Assets</b>	<b>58,086</b>	<b>59,613</b>	<b>62,104</b>
<b>Non-Current Assets</b>			
Property, plant & equipment	1,983,506	2,020,638	2,058,860
Deferred Tax Asset	59,347	60,534	61,744
<b>Total Non-Current Assets</b>	<b>2,042,852</b>	<b>2,081,171</b>	<b>2,120,604</b>
<b>Total Assets</b>	<b>2,100,939</b>	<b>2,140,784</b>	<b>2,182,708</b>
<b>Current Liabilities</b>			
Borrowings	158,881	166,969	173,771
Employee benefits	16,048	16,530	17,026
Payables	29,217	28,622	29,427
Unearned income	1,414	1,352	1,290
Current tax liability	615	830	830
<b>Total Current Liabilities</b>	<b>206,175</b>	<b>214,303</b>	<b>222,345</b>
<b>Non-Current Liabilities</b>			
Borrowings	295,064	310,085	322,717
Employee benefits	9,237	9,514	9,800
Unearned income	33,942	32,455	30,968
<b>Total Non-Current Liabilities</b>	<b>338,243</b>	<b>352,055</b>	<b>363,485</b>
<b>Total Liabilities</b>	<b>544,418</b>	<b>566,357</b>	<b>585,830</b>
<b>Net Assets</b>	<b>1,556,520</b>	<b>1,574,427</b>	<b>1,596,878</b>
<b>Equity</b>			
Retained Earnings	28,706	46,613	69,064
Contributed Capital	1,527,814	1,527,814	1,527,814
<b>Total Equity</b>	<b>1,556,520</b>	<b>1,574,427</b>	<b>1,596,878</b>

## 12.5. Capital expenditure projections

### 12.5.1. Background

A large proportion of our inherited infrastructure is ageing and/or in poor condition. In a number of cases infrastructure performance is non-compliant, resulting in public health and environmental outcomes that do not meet the standards of a modern contemporary water and wastewater business.

To date we, and the former corporations, have principally targeted projects that address critical drinking water non-compliance: that is, those projects that provide the greatest benefit to the community, though a number of significant wastewater projects have been undertaken or commenced. The positive impact of the spend on water quality issues is expected to be realised in the near future, with a substantial reduction in the number of drinking water systems that are subject to Boil Water Alerts and Public Health Alerts advising customers that the water is not to be consumed.

### 12.5.2. Capital expenditure program budget

We are proposing a minimum total capital expenditure of \$320 million for the Corporate Plan period.

Wastewater infrastructure issues are expected to remain a challenge into the foreseeable future and we are continuing to build upon and improve the quality of our data to support targeted investment that delivers the greatest benefit.

The proposed expenditure will allow us to address a significant proportion of our highest priority compliance requirements as well as necessary renewal and growth driven works. As we progress through FY2017–19 our capital works programs will become more heavily weighted towards wastewater.

It is expected that the proposed level of expenditure will allow us to continue reducing the number of towns on Boil Water Alerts (BWA) and Do Not Consume notices. We will be progressing key wastewater strategies for major urban centres through the next regulatory period in order to improve the performance of larger sewage treatment plants which have a greater proportional impact on sewage compliance.

### 12.5.3. Prioritisation basis

The majority of the capital expenditure program for the Corporate Plan period has been derived from the following key plans which are subject to the approval of the technical regulators:

- Drinking Water Management Plan regulated by the Department of Health and Human Services (DHHS)
- Wastewater Management Plan regulated by the Environment Protection Authority (EPA)
- Dam Safety Management Plan regulated by the Department Primary Industry, Parks, Water and Environment (DPIPWE).

Project prioritisation<sup>3</sup> generally reflects the priority rating assigned to infrastructure assets set out in each of these plans.

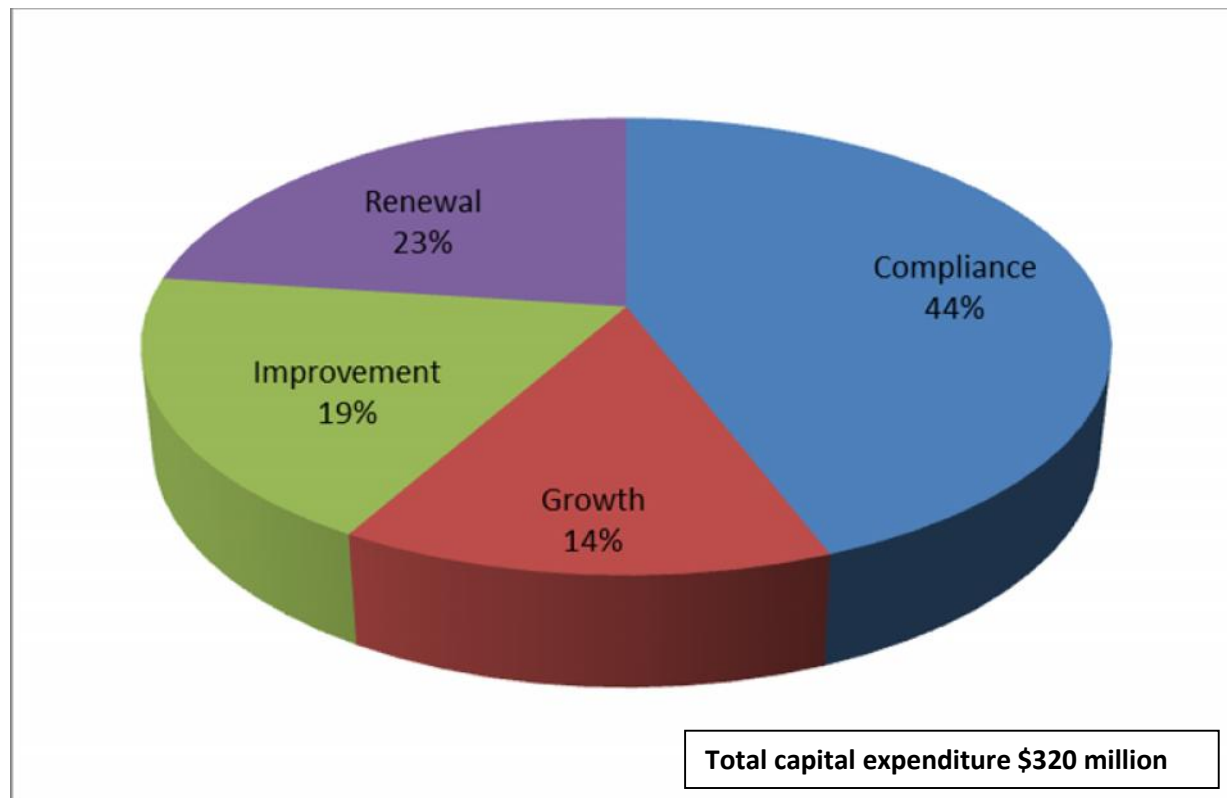
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<sup>3</sup> The TasWater capital program prioritisation process, incorporating a Multi Criteria Analysis

#### 12.5.4. Key drivers of capital expenditure

Chart 1 below shows the split in our total three-year capital expenditure spend of \$320 million by key driver.

**Chart 1: FY2017–19 capital program by Major Driver**



As highlighted in the Chart 1 above, capital works supporting improved compliance accounts for just under half of the projected three-year capital spend, which reflects our focus on improving the inherited compliance challenges.

#### 12.5.5. Breakdown of key projects planned for the period

Appendix 2 on page 33 outlines the most significant projects (top 25) by value within our \$320 million capital program, which is aimed at addressing our most pressing service provision challenges over the corporate plan period.

## 13. References

### 13.1. Appendix 1: Strategic risks

Risk Ranking	Strategic risk title and description		Key consequences	Key controls
1	Water quality / public health risk	Provision of unsafe drinking water	<ul style="list-style-type: none"> <li>Serious public health incident</li> <li>Impact on the Tasmanian economy</li> </ul>	<ul style="list-style-type: none"> <li>Drinking Water Quality Management Plan</li> <li>Protocol for provision of non-potable supplies</li> <li>Network Operations Centre</li> <li>Incident and Emergency Management Plan</li> <li>Senior management, Board Committee and regulatory oversight</li> </ul>
2	Worker and public safety risk	Injury to worker or member of the public	<ul style="list-style-type: none"> <li>Serious injury or fatality</li> </ul>	<ul style="list-style-type: none"> <li>Safety Committees</li> <li>Inductions and ongoing training</li> <li>Policy and procedures</li> <li>Fatality risk profile and associated management plans (in development)</li> <li>Senior management and Board oversight</li> <li>Insurance policy</li> </ul>
3	Environmental / third party risk	Sewerage system process / infrastructure failure or business activity causing environmental harm	<ul style="list-style-type: none"> <li>Serious or material environmental harm</li> <li>Negative impact on a third party</li> <li>Impact on brand and reputation, prosecution, significant financial penalties or loss of operating licence</li> </ul>	<ul style="list-style-type: none"> <li>Operation and Maintenance Manuals</li> <li>Inspection regimes</li> <li>Automated monitoring and control systems and Network Operations Centre</li> <li>Inflow and infiltration reduction programs</li> <li>Renewals and relining programs</li> <li>Incident and Emergency Management Plan</li> <li>Operations and maintenance oversight</li> <li>Senior management, Board Committee and regulatory oversight</li> </ul>
4	Asset failure risk	Failure of critical asset (including dam failure)	<ul style="list-style-type: none"> <li>Inability to deliver products and services</li> <li>Serious injury or fatality</li> <li>Major financial loss</li> </ul>	<ul style="list-style-type: none"> <li>Dam Safety Emergency Management Plans</li> <li>Asset Management Plan</li> <li>Asset Management System (in development)</li> <li>Incident and Emergency Management Plan</li> <li>Network Operations Centre</li> <li>Senior management, Board Committee and regulatory oversight</li> <li>Network asset strategies and management plans (in development)</li> <li>Asset Class strategies and management plans (in development)</li> </ul>
5	Business continuity risk	Inability to respond to incidents and / or maintain business continuity	<ul style="list-style-type: none"> <li>Inability to adequately respond to an incident</li> <li>Inability to deliver products and services</li> <li>Major financial loss</li> </ul>	<ul style="list-style-type: none"> <li>Incident and Emergency Management Plan</li> <li>Network Operations Centre</li> <li>Corporate Business Continuity Plan (in development)</li> <li>Individual site and critical asset contingency plans</li> <li>Strong external emergency services relationships</li> <li>Senior management oversight</li> </ul>

### 13.1. Appendix 1: Strategic risks (continued)

Risk Ranking	Strategic risk title and description		Key consequences	Key controls
6	Stakeholder engagement risk	Inability to effectively engage with, manage and meet expectations of stakeholders	<ul style="list-style-type: none"> <li>Significant regulatory, administrative or cost burden</li> <li>Impact on brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Key stakeholder engagement – customer groups, regulators, industry groups, Owners' Representatives and members of state government</li> <li>Policies, legislation and procedures</li> <li>Senior management, Board and regulatory oversight</li> </ul>
7	Supply and demand risk	Failure to adequately plan for water supply security and/or demand for sewerage services (short and long term)	<ul style="list-style-type: none"> <li>Low security of water supply</li> <li>Inability to meet demand from customers for water and sewerage services</li> <li>Impact on brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Demand modelling</li> <li>Corporate Business Continuity Plan (in development)</li> <li>Individual site and critical asset contingency plans</li> <li>Water Restrictions Policy and guideline</li> <li>Senior management and Board Committee oversight</li> </ul>
8	Organisational culture risk	Inability to develop an organisational culture that can deliver the strategic objectives	<ul style="list-style-type: none"> <li>Inefficient and inconsistent work practices</li> <li>Financial loss</li> <li>Strategic objectives not met and vision not realised</li> </ul>	<ul style="list-style-type: none"> <li>Cultural change program</li> <li>Performance and development agreements</li> <li>Training and knowledge capture programs</li> <li>Senior management oversight</li> </ul>
9	Financial sustainability risk	Inability to fund and meet competing stakeholder demands and expectations	<ul style="list-style-type: none"> <li>Inability to meet key financial commitments</li> <li>Inability to meet owner, customer and other stakeholder expectations</li> </ul>	<ul style="list-style-type: none"> <li>Extensive modelling and analysis leading into Price and Service Plan submission (economic regulatory framework)</li> <li>Key stakeholder engagement – customer groups, regulators, industry groups, Owners' Representatives and members of state government</li> <li>Annual borrowing approvals through Treasury and Treasury management policies</li> <li>Long term capital and operating expenditure plans</li> <li>Senior management, Board Committee and regulatory oversight</li> </ul>
10	Service delivery risk	Inability to meet customer service expectations	<ul style="list-style-type: none"> <li>Customer Service Code and required service standards not met</li> <li>Inefficient and inconsistent work practices</li> <li>Financial loss</li> </ul>	<ul style="list-style-type: none"> <li>Active service order management</li> <li>Network Operations Centre</li> <li>Incident and Emergency Management Plan</li> </ul>

### 13.2. Appendix 2: FY2017–19 Top 25 major capital projects (by value)

Project Title	Municipality	Driver	FY2016–17 ('000)	FY2017–18 ('000)	FY2018–19 ('000)	Total ('000)
Kingborough Sewerage Strategy – treatment	Kingborough	Growth	\$2,000	\$14,700	\$10,000	\$26,700
King Island treated water supply	King Island	Compliance	\$6,500	\$6,500		\$13,000
Ridgeway Dam – upgrade post tensioned anchors	Hobart	Compliance	\$600		\$9,000	\$9,600
Tolosa Dam replacement infrastructure	Glenorchy	Compliance	\$7,600		\$1,000	\$8,600
Asset Management Information System (AMIS) – Stage 2	Various	Improvement	\$7,800			\$7,800
Kingborough Sewerage Strategy – network	Kingborough	Growth	\$1,000	\$2,750	\$4,000	\$7,750
Small Town Water Supply Strategy	Various	Compliance		\$500	\$7,000	\$7,500
Lake Mikany Dam safety upgrade	Circular Head	Compliance	\$285	\$6,760		\$7,045
Northern Midlands Sewerage Improvement Plan (NMSIP)	Northern Midlands	Compliance	\$300	\$3,200	\$3,000	\$6,500
Flagstaff Gully – dam safety upgrade	Clarence	Compliance	\$100	\$200	\$4,900	\$5,200
Conglomerate Dam upgrade	West Coast	Compliance	\$2,500	\$1,538		\$4,038
Swansea clay liner	Glamorgan/ Spring Bay	Compliance	\$1,650	\$2,050		\$3,700
Winnaleah treated water supply	Dorset	Compliance	\$2,250	\$1,300		\$3,550
Ti Tree Bend – digester	Launceston	Compliance	\$2,440	\$1,015		\$3,455
Margate water main upgrade stage 2	Kingborough	Growth	\$2,495	\$487		\$2,982
Avoca full treated water supply	Northern Midlands	Compliance	\$2,900			\$2,900
Flinders Island water supply	Flinders	Compliance	\$2,800			\$2,800
Gretna/Bushy Park/Glenora Water Supply Upgrade	Central Highlands	Compliance	\$2,737			\$2,737
Girdlestone Reservoir rectification	Devonport	Renewal	\$1,500	\$1,082		\$2,582
Kingston SPS E rising main	Kingborough	Renewal	\$2,500			\$2,500
Burnie STP Upgrade (LION Trade Waste)	Burnie	Growth	\$1,650	\$840		\$2,490
Cambridge wet weather emergency storage & plant process improvements	Clarence	Compliance	\$320	\$1,000	\$1,000	\$2,320
Fonterra – STP by pass line (Wynyard)	Waratah– Wynyard	Improvement	\$2,100			\$2,100
Orford Sewage Pump Stations & network upgrade	Glamorgan/ Spring Bay	Compliance	\$100		\$1,751	\$1,851
Longford to MacKinnons Hill Reservoir rising main	Northern Midlands	Growth	\$1,819			\$1,819



### 13.3. Appendix 3: FY2017–19 Top 10 capital programs (by value)

Project Title	Driver	FY2016–17 ('000)	FY2017–18 ('000)	FY2018–19 ('000)	Total ('000)
Meter Program	Improvement	\$3,000	\$4,000	\$4,000	\$11,500
Water Main Renewals Program	Renewal	\$4,000	\$4,000	\$5,000	\$13,000
Sewer Main Renewals Program	Renewal	\$4,000	\$4,000	\$5,000	\$13,000
Electrical Program	Compliance	\$2,000	\$3,000	\$3,000	\$8,000
Fleet (Vehicles and Plant) Replacement Program	Renewal	\$2,000	\$1,800	\$3,000	\$6,800
SCADA Program	Improvement	\$3,000	\$2,000	\$3,500	\$8,500
Sewage Treatment Plant Renewal Program	Renewal	\$2,500	\$2,000	\$4,000	\$8,600
Sewage Pump Station Renewal Program	Renewal	\$2,100	\$1,500	\$1,700	\$5,300
Miscellaneous Minor Works Program	Renewal	\$1,500	\$1,500	\$1,500	\$4,500
Water Treatment Plant Renewal Program	Renewal	\$1,500	\$1,000	\$2,000	\$4,500

