



# Corporate Plan

## Financial Years 2020–2024





# Contents

Message from our Chairman and CEO .....	5
About our Plan .....	7
Our Purpose.....	8
Our Progress .....	11
Our Key Challenges and Opportunities .....	15
Our Long Term Strategic Plan .....	17
Our Strategy.....	18
Our Shared Values .....	21
Customer and Community .....	23
Commercial and Economic .....	24
Water and Environment .....	27
People and Culture .....	28
Measuring Our Success .....	30
Our Organisational Risks.....	30

## Financial Forecasts

Overview.....	34
Income Statement .....	36
Cash Flow Statement.....	37
Balance Sheet.....	38
Owner Distributions .....	39
Capital Expenditure.....	40

## Appendices

Appendix 1 Key Strategic Risks .....	44
Appendix 2 FY2020–24 Top 25 Capital Projects .....	46
Appendix 3 FY2020–24 Top 10 Capital Programs .....	48



TasWater proudly acknowledges the traditional and original owners of this land lutruwita, the Tasmanian Aboriginal people, to pay respect to those who have passed before us and to acknowledge today's Tasmanian Aboriginal community who are the custodians of this land.

## Message from our Chairman and CEO



Dr Stephen Gumley AO  
Chairman



Michael Brewster  
Chief Executive Officer

TasWater's vision to be "a trusted and respected provider of essential services that is making a positive difference to Tasmania" continues to be the platform of our refreshed Corporate Plan for FY2020–24 (our Plan). It outlines our strategy on how we will deliver safe, reliable, environmentally responsible water and sewerage services that supports the health and wellbeing of all Tasmanians and the enjoyment of our lifestyle.

We are close to completing the first of five years in our journey towards Vision 2023, and during the past 12 months celebrated all of our drinking water customers being able to enjoy good quality, safe drinking water straight from the tap. We continue with our commitment to deliver on the promises we have made to our customers and the broader Tasmanian community.

The outcomes we are striving to deliver in this plan reflect what our customers have told us is important to them.

We are appreciative of the support the Owner Councils have provided to us since our commencement as one corporation in 2013. In September 2018 the Owner Councils voted overwhelmingly to support the Tasmanian Government becoming a shareholder of TasWater which represents a solid vote of confidence in TasWater from Owner Councils. This positive outcome paves the way for the State Government, Local Government and TasWater to work cooperatively in improving Tasmania's water and sewerage services.

We welcome the State Government injection of \$200 million over the next ten years in exchange for a ten per cent shareholding by the end of the period. This equity injection has facilitated a price freeze for customers in FY2019–20 followed by capping of price increases at 3.5 percent for the balance of the period through to FY2026–27. It also allows for the expansion of our capital program to accelerate remedies to ageing and underperforming infrastructure.

We will continue working with our 29 Tasmanian Councils and State Government Owners and other key stakeholders over the period of this plan to navigate our challenges and opportunities.

As a responsible water and sewerage utility we continuously improve water quality performance, water system productivity and manage water quality risks as well as improving the performance of our sewerage treatment assets in order to enhance environmental performance.

Our focus on developing Growth and Capacity Plans (GCPs) for our systems will give us greater knowledge and consideration of our ability to provide required capacity, pressure and flow both for current and future growth scenarios. These plans are critical for us, planning authorities and developers to understand the ability of our systems to provide services to new developments or re-zonings across Tasmania.



It is important to us to inform and empower Tasmanians through every interaction with us, increasing the alignment between the customer key expectations and TasWater's activities. Our continued focus will be on customer affordability and service reliability, while balancing the pressures that come from growing customer expectations, technological advancement, increases in regulatory standards and emerging threats such as climate change.

Our Zero Harm program demonstrates our ongoing commitment to public and workforce safety and wellbeing. Furthermore, investing in our people is essential to achieving long term success. We will continue to support our people by building and enhancing flexible and adaptable skills and develop a culture that supports the realisation of our vision and delivery of our customer promises. Through our partnerships with the University of Tasmania, Engineers Australia, TasTAFE and the State Government we will continue to build skills and capabilities for the long term benefit of Tasmania.

We have ambitious targets which are supported by the development and implementation of key overarching strategies for Customer Experience, Community Engagement, Asset Management, Productivity, Drinking Water, Sewerage, Health and Safety and People.

Underpinning our customer promises and outcomes are our enabling strategies – Information Communications and Technology, Knowledge Management, Governance, Risk Management, Financial Sustainability and Innovation strategies and frameworks.

Capital expenditure is projected to total \$936 million over our Plan period, peaking at \$223 million in FY2022–23. We have instigated a Capital Delivery Office (CDO) to assist with the delivery of our capital program which will also require increased capacity from external suppliers and contractors. Given the rising demand across the country for similar skills and capability this risk will require careful monitoring to ensure our program is delivered in a cost effective manner and any potential longer term impact on customer pricing is minimised.

We are working collaboratively with the State Government to secure funding over the Plan period for projects of state significance such as the relocation of the Macquarie Point Sewage Treatment Plant, the Tamar Estuary River Health Action Plan improvement works to the Launceston Combined Drainage System and the introduction of reticulated sewerage services to Coles Bay.

Projected Net Profit after Tax for our Plan period is \$52 million in FY2019–20 and is at similar levels through the Plan period. This level of profitability will continue to support the provision of \$20 million in distributions to

Owner Councils over the Plan period. Retained earnings at the end of the Plan period are expected to be \$224 million with a closing total equity of \$1,896 million.

In summary, our plan reflects our ongoing commitment to a fully funded, engineering based program that will supply a sustainable water and sewerage sector in Tasmania for the benefit of our current customers and future generations.



Dr Stephen Gumley AO  
Chairman



Michael Brewster  
Chief Executive Officer

# About our Plan

## What is the purpose of our Plan?

Our Plan describes our purpose, activities, strategies, performance measures and capability requirements over the next four years to guide our business activities towards achieving our Vision 2023 which is ***“to be a trusted and respected provider of essential services that is making a positive difference to Tasmania”***.

## What does our Plan contain?

Our Plan outlines the following:

- An overview of our business
- An overview of our key challenges and opportunities
- Our strategic direction as identified by our strategic priorities and primary strategies
- Our key performance measures and targets
- An overview of our operating and capital works budgets
- Our financial forecasts that demonstrate the sustainability of our Plan
- An overview of the key strategic risks that we will need to manage to ensure that we are able to deliver on our strategy.

## How is it developed?

Our Plan is developed following extensive analysis of our internal and external environment, reviewing our current performance and taking into account community, stakeholder and owner feedback.

Our Plan aligns with our Long Term Strategic Plan (LTSP) and outlines our priorities and areas of focus for the term of our Plan. It forms the foundation upon which we build our program of work that aligns with agreed strategic priorities with key industry regulators, shareholders and customers.

## What has changed in our Plan?

Our FY2020–24 Plan reflects our updated initiatives focused on achieving our Vision 2023 and the Tasmanian Government as a new shareholder. There has been no significant change to our strategic direction from that contained in our previous plan.





## Our Purpose

TasWater is an incorporated company providing water and sewerage services to homes and businesses across Tasmania. We source, treat and deliver reliable, quality water to our customers. We collect, transport and treat sewage and safely return it to the environment. We were established under the *Water and Sewerage Corporation Act 2012* and the *Corporations Act 2001*, and commenced operations on 1 July 2013.

Providing water and sewerage services to homes and businesses across Tasmania.



## We are responsible for:

We operate under a range of legislative and regulatory instruments, including:

- *Water and Sewerage Industry Act 2008*
- *Water and Sewerage Corporation Act 2012*
- *Corporations Act 2001*
- *Environmental Management and Pollution Control Act 1994*
- *Public Health Act 1997*
- *Land Use Planning and Approvals Act 1993*
- *Water Management Act 1999*
- TasWater's Constitution
- Shareholders' Letter of Expectations.

Our key regulators are:

- The Tasmanian Economic Regulator (TER)
- The Environment Protection Authority (EPA)
- The Department of Health and Human Services (DHHS)
- The Department of Primary Industries, Parks, Water and Environment (DPIPWE).

Twenty-nine Tasmanian councils are the majority shareholders of TasWater with the State Government becoming a ten per cent shareholder over the next ten years.

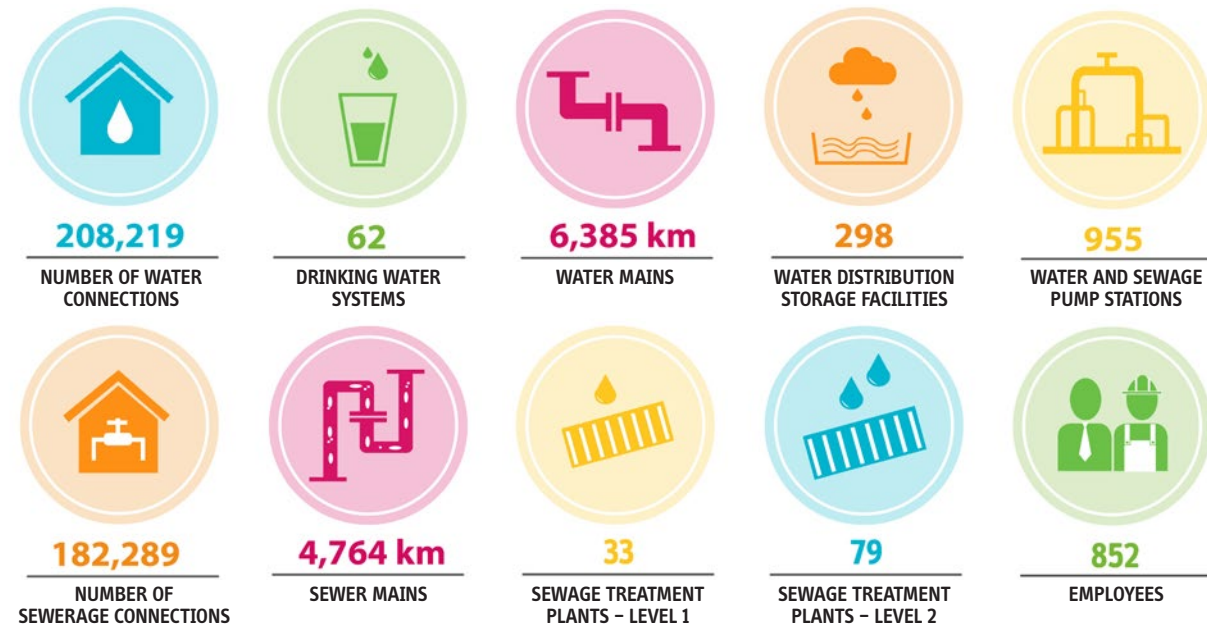


Figure 1. TasWater responsibilities (information as at January 2019)

### Key Facts:

- Provision of water and sewerage services to more than 421,866 customers<sup>1</sup> during the 2018 calendar year
- Delivered 65,940 megalitres of drinking water during the 2018 calendar year
- Treated 51,318 megalitres of sewage during the 2018 calendar year
- Supplied 5,554 megalitres of recycled water during the 2018 calendar year.

1. 183,420 connections x 2.3 (census 2017) residents per connection. Remaining connections are businesses and excluded from population calculation.





# Our Progress

We are pleased at the progress made over the past year on a number of our key initiatives aimed at delivering on our customer promises. Further detail on some of these initiatives is outlined below.

## 24 Glasses – Regional Towns Water Supply Improvement Program

In August 2016, TasWater committed to removing Public Health Alerts (PHAs) from 24 regional towns across Tasmania. With the improvements TasWater staff and contractors put in place, TasWater met this commitment ahead of the 31 August 2018 deadline, resulting in all communities in TasWater's serviced land receiving fully treated water.

We have commenced planning work on an improvement initiative that will enhance water quality and secure the provision of safe, drinking water to customers across a further 17 existing water supply systems. These additional water treatment upgrades are programmed to be completed by 2020.

## Productivity Improvement and Innovation

### Service Delivery Review

Through continued focus on delivering customer outcomes more efficiently, we managed to remove non-value-adding tasks, implemented a Management Operating System and developed an Active Management Behaviours Program. These changes have again allowed

our 24 hours a day, 7 days a week, 365 days a year state-wide Operations Control Centre to improve dispatch and scheduling of work across the state, delivering both tangible and intangible benefits to Tasmania.

We continue to review our end to end processes to optimise our scheduling and despatch of work to meet customer expectations by delivering more efficient and effective services in the most cost effective manner.

### Retail Value Creation Program

Our Retail Value Creation Program (RVCP) progressed five projects encompassing process reviews across key areas including meter-to-cash, automation (including self-serve options) and customer data, to consistently meet agreed customer service levels, delivered at the lowest possible cost.

### Capital Delivery Review

To continue to meet our customer promises and deliver up to \$223 million in capital projects annually over the next four years, we have begun the establishment of our CDO. The CDO is being established as a Program Management Alliance in partnership with private sector parties which will be responsible for the planning and management of projects while capital works will be contracted to local businesses as a priority. This approach will put TasWater and the local industry in a strong and sustainable position for the future. The CDO will substantially improve our processes, systems, tools

and technical ability in the planning and delivery of projects and programs.

The collaborative nature of the Program Management Alliance is also designed to shift mindsets, practices and behaviours into a high performance culture that will amplify the technical improvement and have long lasting effects. The successful proponent is a joint venture between UGL Engineering and CPB Contractors with support from WSP Australia. Together with the UGL/CPB/WSP team, we will be in a strong position to deliver our complex and ambitious capital works program.

### Innovation

A framework for innovation, Innovation Driving Everyday Actions (IDEA) was presented to each team across the business during the past year. The IDEA framework provides support for the innovation opportunities being identified by our people and maximises the success of these opportunities. Some examples of successful innovation projects during 2017 and 2018 include:

- Water Quality Risk Visualisation – developed by our Water Systems Optimisation team and presented nationally at OzWater 2018. Considered an industry best practice tool for water quality risk management
- Performance Operating and Reporting System (PORS) Prototype – developed in-house to improve consistency and accountability for critical operations. Now in planning for full scale rollout

- Adenosine Tri Phosphate (ATP) testing – a new field based test technique to rapidly determine sources of drinking water contamination. Instrumental in managing recent public health alerts
- Bacteriophage testing – partnered with interstate research to develop new test to help protect waterways and shellfish following sewage contamination
- Simple tablet chlorinator system – developed by Service Delivery and now rolled out around urban centres to maintain water quality and safety.

### Price and Service Plan 4 (PSP4) Development

The PSP4 program responds to both the internal driver to commence PSP4 as soon as possible and the external driver to meet the expectations of our customers and the TER. The PSP4 program will help to build the early foundations of a robust PSP4 submission which is due on 30 June 2020. Specifically, the PSP4 Creation Program includes the following activities:

- Review of our sewerage charging method
- Review of our approach to full-cost recovery for trade waste and irrigation services
- Review of policy-related matters with pricing impacts (e.g. hardship, connections outside serviced land).

### Growth and Capacity Plans

As part of our Asset Management System (AMS) we are developing system based GCPs for each of our 186 systems. This will give us greater knowledge and consideration of the ability of the system to provide required capacity, pressure and flow both for current and future growth scenarios. It will also include alignment with business objectives, and consider future risks (i.e. climate impacts on yield, change of usage types, system extensions and expansions).

This project is intended to continue the development of the GCPs for the next round of priority water and sewerage systems. These documents are critical for us, planning authorities and developers to understand the ability of our systems to provide services to new developments or re-zonings.

Along with regulatory and lifecycle management plans, these documents inform the System Strategic Management Plans, and related projects and operational interventions. This line of sight approach is critical to aligning the LTSP and Price and Service Plan, with resulting programs of work generated through the AMS.

### Corporate Environment Licence

Working with the Tasmanian EPA we are rationalising all environmental licences into one corporate licence that will have a number of standard state-wide conditions with single page licences for our Level 2 Sewage

Treatment Plants (STP), that include emission limits for discharge locations and monitoring requirements. We are accelerating the setting of risk based emission limits to minimise risk to the environment, directly correlating compliance at each STP with low environmental impact. We are also determining a pathway for full compliance by implementing state-wide programs focused on defining safe zones for our STPs discharging to water.

### ICT Strategy and Knowledge Management

As planned, we developed a comprehensive Information and Communication Technology (ICT) strategy to support our customer outcomes, and align our ICT investment with our immediate, medium and longer term business objectives. We will now leverage this strategy over the Plan period.

### Water and Sewer Optimisation

The optimisation programs continued to manage the risks in our water and sewer systems with the aim of improving compliance. Risk was assessed using the Hazard Analysis and Critical Control Points (HACCP) framework for our water systems and an Operational Control Point (OCP) framework for our sewer systems. Assessments undertaken using the frameworks have established a program of work that will continue to improve compliance outcomes and better manage system risks over the Plan period.



### Our role in the Community

It is important to our organisation that we are seen as a responsible corporation accountable for our assets and supporting the wellbeing and health of all Tasmanians.

We continue to work towards increasing our presence in the community through our support and sponsorship of local events, our hardship program and by the employment opportunities the organisation provides to Tasmanians. We continue to look towards the future of the State supporting both the State's Clean Green brand and economic growth opportunities that are underpinned by our services.

### Zero Harm

We progressed initiatives to prevent soft tissue injuries, educate and manage fatigue and began implementation of our health and safety management system (HSMS). The HSMS and programs are expected to improve the total recordable injury frequency rate over the Plan period.

Several of our staff were recognised for their safety initiatives in the State Safety Awards.

### Culture Change

We have continued to invest in increasing leadership capability and are shortly to commence a coaching program for our senior people leaders, which will incorporate feedback through the Leadership Styles Inventory (LSI). We expect this program to be extended to all people leaders over the next couple of years. In addition, the introduction of our innovation framework, IDEA, has seen strong support for recognising problems, creating solutions and support for solutions in our workplace, as we continue to see innovative solutions applied to problems, particularly customer related issues.

Our culture survey conducted in 2019 will enable us to measure the progress that we have made through our current initiatives and will inform us of where we may need to make further investments in our people.



The pride, passion and knowledge that our people have for the water industry provides us with a strong foundation to achieve our Vision



# Our Key Challenges and Opportunities

The water and sewerage industry in Tasmania has been undergoing significant change over the ten years since the water and sewerage reforms commenced. In developing our Plan we have undertaken an environmental analysis to identify a number of key challenges we must manage and opportunities to embrace if we are to deliver on our customers' expectations. The challenges and opportunities with the greatest potential to impact us include:

- Enhancing our understanding of our customers
- Our role in the Tasmanian economy
- Emerging technologies and innovation
- Our people and culture
- Water security and climate change
- Productivity and efficiency expectations.

## Enhancing our understanding of our customers

We undertook several customer surveys and forums to better understand their views on priorities and inform the development of our LTSP and our current Price and Service Plan. The Price and Service Plan determines what we can charge and the standard of services to be provided over the period 1 July 2018 to 30 June 2021. Through this process our customers confirmed their support for improving compliance as a first priority (even before service reliability), with drinking water quality most important, and environment and dam safety equal second.

We continue to listen to our customers and communities through regular engagement and have implemented research-based strategies to help develop long-term and mutually beneficial relationships with key stakeholders. We want all our customers to have the assurance that we provide them with valued services and that those services represent "value for money". We must also build an understanding within the community of the value our services and infrastructure provide to Tasmania.

## Our role in the Tasmanian economy

We play an important role in supporting the Tasmanian economy by providing efficient water and sewerage services to businesses including those sectors that drive economic growth in Tasmania, such as processed metals, tourism, manufactured goods, wood, paper, mining, seafood, meat, dairy and wine industries.

As an organisation we have committed to increasing the state's skills and capability such that we can continue to meet the needs of our customers and play our part in Tasmania's economic growth and wellbeing. In the long term this will ensure the necessary skills and infrastructure are in place to sustain continued growth and success.

## Capital Delivery Office

Our ambitious capital delivery program underpinned by the CDO supports the state's drive for economic success in the decades to come. Our program will increase the demand for consulting, contracting and

construction services both locally and interstate. Our CDO will assist with the delivery of our capital program which will also require increased capacity from external suppliers and contractors.

There will be competition for resources across planning, design and construction labour markets due to the considerable uplift in expenditure for infrastructure projects on the eastern seaboard of Australia. We are working with key institutions such as the University of Tasmania, Engineers Australia, TasTafe and the Tasmanian government to manage this risk. We will also look to expand our scholarship, internship, graduate and trainee programs.

The entry of the State Government as an owner of TasWater provides us with the opportunity to work collaboratively to progress projects of state significance.

## Emerging technologies and innovation

In the changing technological environment in which we operate, we need to respond to customers' increasing expectations. The rapid shift to a digital lifestyle, along with the increasingly sophisticated offerings of other customer focused organisations, continues to increase customer demands for technological or automated solutions.

In addition, we will apply technology within our business to optimise productivity and efficiency and to improve cybersecurity to ensure our customers' data is secure.

## Our people and culture

The pride, passion and knowledge that our people have for the water industry and their strong commitment to the community provide us with a strong foundation to achieve our Vision.

With an ageing workforce, one of our challenges will be to ensure that we are able to maintain the level of knowledge that currently exists within the business.

Competition for key infrastructure resources will also be a threat for us as we embark on an ambitious capital program at a time when infrastructure projects on the eastern seaboard of Australia are also seeing significant uplift.

We are responding to this through the development of a workforce strategy that will support our goal to have the right people in the right role at the right time as well as ensuring that we have the right skills for the future.

Our safety performance over the last year has also been challenging with the number of soft tissue injuries we have experienced. Whilst we are responding to this issue our focus will remain on reducing the fatality risks within our business.

## Water security and climate change

Achieving water security is one of the major issues faced by society on both a local and global level. Total water consumption in Australia is forecast to rise by 42 per cent by the year 2026 and 76 per cent by the year 2056 compared to 2009 levels<sup>2</sup>. As a water utility, it is imperative that we manage and plan our water security to ensure a sustainable supply of water now and in the future.

Climate change continues to complicate this issue and can pose a risk to our water supplies through increased rainfall variability and intensity, leading to increased frequency of flood and drought. Population shifts, in relation to climate change impacts, may require adjustments to water supply and demand plans. Water stress leads to greater opportunities for wastewater reuse.

Warmer temperatures can increase evaporation from catchments and raise water demand on hot days. We will need to understand and factor in all these elements when designing and planning infrastructure for the future.

## Productivity and efficiency expectations

As we continue to build our infrastructure for the future of Tasmania and meet our compliance obligations, our productivity and efficiency efforts must support these plans. To date we are ahead of our productivity targets as outlined in our LTSP, but we must focus on deploying the right mix of people, process and technology to improve the delivery of our services during the period of our Plan.

As our business becomes more mature, we will draw on best practices within our own business, as well as those throughout the industry to further increase efficiency. Our objective is to minimise price increases by becoming more efficient, without sacrificing the required investments in infrastructure, compliance and service.

---

2. Water Research Access Portal Occasional Paper No. 25 – Implications of population growth in Australia on urban water resources July 2010



# Our Long Term Strategic Plan

In 2017 we developed our inaugural LTSP. Our LTSP identifies customer outcomes to be delivered over a 20 year period and the resulting balance between prices, service standards and the time to reach full compliance. It is based on customer and regulator feedback and integrates with our long term financial plans which provide the financial constraints for the LTSP.

The LTSP has been developed to give direction to the whole business. It outlines our goals, customer preferences – for improving compliance, drinking water quality, environment and dam safety – and stakeholder support. The detail of how the LTSP will be delivered is in the integrated set of strategies, plans and frameworks that sit below the LTSP and is shown in Figure 2.

We are three years into our 10 year \$1.7 billion<sup>3</sup> capital expenditure program to address the state's water and sewerage compliance challenges. Our Plan has been fully modelled and provides a sustainable approach to improving our infrastructure, and balancing the needs of current and future generations.

3. This has increased from \$1.55 billion previously under the MOU entered into with the State Government in May 2018.

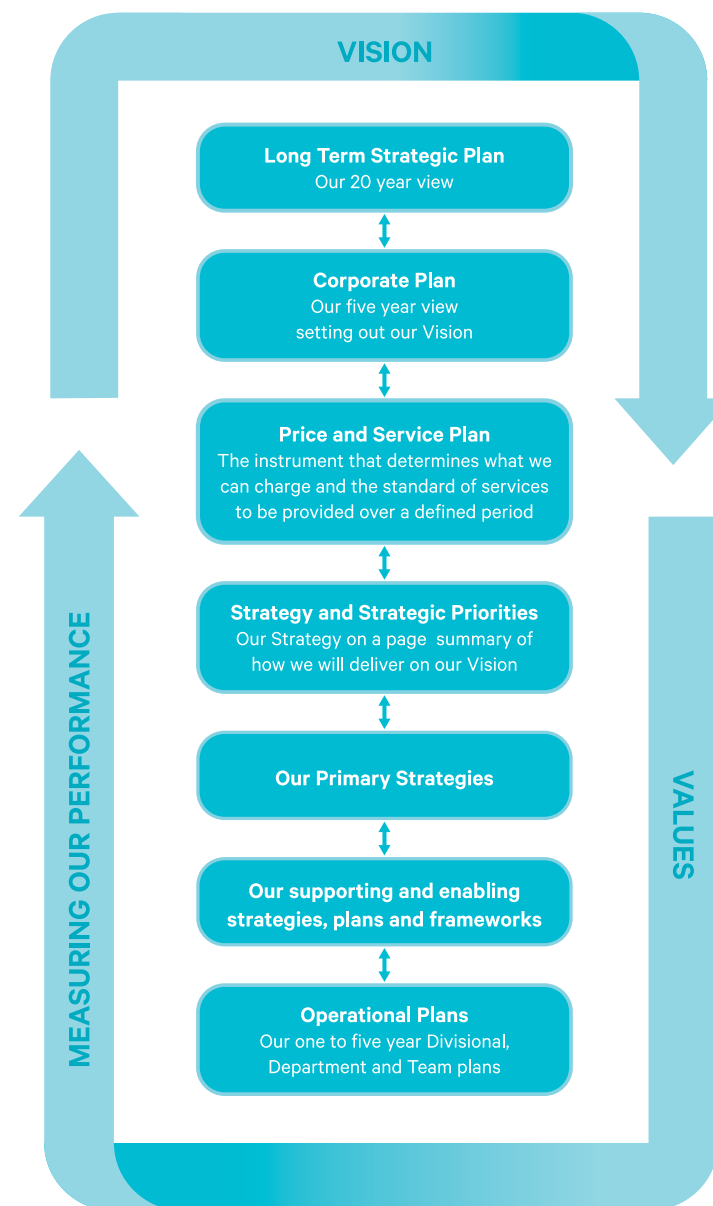


Figure 2. Hierarchy of planning documents

# Our Strategy

TasWater is operating in a time of significant change which creates opportunities and risks across four key strategic theme areas –

Customers and Community, Commercial and Economic, Water and Environment, and People and Culture.

Our Strategy is the foundation for our Plan and will help guide us towards the achievement of our Vision 2023. It has been developed through careful consideration of the key outcomes our customers, regulators and owners expect from us.



Figure 3. Our Strategy



## Our Customer Promises and Outcomes

### Customer promises

Our customer promises set out what we understand our customers expect from us and outline the standards that we have set ourselves in the key areas of service that we know are important. These promises are the foundation upon which we will build trust and respect with our customers.

### Customer outcomes

Our customer outcomes have been developed through feedback from customer and community forums. They represent the level of service our customers expect from us and state what we aim to achieve.

## Our Priorities and Primary Strategies

Within the four strategic themes outlined in Figure 3 we have identified eight priorities and eight primary strategies to guide delivery of what matters to our customers in the most effective and affordable way possible. Together these provide a roadmap for how we will deliver safe, reliable, environmentally responsible water and sewerage services.

## Our Enabling Strategies

Our six enabling strategies support our eight primary strategies and underpin our customer promises and outcomes. They cover the areas of ICT, knowledge management, governance, risk management, financial sustainability and innovation.



# Our Shared Values

## Our shared values

Our shared values set the expectation for how we work together to deliver our strategy and customer outcomes.

Our values, as developed by our employees, reflect how we aim to operate in providing services to our customers, community and stakeholders.



### Honest and 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 continuous improvement.



### Long Term Thinking

We will deliver outcomes that are in the best interest 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.









# Customer and Community

## Customer Promise

- Deliver a positive customer experience to you

## Customer Outcomes

- You are satisfied with our service
- You find it easy to do business with us
- You are kept informed

## Our Priorities

- Identify and close critical customer service gaps
- Improve our community engagement and understanding

## Our Strategies

### Customer Experience

Our aim is to increase the level of trust and respect Tasmanians have for TasWater so our customers, community, stakeholders and employees can engage with us with confidence.

Our strategy focuses on making the connection between our customers' key expectations and our promises and decisions unambiguous, which will build trust, and to demonstrate and promote our track-record of delivering on our promises and adapting to challenges when they arise, which will build respect.

Our program will deliver improvements in customer satisfaction, customer perception and engagement through direct investment in our social media strategy, brand strategy and redevelopment of our digital assets.

### Community Engagement

Community engagement is the process through which we bring the capabilities of our employees to work collaboratively with community groups and organisations to achieve mutually agreed goals that build capacity, improve wellbeing, and produce just and sustainable outcomes in the interests of people, communities and TasWater. Through our strategy we will deliver improvements in these areas as well as in community satisfaction and perception.

### Stakeholders

Our strategic approach to stakeholders is to build long-term and mutually beneficial relationships with the aim of enhancing TasWater's reputation as a trusted and respected provider of essential services.



## Commercial and Economic

### Customer Promise

→ Give you value for money

### Customer Outcomes

- Your price increases are minimised
- The local economy benefits from our investment and capacity building

### Our Priorities

- Deliver Price and Service Plan commitments
- Achieve further efficiencies

### Our Strategies

#### Asset Management

Our infrastructure assets are core to the services we provide. Through the roll out of enhanced asset management practices and decision making, aligned to the leading industry practice standards<sup>4</sup>, we will ensure

that the optimal mix of capital investment and operating requirements are delivered, to meet customer outcomes at the most efficient long term cost.

We will maintain a clear line of sight across short and medium term focal areas and activities to ensure we remain aligned to the common purpose of achieving our vision and strategic priorities.

This will be reflected through the delivery of prioritised bundled projects that meet multiple drivers (i.e. compliance, reliability and growth), optimised preventive maintenance programs and the continued development of a cross business asset management culture.

#### Productivity

Our productivity improvement program is aimed at achieving further efficiencies. We will be focusing on the following programs during our plan period:

- Documenting, analysing and improving the flow of information and materials required to produce a product or service to our customers – to help identify further opportunities for efficiency
- Retail Value Creation Program – to consistently deliver our agreed customer service levels at the lowest possible cost
- Service Delivery Value Creation Program – to further embed our efficiencies in the business.

4. ISO 55001 Asset Management



The Productivity program will utilise the tools and processes of programs such as LEAN and Six Sigma to ensure continuous improvement opportunities are built into the business.

### **Information and Communications Technology**

Our Information and Communications Technology (ICT) Strategy is aimed at answering the question “How can TasWater most effectively and efficiently apply technology to meet our business priorities and continuously deliver value to our external and internal customers?” The strategy focuses ICT investment across the organisation and provides a vision of how we will leverage ICT to improve risk mitigation and efficiency. The strategy provides for more predictive, proactive and automated solutions to continue to improve customer and stakeholder centricity for delivery of better outcomes. We will continue to simplify, integrate, consolidate and modernise our technology.

### **Knowledge Management**

The development and implementation of a Knowledge Management Strategy will support achievement of each of our customer promises through the ability to access relevant information more effectively and efficiently, enabling better informed decision-making, more timely and improved quality customer responsiveness, and greater empowerment of our people.

### **Innovation**

TasWater is operating in a time of significant change. Not only is our business heavily reliant on a resource that is vulnerable to changing climatic conditions, but we are also facing challenges such as changes to the expectations of our workforce and customers, ageing infrastructure, changing regulatory guidelines and introduction of new technology. Together with the constraints of a regulated operating environment and customer expectations that we will maximise customer benefits with the efficient use of resources, we are faced, without question, with the need to be innovative.

Our IDEA framework is an enabling strategic framework that sits across all areas of the business, and is a key step in ensuring the business embraces innovation to address key strategic risk areas. In addition to those listed above, current and future innovation projects include:

- Safety Cargo Net – an innovation initiated to reduce manual lifting and prevent back injury – currently in trial
- Aquaculture in wastewater – using selected species of fish in wastewater lagoons to reduce sludge, improve aeration and promote lagoon performance
- Nutrient source tracking – working with University of Tasmania to sponsor research into the key sources of nutrients fuelling algae and taste problems in the major source of Hobart’s water

- DNA fingerprinting – can be used as an investigation tool in water quality investigations to indicate potential sources of contamination. It has been trialled recently in recreational water investigations at Blackmans Bay Beach
- Innovation mastery program – program to introduce design thinking and foster a culture of innovation at TasWater
- Re-use water – pursuing innovative regulatory reform, and innovative energy supply solutions, to facilitate increased re-use of treated wastewater
- Waste to energy – pursuing innovative approaches to the management of biosolids which are designed to optimise energy recovery.

### **Returns to our Owners**

The *Water and Sewerage Legislation (Corporate Governance and Pricing) Act 2018* removed the requirements for TasWater to pay income tax equivalent payments and loan guarantee fees. Additionally, under the MOU with the State Government, the State Government elected not to receive a return on their equity interest. A capped amount of \$20 million per annum over the period of the Plan will be paid to the Owner Councils as a dividend.





# Water and Environment

## Customer Promise

- Provide you with safe drinking water and responsibly manage your sewage

## Customer Outcomes

- Your drinking water is clean and safe to drink
- You have a reliable supply of water
- Your sewage is efficiently collected and transported
- Your sewage is treated and disposed of with minimal impact to the environment and its users

## Our Priorities

- Meet agreed regulatory compliance targets
- Optimise system performance

## Our Strategies

### Drinking Water Optimisation

The Water Systems Optimisation team was formed to improve water quality performance, water systems productivity and our overall ability to manage water quality risk. The team comprise engineers and scientists who work closely with our water operators to improve how we operate, maintain and improve our assets. This program has initiated a number of capital and operational improvements to date that will improve water services and reduce water quality risks.

### Sewerage Optimisation

The Sewerage Systems Optimisation team was formed to improve the performance of our sewage treatment assets in order to improve environmental performance. The sewerage system optimisation team is working closely with our wastewater operators to optimise process control of our sewage treatment systems. We also identify where additional instrumentation or equipment upgrades are needed to achieve improved performance.





## People and Culture

### Customer Promise

→ Build culture and skills for the long term benefit of Tasmania

### Customer Outcomes

- Our work is conducted safely to protect our people, contractors and the communities we serve
- Our culture and capabilities enable us to make a positive difference to Tasmania

### Our Priorities

- Relentless focus on safety (Zero Harm)
- Enhance workforce capability and culture

## Our Strategies

### Health and Safety

We will continue to drive better safety outcomes through the implementation of our Health and Safety Improvement Plan which is focused on four key work streams:

#### Leadership and accountability

Relentless focus by leaders in shaping and motivating our Zero Harm culture. This work stream includes a Vision Zero Leadership Roadmap and establishment of a Contractor Safety Leadership Group in conjunction with the CDO.

#### Organisational capability

By ensuring we have engaged, empowered and capable people that are able to fulfil their health and safety responsibilities through designing, developing and implementing a formal training/education program for frontline and middle managers on managing operational health and safety; establishing fatigue management guidelines and implementing isolation and lockout training.

#### Managing our health and safety risks

Blending operational discipline into everything that we do by completing implementation of the Health and Safety Management System; continuing with the

implementation of the soft tissue injury prevention program and establishing regional office safety committee structures.

#### Assurance and improvement

Implement, track and validate our progress towards Zero Harm by facilitating shared learnings on positive safety initiatives and work practices.

### People

Our People Strategy supports the achievement of our customer promises across all of our strategic themes but with a focus on building culture and capabilities of the people within our business that have a long term impact and benefit to Tasmania. There are four key pillars that underpin our strategy:

#### Putting our Values and Behaviours at the core of all we do

Our Values and Behaviours are integrated into all of our people practices as well as our communication and decision making processes.

#### Leadership excellence

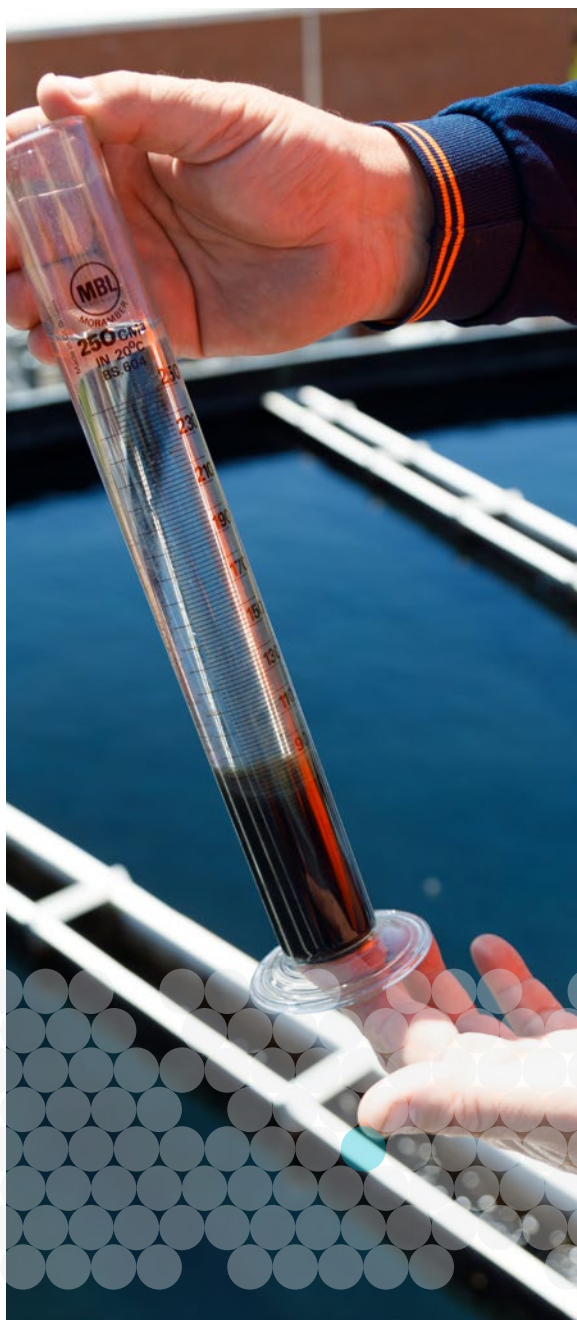
Through the development of our leadership competency framework and ongoing leadership development and support we will build great leaders across all levels of the business.

#### Building capacity and capability for the future

Through our workforce strategy and planning we will determine what skills will be required for the future and how we can attract, grow and retain our talent to meet future needs.

#### Creating the right conditions for our employees to be successful in their work

By ensuring that they have clarity about how they contribute to the business, access to development opportunities to grow in their careers, creating opportunities to put forward their ideas and be involved in the business in ways that align to their passion for the business and through becoming an inclusive and diverse workplace.



## Measuring Our Success

To ensure we remain accountable to our customers, we developed a set of key performance indicators (KPIs) and targets that align to each of our strategic themes, our customer promises and outcomes. Our measures are aligned to our LTSP, our strategic priorities, our drive to be a high performing organisation and delivery of our strategies.

See table on page 31.

### Our Vision:

**To be a trusted and respected provider of essential services that is making a positive difference to Tasmania.**

## Our Organisational Risks

Risk management identifies and assesses uncertainty that may impact positively or negatively on our ability to achieve our strategic objectives and deliver on our customer promises.

Our customers and the community depend on us to manage our organisational risks appropriately. As our business matures, we are further integrating risk management into our business systems, processes and culture.

The Board and senior management regularly review risks, controls and assurance levels. When our strategies alter, or we predict changes in our operating environment, we assess uncertainties that may have a material impact on our risk profile.

To ensure our key strategic risks are being managed appropriately, we regularly update key risks on our strategic risk register and report them to the Board and the Audit and Risk Committee. We also maintain detailed sub-risk registers for other corporate, operational and project risks.

A full list of our strategic risks and key controls is provided in Appendix 1. Key Strategic Risks.



## MEASURING OUR SUCCESS

Customer Outcome	Measurement	FORECAST	TARGET	TARGET	TARGET	TARGET	TARGET
CUSTOMER & COMMUNITY – Deliver a positive customer experience to you		FY2018–19	FY2019–20	FY2020–21	FY2021–22	FY2022–23	FY2023–24
You are satisfied with our service	Customer Satisfaction %	58%	70%	72%	74%	75%	75%
You find it easy to do business with us	Customer Feedback %	52%	56%	62%	68%	75%	75%
You are kept informed	Customer perception %	53%	60%	66%	72%	75%	75%
COMMERCIAL & ECONOMIC – Give you value for money		FY2018–19	FY2019–20	FY2020–21	FY2021–22	FY2022–23	FY2023–24
Your price increases are minimised	Productivity benefits per annum \$	\$4.0M	\$4.5M	\$3.0M	\$2.0M	2.0M	\$2.0M
The local economy benefits from our investment and capacity building	Growth and Capacity Plans completed %	50%	100%	100%	100%	100%	100%
WATER & ENVIRONMENT – Provide you with safe drinking water and responsibly manage your sewage		FY2018–19	FY2019–20	FY2020–21	FY2021–22	FY2022–23	FY2023–24
Your drinking water is clean and safe to drink	Customers where Microbiological compliance has been achieved %	100%	100%	100%	100%	100%	100%
	Water Quality Complaints per 1000 properties	5.5	4.5	3.5	2.9	2.3	2.3
You have a reliable supply of water	Number of dams above the ANCOLD LOT	9	4	1	0	0	0
	Water Losses - kL/km main/day	n/a	6.5	6.2	5.8	5.4	5.4
	Unplanned Interruptions per 1000 properties	176	168	164	160	153	153
Your sewage is efficiently collected and transported	Sewer Breaks and Chokes per 100 km of main	37	36	34	31	27	23
	Number of Odour Complaints per 1000 properties	1.0	0.7	0.7	0.7	0.7	0.7
Your sewage is treated and disposed of with minimal impact to the environment and its users	Number of spills to oyster leases	4	3	3	2	1	0
	Treated waste water compliant with EPA requirements (flow-weighted) %	87.2%	88.5%	90.0%	91.1%	91.4%	91.4%
PEOPLE & CULTURE – Build culture and skills for the long term benefit of Tasmania		FY2018–19	FY2019–20	FY2020–21	FY2021–22	FY2022–23	FY2023–24
Our culture and capabilities enable us to make a positive difference to Tasmania	Cultural Index	Baseline established	Improvement in constructive styles	Improvement in constructive styles	Improvement in constructive styles	Achieve target culture	Sustain target culture
Our work is conducted safely to protect our people, contractors and the communities we serve	Total Recordable Injury Frequency Rate (TRIFR)	16	8	5	4	3	3









Financial  
Forecasts





## Financial Forecasts

### Overview

The table below highlights the key information contained within our financial and capital forecasts for the FY2019–20 to FY2023–24 planning period:

FINANCIAL SUMMARY	FORECAST FY2018–19	FY2019–20	FY2020–21	FY2021–22	FY2022–23	FY2023–24
NPAT \$M	12.9	51.8	54.8	53.9	53.7	53.9
Capital Expenditure \$M	145.1	143.5	182.6	178.4	222.7	208.9
<b>Distributions</b>						
Loan Guarantee Fees \$M <sup>5</sup>	2.7	0.0	0.0	0.0	0.0	0.0
Income Tax Equivalents \$M <sup>6</sup>	6.8	0.0	0.0	0.0	0.0	0.0
Dividends \$M	10.5	20.0	20.0	20.0	20.0	20.0
<b>Total Distributions \$M</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
<b>Debt \$M</b>	<b>581.4</b>	<b>615.6</b>	<b>681.3</b>	<b>735.8</b>	<b>828.7</b>	<b>904.8</b>
<b>Gearing</b>	<b>35.6%</b>	<b>36.5%</b>	<b>39.1%</b>	<b>41.0%</b>	<b>44.8%</b>	<b>47.6%</b>
<b>Interest Cover (times)</b>	<b>4.0</b>	<b>3.7</b>	<b>3.7</b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>

It is noted that although our FY2018–19 forecast NPAT is currently recorded as \$23.2 million less than budget, it is caused by write offs of deferred tax balances of \$32.7 million as a result of being removed from the National Tax Equivalent Regime (NTER) as part of the MOU with the State Government. Our profit before tax is currently forecasted to be \$1.4 million ahead of budget. The FY2018–19 forecast result is prior to the impact of any adjustment to the value of our infrastructure assets.

5. Loan Guarantee Fees only applied to 31 December 2018

6. Income Tax Equivalents only applied to 31 December 2018

### Forecast growth and demand

Forecast growth and demand assumptions are consistent with Price and Service Plan (PSP3) for FY2019-21. The Plan makes conservative assumptions for FY2021-22 to FY2023-24 (the period of PSP4).

### Revenue assumptions

Revenue assumptions reflect the outcomes of the MOU with the State Government, the underlying assumptions and financial projections of which were included in the Information Memorandum of 16 July 2018.

A key feature of the MOU with the State Government was to freeze price increases for our customers for regulated services for water and sewerage from 1 July 2019 to 30 June 2020. With the State Government contributing \$200 million to TasWater over a 10 year period, this will enable us to freeze prices in FY2019-20 and cap price increases from FY2020-21 through to FY2026-27 at the lessor of 3.5 per cent and the price determination made by the TER.

### Interest expense assumptions

For the period of our Plan the average interest rate for the loan portfolio is 4.1 per cent. As outlined in the MOU with the State Government we are no longer subject to loan guarantee fees.

### Non-interest expense assumptions

Cost increase assumptions have been predominantly based around the projected Consumer Price Index (CPI) increase of 2.5 per cent. The following assumptions underpin the expenses contained within our Plan:

- CPI is assumed to be 2.25 per cent for FY2019-20 then 2.5 per cent for the remaining four years of our Plan
- Fixed increases have been determined through our Enterprise Agreements which provide certainty for our employees over the next three years. In addition a modest pool of funds is set aside for annual performance increases based on individual performance. These are discretionary and not guaranteed
- Salary expense increases have been partially offset by anticipated productivity savings in each year of our Plan
- Power expenses have been modelled by an external consultant and are based on network tariff outcomes, current contracts and forward price projections for recontracting.

### Comparison to the Information Memorandum financial forecasts

The financial forecasts provided in our Plan are largely in-line with the financial forecasts included in the Information Memorandum.

Revenues are higher primarily due to an increase in contributed assets revenue and revenue gains from our customer installation data validation program.

Expenditure is higher due to an increase in business improvement investments to address our ageing infrastructure, improve the performance of the business and realise our Vision by 2023. Key areas of investment that are in the Plan include our CDO, the customer data installation validation program and the implementation of our ICT Strategy. These investments will deliver long term benefits to our customers and the Tasmanian Community.

The FY2019-20 budget for depreciation has increased by \$3.8 million primarily due to additional depreciation incurred from our capital program.

# Income Statement

INCOME STATEMENT	FORECAST FY2018-19 (\$M)	FY2019-20 (\$M)	FY2020-21 (\$M)	FY2021-22 (\$M)	FY2022-23 (\$M)	FY2023-24 (\$M)
<b>REVENUE</b>						
Fixed Charges	246.2	249.9	261.7	274.1	282.9	290.8
Volumetric Charges	71.4	71.0	74.8	78.8	81.5	83.8
Services and Consulting Revenue	6.7	8.5	8.8	9.1	9.5	9.8
Contributed Assets	28.4	28.4	26.5	21.6	20.4	20.6
Other Revenue	2.0	1.5	1.5	1.6	1.6	1.6
<b>Total Revenue</b>	<b>354.7</b>	<b>359.2</b>	<b>373.4</b>	<b>385.2</b>	<b>395.8</b>	<b>406.6</b>
<b>EXPENSES</b>						
Chemicals, Power and Royalties	25.8	25.2	25.6	26.2	27.2	28.3
Materials and Services	36.8	37.1	40.2	42.3	44.1	46.0
Salaries and Related Personnel Expenditure <sup>7</sup>	91.7	94.8	98.8	102.4	104.7	108.4
Administration Costs	43.0	45.0	45.9	46.8	47.6	48.4
<b>Total Expenses</b>	<b>197.3</b>	<b>202.2</b>	<b>210.5</b>	<b>217.7</b>	<b>223.6</b>	<b>231.1</b>
<b>Earnings before Interest and Depreciation</b>	<b>157.4</b>	<b>157.1</b>	<b>162.9</b>	<b>167.5</b>	<b>172.2</b>	<b>175.5</b>
Loan Guarantee Fees <sup>8</sup>	1.3	0.0	0.0	0.0	0.0	0.0
Interest Expense	18.1	19.1	20.2	24.0	26.2	26.7
Depreciation	85.0	86.2	88.0	89.6	92.2	94.9
<b>Net Profit before Tax</b>	<b>53.0</b>	<b>51.8</b>	<b>54.8</b>	<b>53.9</b>	<b>53.7</b>	<b>53.9</b>
Income Tax Equivalents <sup>9</sup>	7.4	0.0	0.0	0.0	0.0	0.0
Write Down of Deferred Tax Balances	32.7	0.0	0.0	0.0	0.0	0.0
<b>Net Profit after Tax</b>	<b>12.9</b>	<b>51.8</b>	<b>54.8</b>	<b>53.9</b>	<b>53.7</b>	<b>53.9</b>

7. Salary increases have been partially offset by productivity savings

8. Loan Guarantee Fees only applied to 31 December 2018

9. Income Tax Equivalents only applied to 31 December 2018



# Cash Flow Statement

CASH FLOW STATEMENT	FORECAST FY2018-19 (\$M)	FY2019-20 (\$M)	FY2020-21 (\$M)	FY2021-22 (\$M)	FY2022-23 (\$M)	FY2023-24 (\$M)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Customers	329.4	326.3	341.8	358.2	373.9	389.4
Payments to Suppliers and Employees	(227.7)	(220.1)	(229.0)	(234.8)	(244.4)	(250.7)
Interest Paid	(21.7)	(20.5)	(23.8)	(28.0)	(32.2)	(38.2)
Loan Guarantee Fees Paid <sup>10</sup>	(2.7)	0.0	0.0	0.0	0.0	0.0
Income Tax Equivalents Paid <sup>11</sup>	(6.8)	0.0	0.0	0.0	0.0	0.0
GST Refund from the ATO	23.1	23.6	27.9	28.4	32.6	32.3
<b>Net Cash from Operating Activities</b>	<b>93.6</b>	<b>109.3</b>	<b>116.9</b>	<b>123.9</b>	<b>129.8</b>	<b>132.8</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Payments for Property, Plant and Equipment	(145.1)	(143.5)	(182.6)	(178.4)	(222.7)	(208.9)
Equity Contributions	20.0	20.0	20.0	20.0	20.0	20.0
<b>Net Cash Flows from Investing Activities</b>	<b>(125.1)</b>	<b>(123.5)</b>	<b>(162.6)</b>	<b>(158.4)</b>	<b>(202.7)</b>	<b>(188.9)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from Borrowings	42.2	34.2	65.7	54.5	92.8	76.1
Dividends Paid	(10.5)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
<b>Net Cash Flows from Financing Activities</b>	<b>31.7</b>	<b>14.2</b>	<b>45.7</b>	<b>34.5</b>	<b>72.8</b>	<b>56.1</b>
<b>Net Movement in Cash for the Year</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Opening Cash Balance	2.5	2.5	2.5	2.5	2.5	2.5
<b>Closing Cash Balance</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>

10. Loan Guarantee Fees only applied to 31 December 2018

11. Income Tax Equivalents only applied to 31 December 2018

## Balance Sheet

BALANCE SHEET	FORECAST FY2018-19 (\$M)	FY2019-20 (\$M)	FY2020-21 (\$M)	FY2021-22 (\$M)	FY2022-23 (\$M)	FY2023-24 (\$M)
<b>ASSETS</b>						
Cash and Cash Equivalents	2.5	2.5	2.5	2.5	2.5	2.5
Receivables	47.2	39.4	37.1	42.6	39.5	39.1
Inventories	5.9	6.6	6.8	6.1	6.3	6.4
Property, plant and equipment	2,253.4	2,337.8	2,457.6	2,566.7	2,716.1	2,849.3
Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0
Other	3.8	5.5	5.7	5.6	5.5	5.9
<b>Total Assets</b>	<b>2,312.8</b>	<b>2,391.8</b>	<b>2,509.7</b>	<b>2,623.5</b>	<b>2,770.0</b>	<b>2,903.3</b>
<b>LIABILITIES</b>						
Borrowings	581.4	615.6	681.3	735.8	828.7	904.8
Employee Benefits	27.1	26.8	28.6	30.7	33.0	35.6
Payables	34.9	30.0	27.1	31.7	30.7	32.7
Unearned Income	30.4	28.5	27.1	25.8	24.4	23.0
Tax Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other	11.0	11.1	11.1	11.1	11.1	11.1
<b>Total Liabilities</b>	<b>684.8</b>	<b>712.0</b>	<b>775.2</b>	<b>835.1</b>	<b>927.9</b>	<b>1007.3</b>
<b>Net Assets</b>	<b>1,628.0</b>	<b>1,679.8</b>	<b>1,734.5</b>	<b>1,788.4</b>	<b>1,842.1</b>	<b>1,896.0</b>
<b>EQUITY</b>						
Retained Earnings	56.1	87.8	122.6	156.4	190.2	224.1
Reserves	24.1	24.1	24.1	24.1	24.1	24.1
Contributed Capital	1,547.8	1,567.8	1,587.8	1,607.8	1,627.8	1,647.8
<b>Total Equity</b>	<b>1,628.0</b>	<b>1,679.8</b>	<b>1,734.5</b>	<b>1,788.4</b>	<b>1,842.1</b>	<b>1,896.0</b>

## Owner Distributions

OWNER DISTRIBUTIONS	FORECAST FY2018-19 (\$M)	FY2019-20 (\$M)	FY2020-21 (\$M)	FY2021-22 (\$M)	FY2022-23 (\$M)	FY2023-24 (\$M)
Loan Guarantee Fees <sup>12</sup>	2.7	0.0	0.0	0.0	0.0	0.0
Income Tax Equivalents <sup>13</sup>	6.8	0.0	0.0	0.0	0.0	0.0
Dividend	10.5	20.0	20.0	20.0	20.0	20.0
<b>Total Distribution</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>

12. Loan Guarantee Fees only applied to 31 December 2018

13. Income Tax Equivalents only applied to 31 December 2018



# Capital Expenditure

## Background

Our capital expenditure program aims to improve our service and environmental outcomes for the benefit of our customers. Over the past few years, we have gathered a large amount of information about the condition and performance of our assets, which has led to a decision to increase investment in our infrastructure to a total of \$1.7 billion over 10 years. We are currently in the third year of the long term financial plan and are on track to deliver on our commitments.

Our revised capital expenditure program includes a commitment to reduce risks associated with a number of our drinking water systems. This is an extension of the previous commitment that saw the removal of Public Health Alerts from townships by August 2018. The latest commitment targets 17 water treatment plants for ultraviolet disinfection or major upgrades. In addition, our program will deliver improvements in effluent compliance, reduce sewerage spills and blockages and the number of unplanned water supply interruptions, as well as lower our dam portfolio public safety risks.

## Capital expenditure overview and prioritisation basis

We are proposing a total capital expenditure of \$936.1 million for the Plan period. The proposed expenditure will allow us to improve customer outcomes by addressing some of our highest priority compliance requirements as well as necessary renewal and growth driven works.

FORECAST 2018-19 (\$M)	FY2019-20 (\$M)	FY2020-21 (\$M)	FY2021-22 (\$M)	FY2022-23 (\$M)	FY2023-24 (\$M)	TOTAL (\$M)
145.1	143.5	182.6	178.4	222.7	208.9	936.1

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

- The Drinking Water Management Plan regulated by the DHHS
- The Wastewater Management Plan regulated by the EPA
- The Dam Safety Management Plan regulated by the DPIPWE.

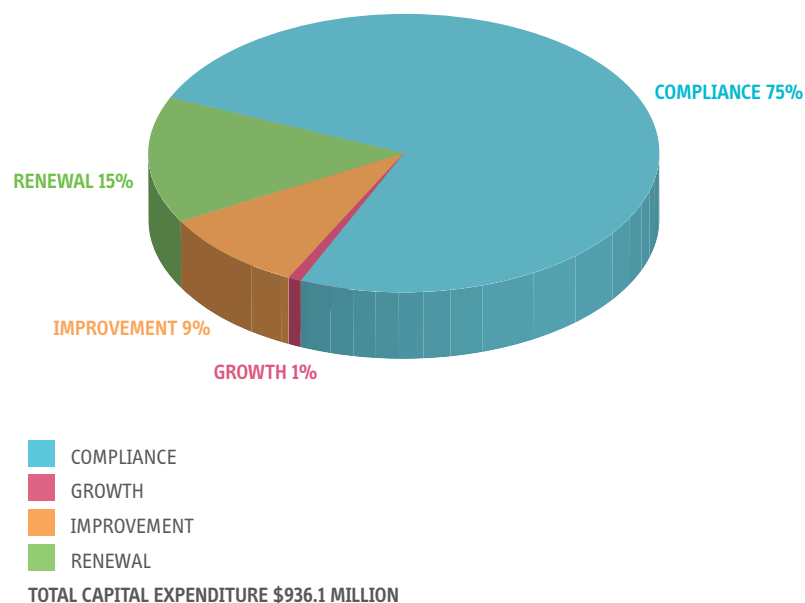
Project prioritisation generally reflects the priority rating assigned to infrastructure assets set out in each of these plans.

Due to the size and complexity of our asset base and the competing priorities for capital investment, we make use of a capital prioritisation process to ensure that projects are funded and delivered in a manner that takes into account our strategic priorities, regulatory obligations, the criticality of each potential investment and the customer impact of potentially deferring the investment.

While our approach to capital investment is highly structured, it also must be flexible enough to allow us to rapidly address unexpected issues that can significantly impact the level of service our customers receive.

As we progress through the remainder of our long term financial plan, our capital works programs will become more heavily weighted towards sewerage to deliver on the promises we have made to our customers and in the longer term address needs for asset rationalisation, water re-use and waste to energy resource opportunities. The chart below highlights that over our Plan's five year period in excess of half of our capital investment will be targeted at addressing improvements to compliance in water assets.

Figure 4. 2020–24 capital program by primary driver



### FY2020–24 capital program by primary driver

Although the majority of our capital expenditure is compliance driven, a portion of this expenditure is also associated with the renewal of assets, growth in the capacity of our systems, and improvement of our assets (including safety). It is important to recognise that we have allocated a project's capital expenditure to its primary driver but realistically it may have more than one driver. For example, expenditure related to the redevelopment of a 50 year old WTP may address a compliance issue, renew the treatment assets and accommodate future growth in capacity. As such, the values in the chart above may not reflect the benefits realised across all four cost drivers. Details of our top 25 planned projects and top 10 planned programs based on value over the plan period are detailed in appendices 2 and 3.

### Externally funded capital expenditure projects

Where possible we seek external funding for projects that are not able to be recovered from our customers. For instance, following public commitment by the State Government for the Macquarie Point Sewage Treatment Plant move, Launceston Combined Drainage System improvement works and the feasibility study into the introduction of sewerage services to Coles Bay, we are working collaboratively with the State Government to secure funding over the Plan period. The total capital expenditure included in the Plan over the Plan period does not assume funding for these projects, or any others that are expected to be externally funded. However the Plan will be amended to reflect the additional capital expenditure as external funding is confirmed.

We will also seek Federal funding with State Government support for other unfunded but important projects such as service introductions to communities that do not currently have access to treated drinking water from our systems, and trade waste funding for industrial customers who are struggling to meet compliance costs. Accessing external funding sources is included within our Financial Sustainability framework which is included as an enabling strategy in Our Strategy (Figure 3).







Appendices

# Appendix 1

## Key Strategic Risks

STRATEGIC RISK TITLE	DESCRIPTION	KEY CONTROLS *	
CUSTOMER & COMMUNITY – Deliver a positive customer experience to you			
Customer, Community and Stakeholder engagement	Inability to effectively engage with, manage and meet expectations of customers, community and stakeholders	<ul style="list-style-type: none"><li>• Key stakeholder engagement – customer groups, regulators, industry groups, Owners’ Representatives and members of State Government</li><li>• Community Engagement Policy &amp; Framework</li></ul>	<ul style="list-style-type: none"><li>• Stakeholder Management Strategy</li><li>• Brand Strategy</li><li>• Operation Control Centre and dedicated Contact Centre</li></ul>
Supply and demand	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>• Demand modelling</li><li>• Business Continuity Plan Individual site and critical asset contingency plans</li><li>• Water Restrictions Policy and guideline</li></ul>	<ul style="list-style-type: none"><li>• Water Supply Security Strategy and implementation plans</li><li>• Water Supply Demand Management Steering Group</li><li>• Growth and Capacity Plans</li></ul>
Business continuity	Inability to respond to incidents and/or maintain business continuity after incidents or major disruption of systems, and/or loss of critical business information	<ul style="list-style-type: none"><li>• Business Continuity Plan</li><li>• Incident and Emergency Management Plan</li><li>• Operation Control Centre</li></ul>	<ul style="list-style-type: none"><li>• Individual site and critical asset contingency plans</li><li>• External emergency services relationships</li><li>• ICT Strategy</li></ul>
Financial sustainability	Inability to fund and meet competing stakeholder demands and expectations	<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 engagements – customer groups, regulators, industry groups, Owners’ Representatives and members of the State Government</li></ul>	<ul style="list-style-type: none"><li>• Annual borrowing approvals through State Treasury and Treasury management policies</li><li>• Long term capital and operating expenditure plans</li></ul>
COMMERCIAL & ECONOMIC – Give you value for money			
Capital program delivery	Inability to supply resources to meet delivery requirements of capital program or program may not deliver the intended business benefits, efficiencies and/or customer outcomes in a timely manner	<ul style="list-style-type: none"><li>• Strategic Asset Management Plan</li><li>• Project Management System</li><li>• Capital management processes, including procurement</li></ul>	<ul style="list-style-type: none"><li>• Asset Management Information System</li><li>• Capital Delivery Office</li></ul>
Fraud or misconduct	A significant fraud or corruption incident, or significant ethical misconduct	<ul style="list-style-type: none"><li>• Corporate Code of Conduct</li><li>• Fraud and corruption control policy</li><li>• Procurement Policy</li><li>• Compliance and performance monitoring procedures</li><li>• Third party audits</li></ul>	<ul style="list-style-type: none"><li>• Privacy and Credit Reporting Policy</li><li>• Conflicts of Interest and Related Party Transactions Policy</li><li>• Gifts and Benefits Policy</li><li>• Ethics training</li></ul>

STRATEGIC RISK TITLE	DESCRIPTION	KEY CONTROLS *	
Regulatory change	Losing the confidence of regulators and/or regulators may impose unrealistic or more onerous requirements	<ul style="list-style-type: none"> <li>• Key stakeholder engagement – customer groups, regulators, industry groups, Owners' Representatives and members of State Government</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance and performance monitoring procedures</li> <li>• Ongoing Regulators Forum linked to PSP4 and future PSPs</li> </ul>
Technology and Data	Technology does not align to, or support future business needs or provide efficient, reliable or secure data management to deliver on identified objectives	<ul style="list-style-type: none"> <li>• ICT Strategy</li> <li>• Data Quality Policy</li> <li>• Information Management Policies</li> </ul>	
<b>WATER &amp; ENVIRONMENT – Provide you with safe drinking water and responsibly manage your sewage</b>			
Water quality/public health	Provision of unsafe drinking water resulting in serious public health incident	<ul style="list-style-type: none"> <li>• Drinking Water Quality Risk Management Plan</li> <li>• Protocol for provision of non-drinking water supplies</li> </ul>	<ul style="list-style-type: none"> <li>• Operations Control Centre</li> <li>• Incident and Emergency Management Plan</li> </ul>
Environmental/third party	Sewage system process/infrastructure failure or business activity causing environmental harm	<ul style="list-style-type: none"> <li>• Operation and Maintenance Manuals</li> <li>• Inspection regimes</li> <li>• Automated monitoring and control systems and Operations Control Centre</li> </ul>	<ul style="list-style-type: none"> <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> </ul>
Critical asset failure	Failure or prolonged disruption of critical asset (including dam failure) due to asset condition, inadequate asset management and/or compromised security of asset.	<ul style="list-style-type: none"> <li>• Dam Safety Emergency Management Plans</li> <li>• Strategic Asset Management Plan</li> <li>• Asset Management Information System Incident and Emergency Management Plan</li> <li>• Operations Control Centre</li> </ul>	<ul style="list-style-type: none"> <li>• Network asset strategies and management plans (in development)</li> <li>• Asset Class strategies and management plans (in development)</li> </ul>
<b>PEOPLE &amp; CULTURE – Build culture and skills for the long term benefit of Tasmania</b>			
Worker and public safety	Injury to worker or member of the public	<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</li> </ul>	<ul style="list-style-type: none"> <li>• Workers Compensation Insurance Policy</li> <li>• Ongoing investments in safety culture and implementation of Health &amp; Safety Plan initiatives</li> </ul>
Organisational culture and talent	Inability to develop an organisational culture or future workforce that can deliver the strategic objectives	<ul style="list-style-type: none"> <li>• Our People Strategy 2018–2023</li> <li>• Leadership development program</li> </ul>	<ul style="list-style-type: none"> <li>• Performance and development agreements</li> <li>• Training and knowledge capture programs</li> </ul>
Conduct Risk	Conduct of employee and/or contractors carrying out core business activities in a manner that is detrimental to the organisation, the individual and/or customer outcomes	<ul style="list-style-type: none"> <li>• Corporate Governance Framework</li> <li>• Procurement Policy and Contract Management Guidelines</li> <li>• Ongoing investment in culture</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints, Enquiries and Dispute Management Policy</li> <li>• Corporate Code of Conduct</li> <li>• Clear policies relating to behaviour and conduct</li> </ul>

\*Key controls for all risks include Senior Management, Board and in a number of cases regulatory oversight in addition to those specifically stated in the table.



## Appendix 2

### FY2020–24 Top 25 Capital Projects

PROJECT TITLE	DRIVER	FY2019–20 (\$M)	FY2020–21 (\$M)	FY2021–22 (\$M)	FY2022–23 (\$M)	FY2023–24 (\$M)	TOTAL
Bryn Estyn Water Treatment Plant Major Upgrade	Compliance	35.9	85.2	80.6	0.0	0.0	<b>201.7</b>
Launceston Sewer Improvement Plan (LSIP)	Compliance	0.0	1.0	14.2	76.5	94.6	<b>186.3</b>
Forth River Water Treatment Plant Major Upgrade	Compliance	8.8	25.5	2.3	0.0	0.0	<b>36.6</b>
Fern Tree Water Treatment Plant Major Upgrade/Replacement	Compliance	0.0	0.0	0.0	2.8	31.2	<b>34.0</b>
Northern Midlands Sewerage Improvement Plan – Longford Sewerage Treatment Plant Upgrade	Compliance	6.1	11.2	6.1	0.0	0.0	<b>23.4</b>
Regional Towns Water Supply Program Stage 4 – Work Package 1 (Bothwell, Dover, St Marys, Oatlands, Coles Bay)	Compliance	5.1	5.1	10.0	0.0	0.0	<b>20.2</b>
Ridgeway Dam Upgrade	Compliance	0.8	2.0	11.7	0.0	0.0	<b>14.5</b>
Lake Mikany Dam Upgrade	Compliance	10.1	4.1	0.0	0.0	0.0	<b>14.2</b>
Leven River Water Treatment Plant Major Upgrade	Compliance	1.8	11.1	0.7	0.0	0.0	<b>13.6</b>
Wynyard Sewer Treatment Plant Upgrade	Compliance	0.0	0.0	0.0	2.3	8.1	<b>10.4</b>
Sorell and Midway Point Sewerage Strategy	Improvement	0.0	0.2	3.1	4.2	2.4	<b>9.9</b>
Pet Dam Upgrade	Compliance	0.5	7.2	1.0	0.0	0.0	<b>8.7</b>
Ultraviolet Disinfection Program Stage 2 – Campbell Town/Ross, Fingal, Queenstown, South Esk, Swansea, Triabunna, Tullah, West Tamar and Zeehan	Compliance	0.0	0.0	0.5	7.1	0.9	<b>8.5</b>
Prospect Vale Sewerage Treatment Plant – Upgrade	Compliance	1.0	7.3	0.0	0.0	0.0	<b>8.3</b>
Ulverstone Optimisation	Compliance	1.0	6.6	0.0	0.0	0.0	<b>7.6</b>
Bicheno STP Recycled Water Scheme Expansion	Compliance	0.2	6.1	0.0	0.0	0.0	<b>6.3</b>

PROJECT TITLE	DRIVER	FY2019-20 (\$M)	FY2020-21 (\$M)	FY2021-22 (\$M)	FY2022-23 (\$M)	FY2023-24 (\$M)	TOTAL
Hendersons Dam Upgrade	Improvement	5.3	0.5	0.0	0.0	0.0	<b>5.8</b>
Port Sorell Reservoir and Water Network Upgrades	Growth	0.0	0.0	4.3	0.0	0.0	<b>4.3</b>
Westbury Sewerage Treatment Plant Upgrade and Reuse	Compliance	3.7	0.3	0.0	0.0	0.0	<b>4.0</b>
Regional Towns Water Supply Program Stage 4 – Work Package 4 (Dowlings Creek/Yolla, Manuka River/Strahan, Glen Huon, Westbury, St Helens, Scottsdale, Bridport, Deloraine, Longford, Bracknell)	Compliance	0.0	0.0	0.5	3.5	0.0	<b>4.0</b>
Smithton Sewer Treatment Plant Upgrade	Compliance	0.0	0.0	0.0	1.2	2.6	<b>3.8</b>
Water Meter Installs	Improvement	0.0	1.0	2.5	0.0	0.0	<b>3.5</b>
Regional Towns Water Supply Program Stage 4 – Work Package 2 & Work Package 3 (Ellendale, Adventure Bay)	Compliance	0.0	0.0	2.7	0.5	0.0	<b>3.2</b>
Geeveston Sewerage Treatment Plant Optimisation and Outfall Upgrade	Compliance	1.5	1.5	0.0	0.0	0.0	<b>3.0</b>
Cygnets Sewerage Outfall Upgrade	Compliance	1.5	1.5	0.0	0.0	0.0	<b>3.0</b>

## Appendix 3

### FY2020–24 Top 10 Capital Programs

PROGRAM TITLE	DRIVER	FY2019–20 (\$M)	FY2020–21 (\$M)	FY2021–22 (\$M)	FY2022–23 (\$M)	FY2023–24 (\$M)	TOTAL
Non-network other	Renewal	4.9	6.5	4.1	4.1	4.1	<b>23.7</b>
Water Main Renewals	Renewal	2.9	3.6	4.3	4.8	2.4	<b>18.0</b>
Sewer Main Renewals	Renewal	2.9	3.2	3.6	4.1	1.8	<b>15.6</b>
Minor Projects Program	Improvement	2.4	3.3	3.3	3.3	3.3	<b>15.6</b>
Sewer Treatment Plant Renewal Program	Renewal	2.9	3.6	3.6	3.4	1.5	<b>15.0</b>
SCADA Program	Improvement	3.3	2.7	2.7	2.5	2.8	<b>14.0</b>
Non-network IT	Improvement	2.3	2.5	2.5	2.5	2.5	<b>12.3</b>
Metering Program	Renewal	2.3	2.5	2.9	2.9	1.1	<b>11.7</b>
Sewerage Pumping Station Renewals	Renewal	1.9	2.2	2.9	3.1	1.3	<b>11.4</b>
Electrical Program	Renewal	1.5	2.2	2.5	2.4	2.6	<b>11.2</b>

Note: The programs identified above contain multiple projects.







GPO Box 1393, Hobart, Tasmania 7001  
169 Main Road Moonah, Tasmania 7009

13 6992  
[enquiries@taswater.com.au](mailto:enquiries@taswater.com.au)