



Corporate Plan 2018/19 to 2022/23



Chair & Managing Director's foreword	4
Introduction	4
Prescribed framework	5
Key themes	5
Section 1: Statement of Corporate Intent	6
WHO are we as a business?	6
'Prescribed' Business	7
'Non-Prescribed' Business	7
Responsibilities as a Delegate or Appointee	7
Customers	8
Stakeholders	9
Internal Organisation Structure – Current State	10
Internal Organisation Structure – Future State	10
WHERE do we operate?	11
WHY do we need to continue to drive change?	12
WHAT are our goals for the future?	13
Purpose	13
Goals	13
Section 2: Corporate Plan	14
HOW will we achieve our goals?	14
Goals	14
Transformation Implementation	15
Outcomes	16
Section 3: Business Plan	18
WHEN will our goals be achieved?	18
Aligning Our Strategic Plan to Government Priorities	18
<i>Water for Victoria</i>	18
<i>Letter of Expectation</i>	18
Priorities affecting Business Plan of initiatives in 2018/19	18
Key Performance Indicators	19
Initiatives to be achieved in 2018/19	20
Risk Assessment	20
Performance	21
Achievements in 2017/18	22
Section 4: Financial Information	24
1. Financial Overview	24
2. Financial Efficiencies	24
3. Financial Risk Management	25
4. Planning Assumptions	26
5. Debt Management	26
6. Structure of Financial Section	27
7. Financial Performance & Sustainability Management	27
a. Measuring Financial Sustainability	27
b. Water Storage & Delivery	28
c. Connections Project	28
d. Factors affecting achievement of targets	29
8. Material Changes from the 2017/18 Corporate Plan	29
9. Corporate Reporting	30
a. General Drivers of Financial Performance & Key Assumptions	31
b. Statement of Financial Performance	32
c. Statement of Financial Position	35
d. Statement of Cash Flows	37
e. Capital Investment Program	37
f. Funding Requirements	40
g. Statutory Financial Performance Ratios	41
10. Water Storage & Delivery Financial Statements	42
11. Connections Project Financial Statements	49
Appendices	52
Appendix A – The Connections Project	52
Appendix B – <i>Water for Victoria</i> : Specific activities to improve performance	54
Appendix C – <i>Letter of Expectation</i> : Performance	56
Appendix D – Operational Risk Assessment	62
Appendix E – Transformation Project Teams and GMW Strategic Initiatives	64
Appendix F – Disclosure Index	66

Introduction

Chair & Managing Director's foreword

Goulburn-Murray Water (GMW) is Australia's largest rural water corporation with more than 21,000 customers across northern Victoria and assets in excess of \$5 billion. We manage 70 per cent of the state's stored water and deliver this resource to customers and communities comprising about a third of the state.

The irrigated agriculture sector in northern Victoria alone generates more than \$6 billion of production value annually and directly supports greater than 10,000 jobs in the Goulburn-Murray Irrigation District (GMID). In addition, we service and supply a diverse range of urban water authorities, catchment management authorities and the Murray Darling Basin Authority.

At GMW we understand the impact our business has on the region's prosperity and sustainability and are focussed on supporting our customers, stakeholders, our communities and the region.

Further, GMW recognises we live in a challenging environment with changing climate and international markets impacting both our customers and our operations. In response to these challenges, we have been working closely with our customers, communities and stakeholders to ensure we make and implement plans that underpin long-term sustainability for all.

The Minister has also expressed a keen interest in ensuring the sustainability of GMW, and appointed a Strategic Advisory Panel (SAP) to assist GMW with focussed, and in some areas accelerated, implementation plans to ensure a strongly viable future following the Connections Project and outcomes of the Murray-Darling Basin Plan. The SAP report was published in February 2018, and provided recommendations in areas as diverse as asset and project management through to customer engagement. Following the

SAP phase, the Minister appointed two independent members, plus the Managing Director, to a Transition Panel to ensure that GMW is supported with specialist advice to transition and transform the business. In her Letter of Expectations of March 2018, the Minister set out a broad range of matters the Board must focus on, including a primary focus to act on the SAP Report and continued focus on affordability for customers.

Whilst the SAP report acknowledged the good efforts to date, it reinforced that GMW needs to continue to take steps to provide certainty to the delivery of affordable prices to customers and a sustainable future for GMW. These activities are termed 'transformation' initiatives.

The recommendations include:

- creating a business structure more closely aligned to our tariff structure and therefore a more transparent cost base for customers
- continuing our work on reducing operating and containing capital costs to ensure prices remain affordable
- continuing our work to better manage our assets into the future and the delivery of capital projects
- implementing a new customer engagement program, designed by GMW, to improve trust in our performance
- improving our reporting framework to explain costs, financial performance and project updates to customers and the Board.

A key finding of the SAP report is that further financial savings are needed to ensure we can continue to deliver reliable and affordable prices for customers, irrigators and water users into the future.

Any revisions to this Corporate Plan as a result of Transformation that are materially different will be advised during 2018/19. Otherwise, the 19/20 version of this Corporate Plan will include the various initiatives arising from the business transformation.

Pending any significant strategic revisions as noted above, the current Corporate Plan captures nine goals and 18 outcomes which broadly represent GMW's long term aspirations and operational objectives. It is designed to make us more agile, more efficient and more aware of the changing nature of water availability and security, water markets and evolving customer needs. It emphasises our role as a partner in encouraging regional investment, development and sustainability.

Many aspects of the Corporate Plan are already underway as we have commenced implementing projects aligned with our goals. These projects, along with major achievements completed or underway in 2017/18, include:

- Delivering in excess of \$100 million in capital works under the Connections Project
- Driving an operational efficiency program now in excess of \$16 million in recurring cost reductions since the previous Corporate Plan toward a target of \$25 million by 2022
- Establishing an assets strategy working group, with membership from our customer base, to ensure our storage and delivery infrastructure remain safe, fit for purpose and deliver optimum outcomes for customers
- Establishing tariff and pricing review working groups, with membership from our customer base, to ensure effective customer engagement occurs on their service priorities (for sound business practice and as required by the Essential Services Commission), to simplify pricing structures, and maintain an immediate pricing regime that is flat or increasing by no more than an average of CPI
- Delivering an annual maintenance program that brings real benefits to our customers through improved flow rates and channel capacity in the gravity irrigation services
- Practicing improved engagement with all customers, stakeholders and communities
- Improving engagement in particular with Aboriginal communities in areas of employment, culture, commercial development and reconciliation

- Promoting diversity, inclusion and skills development of our workforce
- Optimising commercial opportunities in innovation, land use, recreation and more
- Delivering hundreds of capital projects within budget to create a more secure water supply for our customers.

In addition, we're continuing work on priority business undertakings with the Victorian Government to deliver key outcomes under its Water for Victoria plan: delivering safe and cost-effective services in a financially stable way; developing services that minimise environmental impacts and mitigate the effects of climate change.

We've each now been on board in our respective roles as Chair and Managing Director of GMW for well over a year. From both a personal and business perspective, we are proud of GMW's staff, their achievements and believe that GMW is well positioned to meet the challenges ahead.

Chair Jo Anderson and Managing Director Pat Lennon.

Prescribed framework

This Corporate Plan is submitted in accordance with section 247 of the *Water Act 1989* (the Act) and provides information in accordance with the following requirements:

- the *Corporate Planning and Performance Reporting Requirements – Government Business Enterprises* (October 2009) (DTF Requirements) issued by the Department of Treasury and Finance
- the *Victorian Water Industry Corporate Planning and Reporting Guidelines 2018-19* (the Guidelines) issued by the Minister for Water, Lisa Neville (the Minister for Water), dated 8 March 2018
- the *Letter of Expectation* (LOE), dated 8 March 2018 issued by the Minister for Water
- the Victorian Government's climate change adaptation plan *Water for Victoria – Water Plan* (Water for Victoria) issued by the Department of Environment, Land, Water and Planning (DELWP).

For a list of requirements and our compliance in providing that information, see the Disclosure Index at Appendix F.

Key themes

This Corporate Plan updates information provided in our Plan, and sets out targets for the following year. It also provides information relating to the following key themes:

- various operational, strategic and government priorities (including the Strategic Advisory Panel and its recommendations for GMW) affecting the implementation of initiatives
- information on our financial position including our continued efforts to maintain downward pressure on costs and therefore prices for our customers.

This Corporate Plan also addresses key questions about our business and our future, including:

- **WHO** are we as a business?
- **WHERE** do we operate?
- **WHY** do we need to continue to drive change?
- **WHAT** are our goals for the future?
- **HOW** will we achieve our goals?
- **WHEN** will our goals be achieved?

Section 1: Statement of Corporate Intent

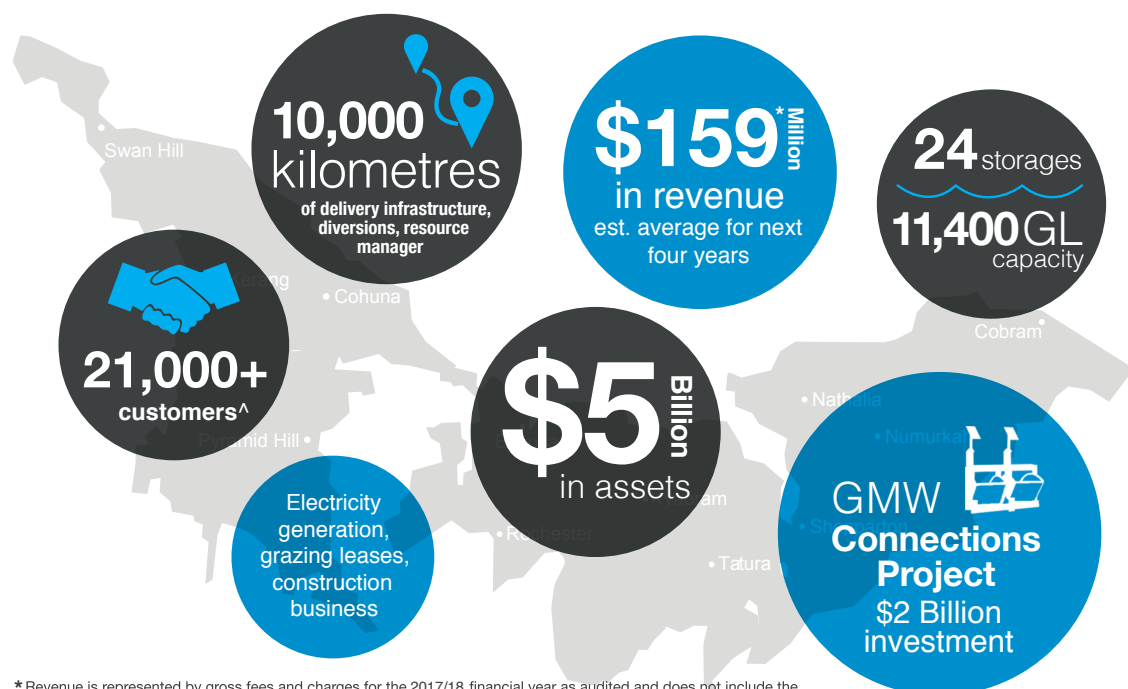
- **WHO** are we as a business?
- **WHERE** do we operate?
- **WHY** do we need to continue to drive change?
- **WHAT** are our goals for the future?

WHO are we as a business?

Goulburn Murray Rural Water Corporation (trading as Goulburn-Murray Water) is a statutory Corporation constituted by Ministerial Order under the provisions of the Water Act.

We are governed by a Board of Directors (the Board) appointed by the Minister for Water. The Board operates under Part 6 of the Act and reports annually to the Minister and the Treasurer. The Board comprises 9 non-executive Directors and a Managing Director. The Minister appoints one of the 9 non-executive Directors to be Chair of the Board.

We are ultimately accountable to the Minister for Water and have functions and powers under the Act to provide, manage and operate an irrigation district (pursuant to section 221 of the Act), a water district (pursuant to section 163 of the Act) and a waterway management district (pursuant to section 189 of the Act).



^{*} Revenue is represented by gross fees and charges for the 2017/18 financial year as audited and does not include the Connections Project. Values have not been adjusted for accounting requirements and do not represent statutory revenue.

[^] The customer segments have been identified using a single customer view methodology that groups customers based on their primary need. For example, if a customer accesses a gravity irrigation service and a domestic and stock service, they are classified as in the irrigation segment if their gravity irrigation charges exceed their domestic and stock charges.

As at 30 June 2018

‘Prescribed’ business

While our prices are regulated under the Commonwealth *Water Charge (Infrastructure) Rules*, our services are prescribed under *Victorian Water Industry Regulatory Order* and include the following services and activities.

Delivering water to our region:

- Store and deliver 70% of the State’s stored water and 50% of underground water supply
- Provide water to our customers within agreed service standards
- Manage customer accounts including fees and charges
- Monitor compliance and appropriate usage of water allocation
- Minister’s delegate for licensing ground water and surface water diversions and private dams.

Monitor the quality of our water:

- Monitor salinity and algae levels for public safety and irrigation use
- Ensure developments (proposed planning applications) do not impact the quality and/or quantity of the water.

Build and maintain infrastructure:

- Build, provide and maintain the infrastructure to support the storage and delivery of water
- Deliver on the State and Commonwealth Government’s commitment to modernise and maintain water delivery infrastructure to improve water efficiency.

Secure our water supply:

- Allocate the agreed supply of water to meet our region’s needs consistent with the direction set in Water for Victoria and the Murray-darling Basin Plan
- Provide water registry services for water trading
- Plan for the future to safeguard and maximise the diminishing water resource

- Support Government policy development and implementation regarding water resource management.

Support strong and vibrant communities:

- Provide feedback to Government on their policy and the impacts on the diverse needs of our community
- Inform and engage the community on water resource management including resource availability, general operations and emergencies including flood safety
- Educate the community in better use of water for improved sustainability
- Facilitate recreational use on and around our rivers, lakes and reservoirs.

Legislative and reporting requirements:

- Compliance with legislative requirements under the Act and other relevant governing legislation
- Meet reporting obligations to Government in accordance with statutory requirements
- Set prices to collect revenue for GMW’s prescribed and non-prescribed services
- Comply with the regulator’s requirements for setting of water prices.

‘Non-Prescribed’ business

At the time of creating GMW, a range of services and assets were vested from the Rural Water Commission to be managed on either a commercial basis or as steward for land within a water catchment. The prices and fees for these services and access rights are not regulated to the degree of the Prescribed services; and generally are market-driven. These services include:

- Lake Eildon houseboat licencing and oversight
- Inland waterways management (for the Minister of Transport)
- Public recreation access
- Caravan park leases
- Facilitate hydroelectricity generation
- Provide construction and operational services for other Government agencies for delivering water (Murray Darling

Basin Authority (MDBA) and Victorian Government)

- Structures and works along waterways and around storage perimeters.

Responsibilities as a Delegate or Appointee

We have responsibilities as a delegate or appointee of the Minister for Water and the Water Registrar pursuant to the Act and the *Murray Darling Basin Act 1993*. Those responsibilities are as follows:

- Delegate of the Minister for Water under the *Water Act 1989* – licensing activities (unregulated streams, groundwater, works on waterways, water use), approval of water share and allocation applications
- Appointment by the Minister for Water under the *Water Act 1989* – storage manager and resource manager for all declared water systems in Northern Victoria
- Appointment by the Minister for Water under the *Murray-Darling Basin Act 1993* – Victoria’s relevant water authority (constructing authority) for the MDBA
- Appointment by the Water Registrar under the *Water Act 1989* – recording of certain water share dealings.

Section 1: Statement of Corporate Intent

Customers

We provide a wide range of services to many customer segments, as follows.

	Primary Service Segment	Example customers	Number of Customers ¹	Revenue (\$m)	% of total Customer base	Average Annual Water Use ²
1	Irrigation	<ul style="list-style-type: none"> Horticulture, dairy, mixed farming 	12,338	\$100m	58%	1,315 GL
2	Domestic and stock	<ul style="list-style-type: none"> Rural residential Mixed farming Intensive animal industries (e.g. piggeries) 	6,513	\$2.8m	30.9%	12.1 GL
3	Environmental watering	<ul style="list-style-type: none"> Commonwealth and State environmental water holders 	2	\$12m	0.01%	649 GL
4	Bulk water for urban and rural water supply	<ul style="list-style-type: none"> Urban water corporations 	12	\$11.2m	0.05%	638 GL
5	Water investment	<ul style="list-style-type: none"> Investment funds Agriculture corporations 	789	\$1.6m	3.7%	6.3 GL
6	Flood protection	<ul style="list-style-type: none"> Protection of land and property in flood protection districts 	35	\$0.01m	0.1%	0.0 GL
7	Recreation	<ul style="list-style-type: none"> Houseboat operators Recreation clubs 	891	\$1.9m	4.2%	0.2 GL
8	Commercial leasing	<ul style="list-style-type: none"> Livestock graziers Forestry corporations Caravan parks 	337	\$2.2m	1.6%	0.5 GL
9	Contract services	<ul style="list-style-type: none"> MDBA Local government and catchment management authorities Commercial contracts 	142	\$19.4m	0.6%	126.8 GL
10	Power generation	<ul style="list-style-type: none"> Hydroelectric power utilities 	18	\$1.5m	0.01%	0.0 GL
Total			21,077	\$153m	100	

1. The customer segments have been identified using a single customer view methodology that groups customers based on their primary need. For example, if a customer accesses a gravity irrigation service and a domestic and stock service, they are classified as in the irrigation segment if their gravity irrigation charges exceed their domestic and stock charges.

2. For the 2015/16 period, as at 30 June 2016.

Stakeholders

We are committed to meaningfully engaging with our diverse and valued stakeholders. We have partnered with the region's leaders through the establishment of a Strategic Advisory Committee. We know engaging with all of our customers, stakeholders and our community will provide us with countless benefits and the business will continue to work hard to achieve these ends.

Given the nature of water as a critical commodity, and the number of individuals and groups it impacts, there are a wide range of stakeholders who have a relationship with or interface with us.

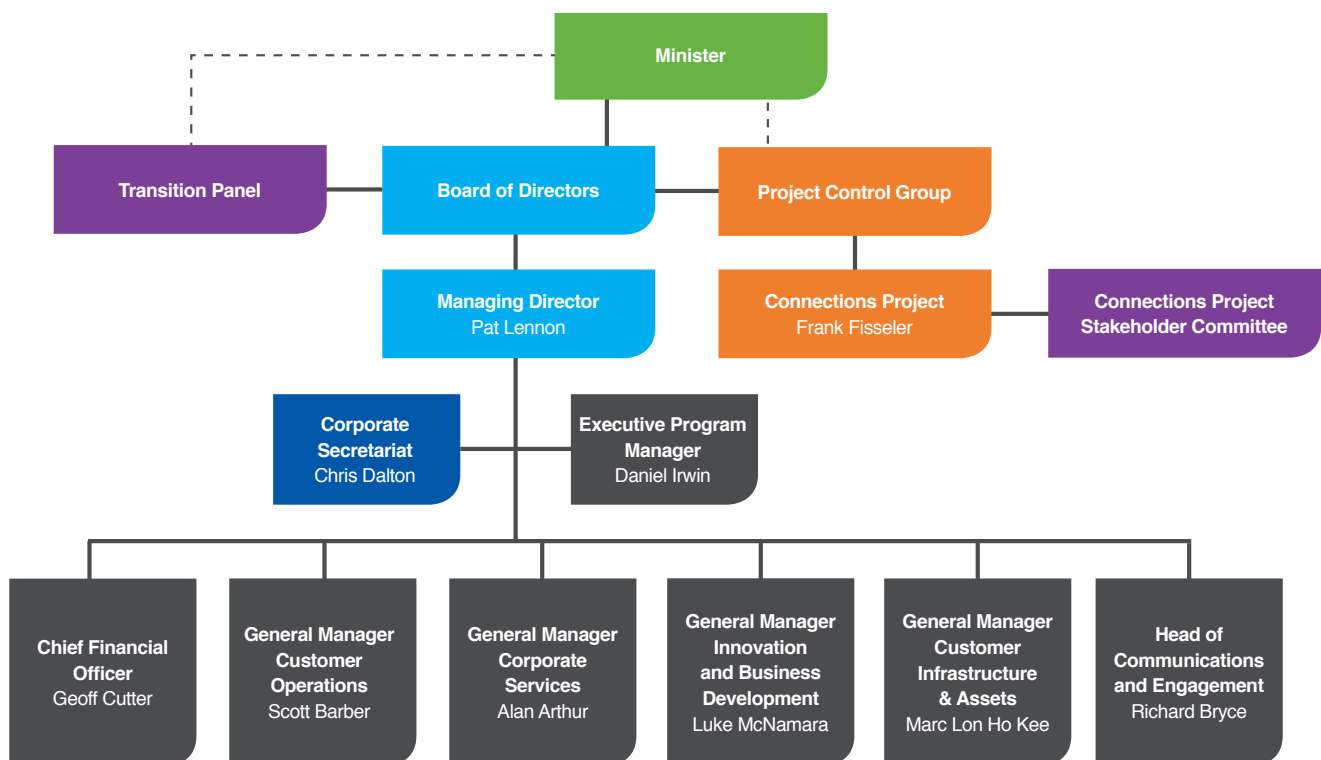
Stakeholder Category	Example customers
Government	<ol style="list-style-type: none"> 1. Commonwealth Government 2. State Government 3. Local Government
Industry representatives	<ol style="list-style-type: none"> 4. Dairy 5. Mixed / cropping farming 6. Horticulture 7. Water Industry 8. Legal Services 9. Mining & Extractive Industry
Catchment Management Authorities	<ol style="list-style-type: none"> 10. All northern Victorian Catchment Management Authorities (4)
Key suppliers	<ol style="list-style-type: none"> 11. Building, Construction and Maintenance
Other utility authorities	<ol style="list-style-type: none"> 12. Energy Authorities (3) 13. Urban Water Authorities (4) 14. Other Water Authorities (9)
GMW committees & other special interest groups	<ol style="list-style-type: none"> 15. GMW Water Services Committees 16. Community & Special Interest Groups 17. Land and Water Management Groups
Water entitlement holders	<ol style="list-style-type: none"> 18. Urban Water Corporations 19. Retail GMW customers 20. Environmental Water Holders 21. Water Allocation Owners
Media	<ol style="list-style-type: none"> 22. Print Media 23. Radio Media 24. Social Media 25. Television Media
Environmental groups	<ol style="list-style-type: none"> 26. Environmental Water Holders (State and Federal) 27. Environmental Peak Bodies
Indigenous groups	<ol style="list-style-type: none"> 28. Northern Victorian Aboriginal Corporations
Academic institutions	<ol style="list-style-type: none"> 29. Universities and TAFE colleges (4) 30. Research Foundation (1) 31. Leadership Groups (2)
Employee organisations	<ol style="list-style-type: none"> 32. Unions

Section 1: Statement of Corporate Intent

Internal Organisation Structure – Current State

The diagram below represents our internal organisation structure as at June 2018.

Whilst staff are divided between functionally separated business units, achieving our goals and outcomes collaboratively is a corporate wide priority. All staff are accountable for contributing to the success of our new Corporate Plan and have measures within their individual work plans to ensure their effective contribution.



Internal Organisation Structure – Future State

From 2018/19 onwards, we will be restructuring our business to form distinct business units to allow for better measurement of our operational performance and target efficiency gains. The restructure will split our prescribed and non-prescribed activities and separate our business into four distinct areas as follows:

- Irrigation;
- Bulk Water;
- Diversions; and
- Non-Prescribed.

Shared corporate and technical services will support each area, with services defined and costed in Service Level Agreements.

These changes will be implemented during 2018 and will be enhanced by 2020 and are consistent with recommendations set out in the SAP report.

WHERE do we operate?

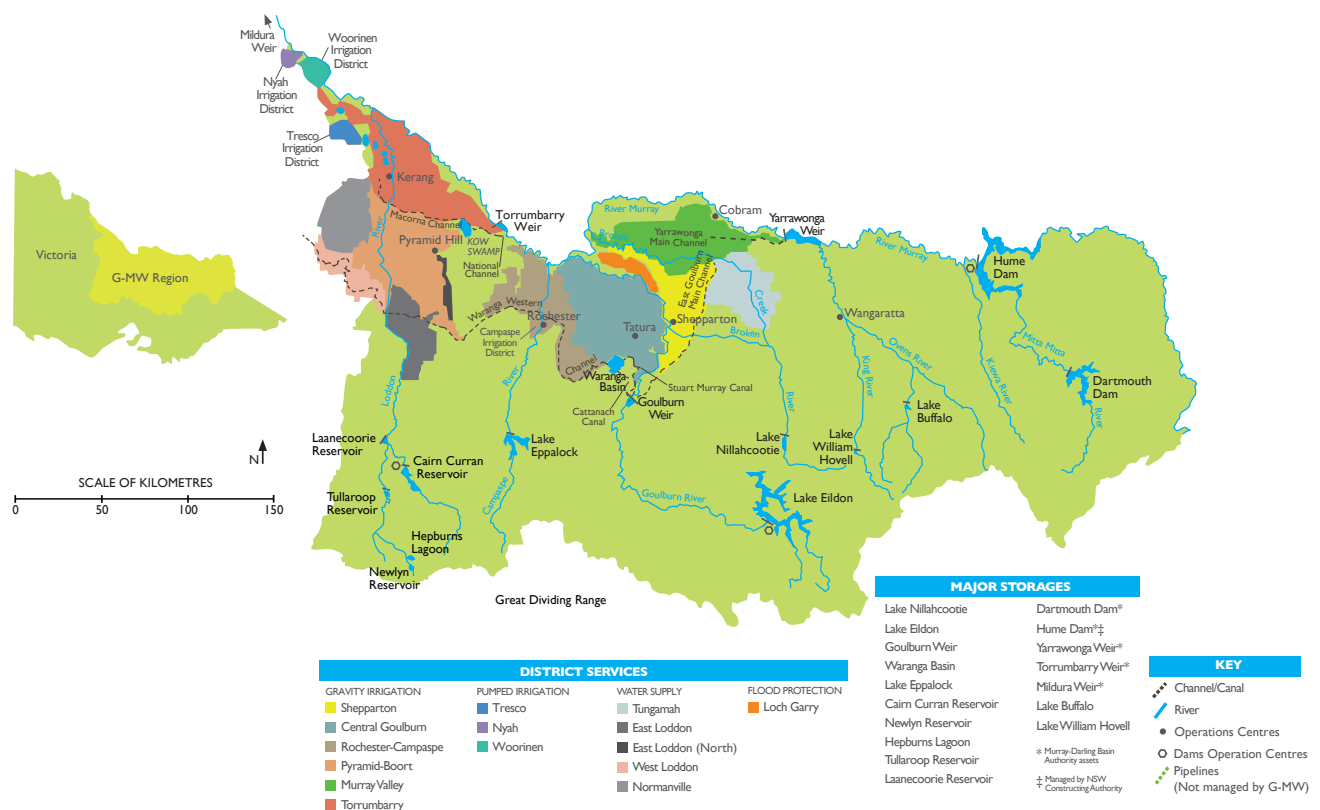
We are Australia's largest rural water corporation and manage Australia's largest irrigation delivery network. We manage approximately 70% of Victoria's stored water resources and 50% of Victoria's underground water supplies.

We manage 24 water storages that can hold approximately 11 million ML of water and also have responsibility for managing more than 100,000 hectares of public land surrounding our storages.

We are also Victoria's largest inland boating authority and manage boating and recreational activities across the majority of our storages.

Our service area covers more than 68,000 square kilometres, or approximately one third of Victoria.

We are bordered by the Great Dividing Range to the South, the River Murray to the North, Corryong in the East, and Nyah in the West.



Section 1: Statement of Corporate Intent

WHY do we need to continue to drive change?

GMW's planning process and the SAP Report have recognised the major challenges ahead for our organisation and the region, and the leading role that we have to play in encouraging regional development. There is a need for our continued productivity improvement and a need to ensure the services our customers require are provided cost effectively, with continued downward pressure on prices.

Some of the reasons we need to continue to drive change include:

Water availability and security

Water supply and demand has changed significantly and will continue to do so. Climate change, increasing environmental requirements, water markets, implementation of the Murray-Darling Basin Plan, increasing urban water consumption and changing usage patterns from key customer groups are impacting the year-to-year availability and demand for water. We must adapt to greater volatility and build flexibility and resilience into our business.

Evolving customer needs

Our customer base is changing both in terms of who they are and how they use water, driven in part by structural and cyclical changes within key sectors. Dairy farmers have faced significant industry challenges while there has been unprecedented investment in horticultural developments in other irrigation districts. Different farm products face different market prices and margins, and thus the cost of receiving irrigated water has varying relative impact on farm sustainability. Likewise, customer who have sold water shares and rely on the temporary market face price variances.

Policies such as the *Murray-Darling Basin Plan* have led to the emergence of environmental water holders as key customers. Increasing use of dams and waterways for recreation is creating new opportunities for communities while presenting a unique set of challenges for organisations such as ours.

Policy

Water for Victoria sets out the State Government's plan for managing water resources in Victoria. The plan responds to important challenges such as climate change and population growth while emphasising the need to make the most of water, including for agriculture, the environment, Traditional Owners and recreation.

We will play an important part in delivering the benefits of *Water for Victoria* by working with our customers, stakeholders and the Government.

Assets

We need to make significant changes to our business and delivery network to ensure we are sustainable in the future. Managing the network to match water delivery requirements is critical to our region's success.

Like many other water utilities in Australia and overseas, we manage a portfolio of aging infrastructure assets ranging from large dams to irrigation delivery and drainage assets. Over the next 25 years many of our assets will reach the end of their design life. Some long life assets such as channel banks, culverts and bridges will be replaced or overhauled for the first time since construction in the early to mid-nineteen hundreds.

Technology and Innovation

Investments in new technology will help us improve the way we deliver services, interact with our customers and equip our people with the right tools to do their job safely and efficiently. There are proven technologies to help us do this and having a clear plan for the future will ensure that we invest in the right technology.

A key ingredient in reaching our goals will be embedding an innovation culture that embraces change and encourages finding new, better ways of doing things.

Transformation

The SAP Report contains recommendations for a number of initiatives and outcomes to be achieved over the short, medium and longer term for us to transform our operations and ensure financial sustainability. Worth noting is that the SAP short term timeframe runs to 2024, while this Corporate Plan runs to 2023; there is an explanation of the financial target differences in Section 4.

The SAP's *Preliminary Transformation Delivery Plan* provides that from 2019/20,

GMW needs to find an additional 10 percent of efficiencies above those that it has already identified to be achieved by 2022, through asset initiatives and operating efficiencies measures. The 10 percent efficiency saving would also need to apply to the capital expenditure program to avoid asset financing costs. This amount would be necessary to reduce the debt level to around \$50 million by 2023/24 as part of downward pressure on customer prices.

At the time of drafting this Plan the additional short term annual savings required is estimated at \$1.4 million in capital and \$4.8 million in total operating costs (operations, maintenance and overheads).

Achieving the level of savings identified in the *Preliminary Transformation Delivery Plan*, in addition to the initiatives and savings we have already identified, will require a significant transformation to the business. This requires us to go beyond 'business as usual' operations and will represent a 'step change' approach.

In order to have the right model to achieve these savings we will transform our governance and business model in relation to the following interlocking elements:

- Customer value proposition: the business model provides the customer with the service that they require to maintain their own business viability
- Financial formula: the model generates value for the organisation through factors such as the revenue model, cost structure and asset replacement, maintenance and operations
- Key resources: the right people, technology and assets are in place
- Key processes: the organisation has the people, technology, services, facilities, equipment and brand to deliver the value proposition to its customers.

Clarity of direction, a strategic management framework and a KPI framework will enable clear accountability for delivery and a comprehensiveness to ensure the foundations are solid. This will enable the organisational structure and systems to be reviewed and aligned.

Successful execution of the above will enable required savings and the success of future initiatives that we undertake.

Appendix E provides actions, priorities and initiatives that we propose to undertake over the period of this Corporate Plan. These actions, priorities and initiatives are defined by:

- *Water for Victoria*
- the SAP Report's recommendations.

WHAT are our goals for the future?

Our Corporate Plan takes into account *Water for Victoria and the Minister's Letter of Expectation* requirements, and has incorporated extensive consultation with customers, stakeholders, staff, and most recently the SAP Report.

In service of our changing environment, we have affirmed our purpose and determined nine aspirational long term goals to deliver

successful outcomes for our region and our future. These goals are the basis of our new Corporate Plan.

Purpose

We support regional growth, contribute to the region's prosperity and by driving costs down, efficiently manage, store and deliver water. We strive to meet the needs of our customers and are a trusted partner to our stakeholders in Government and in the community.

Goals

- Customers and investors have confidence and clarity in our future
- We maximise the benefit of water in our region in a changing climate

- Our services are efficient and reflect customers' needs
- We are trusted
- We are financially secure
- Our staff have a safe, respectful and inspiring workplace
- We contribute to regional growth, resilience and environmental sustainability
- We embrace recreational benefits
- We partner with Traditional Owners to achieve mutually beneficial outcomes.

For further detail on our goals and what success looks like, see page 16.

Water-Customer-Community

Delivering for our region and our future



Customers and investors have confidence and clarity in our future.

We maximise the benefit of water in our region in a changing climate.

Our services are efficient and reflect customers' needs.

We are trusted.

We are financially secure.

Our staff have a safe, respectful and inspiring workplace.

We contribute to regional growth, resilience and environmental sustainability.

We recognise recreational benefits.

We partner with Traditional Owners to achieve mutually beneficial outcomes.

Outcomes

Section 2: Corporate Plan

• **HOW** will we achieve our goals?

HOW will we achieve our goals?

In order to achieve our goals we have designed a layered approach to keep us on track and accountable. Our approach consists of the following framework:

- **Goals:** our vision of what is required to support our successful future
- **Initiatives:** tactical steps to achieving our goals
- **Outcomes:** our measures of success which will be realised upon successful completion of initiatives.

Goals

The information below explains our goals and what success will look like once those goals are achieved.

Goal 1: Customers and investors have confidence and clarity in our future.

Clear plans outlining how GMW will address challenges and make the most of opportunities are important factors in decisions made by our customers and investors. Customers need long term clarity about prices and service levels when making investment decisions, it is important that they can rely on GMW as a business partner in the long term.

Goal 2: We maximise the benefit of water in our region in a changing climate.

As pressure on water resources increases, GMW has an important role in ensuring that water remains secure, accessible and affordable for our customers and other users. Seeking to secure water through system efficiencies, delivering the Connections Project, maintaining sustainable tariff and asset strategies and encouraging adoption of best practise water management will maximise the benefits, and empower our region to adapt to future climate challenges.

Goal 3: Our services are efficient and reflect customers' needs.

GMW's future pricing submissions will be tested against new Essential Services Commission (ESC) pricing requirements. Our pricing submission will demonstrate how our fit for purpose services align to the outcomes that customers are seeking and importantly, how we have engaged with customers to establish optimum price and service level outcomes.

Goal 4: We are trusted.

Improving engagement, delivering outcomes, transparent decision making and following through on our commitments are key elements of being a trusted and reliable partner to our customers, stakeholders and the community.

Goal 5: We are financially secure.

For GMW to be a trusted and reliable partner, we must be financially secure. We will develop a clear plan for managing the costs associated with operating, maintaining and renewing assets, reducing operational costs and tapping into new revenue streams will support GMW's long term viability.

Goal 6: Our staff have a safe, respectful and inspiring workplace.

We are an increasingly sophisticated business and our people are at the core of our ability to deliver. Driving a culture that supports safety, diversity and equal opportunity will help GMW attract, develop and retain the right people for the job.

Goal 7: We contribute to regional growth, resilience and environmental sustainability.

GMW plays an important role in supporting economic growth and resilience in our region. We recognise that vibrant irrigated agriculture and healthy environmental assets are fundamental. GMW will provide proactive leadership in regional partnerships and forums.

Goal 8: We embrace recreational benefits.

Recreational use of storages and waterways is growing, delivering real economic and social benefits while contributing to the health and wellbeing of Victorians. We will work proactively with other government agencies and community groups to ensure that the benefits are maximised and the costs of keeping waterways safe and accessible are distributed fairly without adversely impacting entitlement owners.

Goal 9: We partner with Traditional Owners to achieve mutually beneficial outcomes.

GMW values the ongoing contribution of Traditional Owners to our region. We recognise the important cultural significance that water has and will work closely with Traditional Owners to achieve mutually beneficial economic, environmental and cultural outcomes.

Transformation Implementation

The Transition Panel has established project teams of GMW staff to conduct deeper analysis behind the 30 SAP Report recommendations, and develop the 'chapters' of the Business case to be presented to the Board.

The key objectives of each project team are listed below.

Project Team	Objective
Information Technology	This team will review the technological tools that assist the delivery of the execution, reporting, monitoring, communication and effective implementation of GMW's strategy and its operations to ensure the systems produce relevant business intelligence and data. It will also ensure system integration and reporting to enable efficient and effective decision making.
Asset and Capital Delivery	This team will review GMW's asset management performance and the capital investment framework against benchmark standards and the recent consultant report to develop an action plan to ensure best practice standards are achieved. Relevant lessons learnt from the Connections Project will also be considered for improved asset/capital management practices. GMID footprint and service standards reviews will also be undertaken.
Governance and Structure	This team will recommend a clear, consistent strategic framework to enable management and directors to evaluate performance, determine policies and ensure accountability and compliance. This work will include a review of committees / working groups to ensure effective outcomes are achieved together with an operational business structure that is appropriately resourced, transparent and provides accountability.
Customer and Stakeholder Engagement	This team will review the current GMW engagement strategy and plans to confirm they align and work in conjunction with the transformation plan. This will also include a review of committees, membership and terms of reference. Areas of work will include the customer charter review, customer levels of service and the development of engagement tools to promote opportunities in the GMID.
Finance	This team will be responsible for the operation and updating of the financial model which will inform the magnitude of savings that arise from initiatives throughout the business over the short, medium and long term. In addition, this team's work will include developing relevant reporting for the Business Units, review corporate overheads, the borrowing portfolio, billing and accounts receivable amongst other issues.

There is also a Connections Project liaison team.

Our major role in the region won't reduce; rather, it will grow. We will continue to harvest, manage and deliver 70 per cent of the state's stored water, continue to deliver the \$2 billion upgrade to the single largest irrigation asset in the country and continue to partner with our customers in generating \$11.6 billion in agriculture production. These are proud accomplishments we contribute to every day.

Section 2: Corporate Plan

Outcomes

The Outcomes listed below will be realised as a result of achieving all initiatives.

Outcomes	Initiatives
We have improved engagement	Customer, community and stakeholder engagement model review <ul style="list-style-type: none"> Review our engagement approach Develop an 'Engagement Lens' as a tool to guide GMW's engagement in a structured way Develop options for improved engagement to ensure that we are working effectively with all customer segments, stakeholders and communities Customer Engagement Plan for GMW's next pricing submission.
Water savings secured in the region	Undertake a range of investigations to develop options to maximise confidence to retain and enhance agricultural investment in the area of operations through alignment with the Victorian water entitlement framework, Victoria's commitments and investments toward the Murray-Darling Basin Plan, and the <i>Water for Victoria</i> policy.
Connections Project delivered	Connections Project delivered <ul style="list-style-type: none"> Project delivered, water savings for the environment secured and service benefits realised Connections Project co-contribution opportunities <ul style="list-style-type: none"> Customer service and asset renewal benefits achieved, and increased water savings, through GMW co-funding infrastructure rationalisation and upgrades.
We have a consolidated social responsibility program	Corporate Social Responsibility Program <ul style="list-style-type: none"> Develop initiatives to support our communities, including charities, information and education opportunities and employment opportunities Deliver on GMW's emission reduction pledge.
Our asset strategy balances customer service needs affordability and ownership obligations	GMID Asset Strategy <ul style="list-style-type: none"> Long term GMID asset strategy Optimised customer service and cost outcomes Dam strategy and dam portfolio risk assessment <ul style="list-style-type: none"> Optimised long term asset utilisation and management strategy to meet service objectives and dam safety obligations.
Our policies and practices support viable irrigated agriculture	Delivery share review <ul style="list-style-type: none"> Contribute to the DELWP led review seeking outcomes to benefit the region, irrigated agriculture and GMW financial sustainability.
Service standards balance customer needs and GMW sustainability	Review service arrangements to all customers segments <ul style="list-style-type: none"> Develop service strategies to serve domestic and stock customers and peri-urban areas.
Tariffs balance customer outcomes and GMW sustainability	Tariff and Pricing strategy review <ul style="list-style-type: none"> Develop tariff and pricing options for evaluation and customer consultation in the development for regulated price reviews, particularly for the next regulatory period commencing July 2020.
We have partnerships with Traditional Owners	Aboriginal engagement program <ul style="list-style-type: none"> We will improve our engagement with Aboriginal communities in areas of employment, cultural competency, Aboriginal water, commercial and procurement opportunities and reconciliation.
We have a safe, diverse, inclusive and productive workplace	Diversity and inclusiveness program <ul style="list-style-type: none"> We will actively promote diversity and inclusion in our business Workforce development <ul style="list-style-type: none"> Work Pathways Strategy for our staff through leadership and talent development Work Placement Program to provide work experience to secondary school students including Aboriginal students.

Outcomes	Initiatives
We have achieved efficiencies through innovative capital and operational practices	<p>Capital expenditure innovation program</p> <ul style="list-style-type: none"> Identify innovation opportunities and delivering value for money outcomes Identify and apply national and global best practice <p>Maintenance innovation</p> <ul style="list-style-type: none"> Benchmark GMW's current asset management regime against industry best practice Identify alternative practices and quantify their potential for GMW Implement new asset management techniques to deliver high value outcomes <p>Research program</p> <ul style="list-style-type: none"> Search for technology that may improve our operations, look globally for existing solutions Commercialise select products and services to generate funding.
We have implemented our land strategy	<p>Land parcel strategy</p> <ul style="list-style-type: none"> Realise value from our land assets through leasing opportunities and limited strategic sales Ensure utilisation of land for social or recreational purposes.
We have improved recreational access	<p>Recreation and Land assets strategy</p> <ul style="list-style-type: none"> Programs developed to provide information about recreational opportunities at GMW storages Asset programs to enhance recreational opportunities developed in conjunction with community and stakeholders.
We have new revenue streams	<p>Develop Commercial Opportunities</p> <ul style="list-style-type: none"> Commercial opportunities identified, tested and business cases developed to create new revenue to supplement the finance of operations and maintenance expenditure and to invest in new technology.
We contribute to regional growth	We demonstrate leadership in water matters in regional partnerships and other forums.

Section 3: Business Plan

• **WHEN** will our goals be achieved?

WHEN will our goals be achieved?

The outcomes of this Corporate Plan are expected to be achieved between 2018 through to June 2023, whilst our goals have been designed with a longer term view. During the first year of this Plan, a new business case and implementation plan will be developed arising from the SAP Report and will be considered by the Board. The first substantial year of effect of the transformation activities will be from 2019/20. The five-year financial forecast in Section 4 references the targets currently under way to achieve the Water Plan 4 revenue cap, plus the SAP Report targets to 2024. Beyond the 2018/19 year, the implementation arising from a new Business Case may change elements of those future years.

During the life of this Corporate Plan, both stages 1 and 2 of the Connections Project will be completed. For more information on the Connections Project, see Appendix A.

Aligning Our Strategic Plan to Government Priorities

Water for Victoria

Water for Victoria is the name for the State Water Plan, and outlines the adaptation response to climate change for all Victorian

water services. It sets out seven priority areas for each Victorian water service to improve performance. The priority areas are as follows:

- Climate change;
- Customer and community outcomes;
- Water for Aboriginal cultural, spiritual and economic values;
- Resilient and liveable cities and towns;
- Recognising recreational values;
- Leadership and culture; and
- Financial sustainability.

Appendix B provides information on specific activities we are undertaking to improve performance in each priority area.

Minister's Letter of Expectation

The Minister for Water's new LOE was issued on 8 March 2018 to all Water Corporate Boards of Directors and contains prescribed key performance indicators (KPIs) for each of the priority areas in *Water for Victoria*. Our performance against these KPIs is addressed at Appendix C.

In the LOE to the GMW Board, the Minister set out a broad range of matters the Board must focus on, including a primary focus to act on the SAP Report and continued focus on affordability.

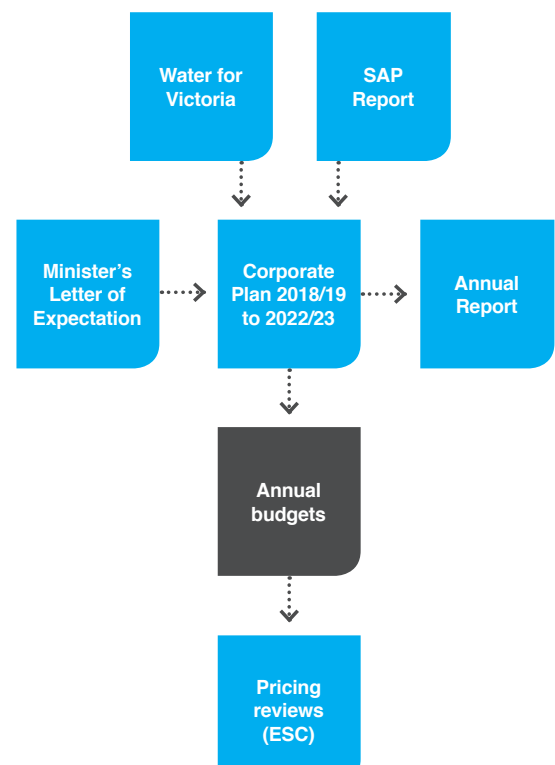
Priorities affecting implementation of initiatives in 2018/19

There are various operational, strategic and government priorities which will impact the delivery of our Corporate Plan from 2018/19.

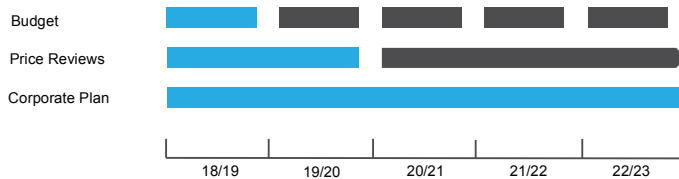
- **New Plan** – 2018/19 marks the commencement of implementation of our new Corporate Plan. Our new

strategy builds upon and strengthens our previous strategic priorities, which are now embedded as core business. The new strategy brings a suite of new initiatives which we are committed to achieving, whilst continuing to drive savings throughout the business.

- **SAP and Transformation** – In October 2017, a Strategic Advisory Panel was appointed by the Minister for Water to support GMW by providing external, independent expertise to review our longer-term challenges to be addressed. The SAP report was published in February 2018 and focuses GMW efforts into activities which will significantly benefit the customers and business in the short and long term. This Corporate Plan provides information on how the SAP recommendations are being integrated into our business over the coming years. The first full-year effect is expected to be from 2019/20.
- **Price Review period** – Whilst the Corporate Plan covers a five year period, our current regulated pricing regime has been approved by the Essential Services Commission for a further two years only, to June 2020. GMW has a form of price control termed a 'revenue cap', which means there is an inherent incentive to continue to reduce costs to remain below the four-year revenue limit.
- **Budget** – Our budget for 2018/19 continues to maintain downward pressure on costs and prices and is in accordance with the regulated price and revenue cap.
- **Water for Victoria** – This Corporate Plan provides an update on the specific activities we are undertaking in order to address the seven priority areas set out in *Water for Victoria*. See Appendix B. These activities complement our implementation plan and are a priority for government.



Relationship and timeline of priorities affecting implementation of initiatives



Key Performance Indicators

Each of the goals within our new Corporate Plan aligns to the priority areas set out in *Water for Victoria* and the KPIs set out in the LOE. The table below shows the relationship between each.

GMW Goals	Water for Victoria Priority Areas	LOE KPIs ¹
Goal 1: Customers and investors have confidence and clarity in our future.	<ul style="list-style-type: none"> Customer and community outcomes 	<ul style="list-style-type: none"> C1: Customer satisfaction C2: Customer and community engagement
Goal 2: We maximise the benefit of water in our region in a changing climate.	<ul style="list-style-type: none"> Climate change 	<ul style="list-style-type: none"> E3: Climate adaptation
Goal 3: Our services are efficient and reflect customers' needs.	<ul style="list-style-type: none"> Customer and community outcomes 	<ul style="list-style-type: none"> C1: Customer satisfaction C2: Customer and community engagement
Goal 4: We are trusted.	<ul style="list-style-type: none"> Customer and community outcomes 	<ul style="list-style-type: none"> C1: Customer satisfaction C2: Customer and community engagement
Goal 5: We are financially secure.	<ul style="list-style-type: none"> Financial sustainability 	<ul style="list-style-type: none"> F1-F8: Financial indicators
Goal 6: Our staff have a safe, respectful and inspiring workplace.	<ul style="list-style-type: none"> Leadership and culture 	<ul style="list-style-type: none"> G1: Diversity and inclusion G2: Board performance review G3: Health and safety
Goal 7: We contribute to regional growth, resilience and environmental sustainability.	<ul style="list-style-type: none"> Climate change Resilient and liveable cities and towns 	<ul style="list-style-type: none"> E2: Emission reductions E3: Climate adaptation L4: Payment management and hardship
Goal 8: We embrace recreational benefits.	<ul style="list-style-type: none"> Recognising recreational values 	<ul style="list-style-type: none"> Rec1: Recreational values
Goal 9: We partner with Traditional Owners to achieve mutually beneficial outcomes.	<ul style="list-style-type: none"> Water for Aboriginal, cultural, spiritual and economic values 	<ul style="list-style-type: none"> AC1: Engagement of Aboriginal communities AC2: Engagement of Traditional Owners AC3: Aboriginal Inclusion Plan/ Reconciliation Action Plan

1. For the full description, measure and definition of each LOE KPI, see Appendix C.

We report on specific activities we are undertaking to improve performance in relation to the *Water for Victoria* priority areas, and our performance in relation to the LOE KPIs, annually, in both our Corporate Plan and Annual Report.

For information on specific activities we are undertaking to improve performance in relation to the *Water for Victoria* priority areas, see Appendix B.

For performance relating to the KPIs set out in the LOE, see Appendix C.

Section 3: Business Plan

Initiatives to be achieved in 2018/19

In determining the initiatives we will undertake throughout 2018/19 and the four following financial years to 2022/23, consideration has been given to the abovementioned government priorities as well as the feedback received from customers and stakeholders during consultation in 2017 on our Strategic Plan.

Further, one of our greatest priorities and challenges is to continue to save money within the business whilst maintaining downward pressure on costs, and therefore prices for our customers. Therefore, careful consideration is given to our Corporate Plan to ensure we undertake initiatives which will provide the highest level of strategic value whilst operating within budget constraints.

Throughout 2018/19 we will be undertaking initiatives that relate to our Corporate Plan and activities to transform the business, consistent with the SAP report. A new Business case and implementation plan will be developed arising from the SAP Report; to be considered by the Board. The first substantial year of effect of the transformation activities will be from 2019/20.

Risk Assessment

To give us the best chance of success in achieving our KPIs, we regularly assess our operational and strategic business activities against our risk management framework. Our framework provides the opportunity to consider positive consequences associated with risks (opportunity compared to risk), and have both risks and opportunities underpin our risk acceptance tolerance. Our latest risk assessment is attached at Appendix D.

Performance

The following KPIs are prescribed by the *Victorian Water Industry Performance Reporting Framework*. For targets relating to the Connections Project, please refer to Section 4, *Financial Information*.

Water Service Performance

KPI Number	Key Performance indicator	Target for 2018/19 (%)
WSR1	Rural water supply deliveries (Number of orders delivered/total number of orders) x 100	Gravity is 93 Pumped is 98
WSR2	Unavailability of Domestic and Stock supply (Duration that domestic and stock service is unavailable in excess of on-property storage requirement/length of water season) x 100	1.5
WSR3	Groundwater supply (Number of transfers processed within target period / total number of transfers processed) x 100	75

KPI Number	Key Performance indicator	Target for 2018/19
CR4	Billing/payment issues complaints Number of complaints per 1000 customers	Target for 2018/19 will be calculated at end of 2017/18 based on rolling five year average.

Environmental Performance

KPI Number	Key Performance indicator	Target for 2018/19
E2	Total net CO2 emissions Net tonnes CO2 equivalent	9,424 tonnes Excludes MDBA emissions.

Financial Performance

KPI Number	Key Performance indicator	Target	Budget 2018/19
F1	Cash Interest Cover Net operating cash flows before net interest and tax/net interest payments	>2.5	3.5
F2	Gearing Ratio (Total Debt (including finance leases)/total assets) x 100	<50%	2.8%
F3	Internal Financing Ratio (Net operating cash flow less dividends/net capital expenditure) x 100	>35%	52%
F4	Current Ratio Current assets/current liabilities (excluding long-term employee provisions and revenue in advance)	Positive	0.6
F5	Return on Assets (Earnings before net interest and tax/average assets) x 100	Positive	-2.0%
F6	Return on Equity (Net profit after tax/average total equity) x 100	Positive	-1.8%
F7	EBITDA Margin (Earnings Before Interest, Tax, Depreciation and Amortisation/total revenue) x 100	Positive	6%
F8	Credit Rating	BBB+ or better	BBB+

1 These two ratios are affected by the regulatory asset base used in pricing, revenue and thus earnings. The RAB is approximately 8% of the full asset base.

Section 3: Business Plan

Achievements in 2017/18

Our 2017/18 Corporate Plan set out a suite of initiatives that we committed to progress throughout 2017/18. The status of each initiative is listed in the table below.

Strategic Initiative	Objective	Status
Customer Experience Improvement Program	To significantly improve the way we deliver services to our customers and enhance their experience when dealing with GMW.	Complete (now business as usual)
Tariff and Pricing Review	A simple tariff which is accountable to customers, able to be understood and explained easily. Noting that 2017/18 will be the second year of the four year regulatory period set by the ESC, and that tariff structures are unable to be changed prior to July 2020.	Ongoing
Connections Program Reset Delivery Plan	This initiative will focus on three key deliverables: <ul style="list-style-type: none"> • Connections Project long term business implications (e.g. whole of life) • Supporting the operational delivery of the Connections Project • The Connections Project Reset. 	Ongoing per Connections Project Reset Plan
Field Workforce Mobility Initiative	Identify and implement solutions which enable our infield workforce to become more mobile and reduce the risks and costs associated with unnecessary travel to and from work sites.	Currently being implemented – to be completed by December 2018.
Water Management System Optimisation	To ensure that the automated delivery and data collection system is able to perform at a level that meets GMW's and customers' needs.	Complete (now business as usual)
Plan for All Dams	Develop a plan for all dams that will assist in future investment decisions and long-term direction.	Ongoing
Water Management System Roadmap	Identify a future desired state for the Water Management System allowing key business decisions to be made in service of that outcome.	Ongoing
Water Delivery Efficiency Project	To understand forecast bulk entitlements and develop an Efficiency Improvement initiative.	Complete
Our People Our Future	To develop a structured capability, succession and performance management framework.	To be completed 30 June 2018
ICT Plan Delivery	To deliver technical capabilities around core systems, business data and reporting automation, systems sustainability and rationalisation.	Complete
Internal Process Optimisation Program	To streamline internal business processes using process optimisation methodologies, maximising the use of technology and automation.	Ongoing
Finance Information Structure Review	Enhance the level of financial information detail for decision making, particularly in the non-prescribed segment (including recreation and land), and increase financial management capability across GMW.	To be completed 31 December 2018

Our 2017/18 Corporate Plan also set out 'priority areas' to focus on to ensure a smooth transition from the previous Fundamental Commitments strategy to our new strategy. The status of each priority area is listed in the table below.

Priority Area	Objective	Status
Improving our Engagement	Ensure we're working with all of our customers segments, stakeholders and communities.	Ongoing
Diversity & Inclusiveness	Create a genuine culture of inclusiveness within GMW, through targeting recruitment, employee welfare and staff retention. Deliver statistical improvement in all key diversity statistics through to 2024. Targets in scope include gender, ATSI, LGBTI+, disabled, multicultural, flexible working, and carers.	Ongoing
Staff Communication Engagement Review	Investigate new options to deliver improved engagement and communications to all GMW staff.	Ongoing
Land Parcel Strategy	Release value from our land assets through leasing opportunities and limited strategic sales. Ensure utilisation of land for social or recreational purposes.	Ongoing
Capital Expenditure Innovation	Achieve improved asset functional outcomes and other 'earned value' from the fixed/planned total value of capital expenditure funding available through fees and approved borrowings.	Ongoing
Maintenance Innovation	Focus primarily on the gravity distribution channel network seeking to reduce our OPEX spend and improve reliability, life and service levels.	Ongoing
Grant and Partnership New Revenue	Look for external grant funds to leverage / support our capital and operation programs.	Ongoing
Controllable Cost Operational Expenditure Target	Achieve \$20 million recurrent cost reduction by end of June 2020 (from the original 2014 base), which has already been built into prices by the ESC through to June 2020. Consistent with the SAP Report, a further stretch target towards 2024 is to be implemented.	Ongoing
Capital Expenditure Target	Value-for-money improvements of \$3m annually, or \$15m across five years by end of June 2022. This means producing more asset functionality or extended asset life for the planned expenditure, rather than a reduction in capital expenditure.	Ongoing
Asset Modelling	Consider enhancements to asset modelling software to better inform GMW's investment profile and prioritise the asset treatments to provide best value solutions. Broaden irrigation asset modelling to drainage and dams assets to further understand the cost challenges from a whole of business perspective. Link asset modelling with a corporate view of the business to better ascertain revenue generation and prices within the regulatory constraints.	Ongoing
GMID Strategy & River Assets	Establish a future vision and footprint for the GMID, Diversions, Pumped Districts, Water Districts and associated river assets. The strategy will include surface and sub-surface drainage infrastructure and consider known and forecast opportunities and threats within the identified areas.	Ongoing
Additional Water Savings	Confirm the potential volume of bulk entitlements conveyance losses that may result in potential new water sources beyond those water savings achieved through the Connections Project.	Ongoing
Water for Victoria Implementation Plan	Activities to improve performance towards the <i>Water for Victoria</i> key priority areas, per Appendix B of this Corporate Plan.	Ongoing

Section 4: Financial Information

GMW's prescribed services of water storage, delivery and related services are regulated by the Essential Services Commission. GMW's revenue has been capped, and pricing has been determined for the period July 2016 through to July 2020 (Water Plan 4). GMW's tariff structure differs from urban water corporations in that the asset base was set by regulation in 2006 to be virtually 0% of the total asset base. It is now around 8%.

1. Financial Overview

This Corporate Plan sets out the operational and financial information relating to the business as a whole and in two discrete segments, Water Storage & Delivery (WS&D) and the Connections Project. The Connections Project is responsible for the delivery of the \$2 billion irrigation modernisation program. GMW's 2018/19 Corporate Plan is the sixth plan following the integration of the Connections Project into GMW on 1 July 2012.

As set out in this Corporate Plan, GMW is continuing to implement its strategic framework, which sets out the direction for the Business over a period of 30 years ending 2047. From a financial perspective this Corporate Plan reflects financial efficiencies that have been achieved to date and further efficiencies which are expected to crystallise from the implementation of this framework. While the SAP Report targets have been included, the late 2018 Business Case to be submitted to the Board by the Transition Panel means there are likely to be changes to the future years' Corporate Plans.

A key factor and outcome for financial management is the price effect for customers. There is more described about price paths below.

2. Financial Efficiencies

GMW is in the process of setting its strategic framework for the next 30 years. The Corporate Plan for 2017/18 included efficiencies to reduce operating costs, with a specific target set in the 2014 Corporate Plan. GMW's 2017/18 Corporate Plan increased the original target from \$20 million by 2020 to \$25 million by June 2022: GMW planned to use the extra \$5 million for asset replenishment to minimise further borrowings and keep pressure down on customer prices.

At June 2018, GMW is at least a year ahead objectives to achieve the Water Plan 4 (by June 2020), and Corporate Plan (June 2022) financial targets. That means more costs have been removed from the business than planned by this stage.

The table below shows the annual recurrent savings achieved against the Water Plan 3 baseline of \$14.7 million as at June 2017. This means the annual value of operating expenditure has been reduced from the 2012/13 baseline by this value.

The 2017/18 Budget introduced some strategic expenditure plans, therefore 'slowing the acceleration' and increasing the gap. The expected 2017/18 forecast expenditure for 2017/18 is \$90.6 million, reducing the cost reduction back to \$13.5 million savings and a gap of \$6.5 million remaining to achieve the \$20 million goal.

The values are also shown in the tables below.

Water Plan 4 \$20m Savings Target by June 2020	Annual Savings¹	GAP to \$20m¹
<i>2013/14 year end savings – actual</i>	<i>\$11.5m</i>	<i>(\$8.5m)</i>
<i>2014/15 year end savings – actual</i>	<i>\$13.3m</i>	<i>(\$6.7m)</i>
<i>2015/16 year end savings – actual</i>	<i>\$10.7m</i>	<i>(\$9.3m)</i>

2016/17 year end savings – actual	\$14.7m	(\$5.3m)
2017/18 forecast savings	\$13.5m	(\$6.5m)
2018/19 Budget savings ²	\$16.5m	(\$3.5m)
2019/20 Target savings	\$20.0m	\$0

Note 1: By the end of the financial year

Note 2: Per Budget target set by the Board in December 2017

The SAP financial modelling accelerated outcomes have been included in the five-year forecast, noting the Panel 'short-term' goal values extend one year beyond this Corporate Plan.

Direct Controllable Operating Expenditure	2017/18 (Q2)	2018/19 Budget	2019/20 Corp Plan	2020/21 Corp Plan	2021/22 Corp Plan	2022/23 Corp Plan	2023/24 SAP
Baseline 2017/18	\$90.6m	\$92.3m	\$94.4m	\$96.6m	\$98.8m	\$101.0m	\$103.3m
Corporate Plan	\$90.6m	\$89.3m	\$83.4m	\$81.2m	\$81.0m	\$77.5m	
Cumulative savings		(\$3.0m)	(\$11.0m)	(\$15.4m)	(\$17.8m)	(\$23.5m)	(\$23.3m)

The SAP recommendations include savings of \$23.5m in the year 2023/24 not shown in the Corporate Plan. The total cumulative savings includes \$17.8m by 2021/22, increasing to \$23.5m by 2022/23, 1 year earlier than the SAP recommendations of \$23.5m by 2023/24.

The extent of future price changes remains dependent on GMW continuing to achieve financial efficiencies and manage financial risk, while noting the large asset infrastructure requires maintenance and replenishment to ensure customer service standards.

3. Financial Risk Management

In accordance with Appendix D, GMW continues to review and monitor financial risk through:

- Quarterly forecasting and annual budget process;
- Monthly financial reporting and variance analysis;
- Ongoing assessment of Connections Project cash balances and liaison with investors in order to ensure there is adequate liquidity and funding available to meet ongoing commitments, and;
- GMW's Financial Reporting Framework including analysis of key financial metrics.

In a number of areas GMW is exposed to potential financial change due to factors such as:

- Managing the variability of water delivery requirements and impact upon variable revenue;

Section 4: Financial Information

- Managing the uncertainty of weather forecast from dry conditions to high water availability and the impact on water delivery costs, operational costs and cashflow;
- Managing industry impacts on customers' ability to pay for services;
- Managing the year to year uncertainty of the externally funded works program;
- Managing the uncertainty in the timing and final scope of the roll out of the Connections Project which is subject to variability, including timing of contractual arrangements with landholders, and;
- Dealing with regulatory and commercial matters which are drivers of GMW revenue and expenditure.

As GMW works to gain certainty around the above areas of change along with development of our initiatives under the strategic framework, GMW expects the financial information presented in this plan to change over the forecast period.

4. Planning Assumptions

We assumed the Goulburn and Murray systems would receive seasonal determinations of 100% of high-reliability water shares throughout the 2016-2020 Water Plan. The assessment was derived from independent modelling that considered likely decreases in water availability under climate change.

Very dry conditions during 2015/16 caused us to downgrade our delivery predictions for revenue calculations. However, very wet conditions occurred during Winter and Spring 2016. While replenishing storages and providing the predicted 100% seasonal determinations, the wet weather meant deliveries for 2016/17 remained lower than expected, consistent with the forecast under dry conditions.


Current 2017/18 deliveries continue to be consistent with projections lower than the modelling for 2016-20. Inflows during the first half of 2017/18 were largely below average, but heavy rainfall in December 2017 added valuable resources. The driest Autumn in many years increased in deliveries to end 2017/18 with a higher-than-average volume delivered. All systems are building reserves for 2018/19 seasonal determinations.

5. Debt Management

GMW monitors debt in accordance with DTF treasury management guidelines and GMW's own treasury policy.

As well as day to day cash flow management procedures followed, GMW regularly reviews its borrowing needs and debt position via the monthly and more detailed quarterly financial report to the Board. GMW maintains discrete borrowings for the Connections Project requirements, as part of the 'financial ring-fencing' required by the Commonwealth.

In addition, a quarterly review of GMW's funding position and cash holdings is performed by TCV and a report prepared for management, the Finance Committee and Board. This review includes consideration of funding strategies, new funding products and interest rate management. In addition to close liaison with TCV, GMW also liaises with DTF and DELWP Finance.



To provide for prudent interest rate and long term liquidity risk management, GMW has an approved strategy to structure the debt portfolio within predetermined maturity timeframes. This ensures an even spread of maturities and that a small proportion of debt is subject to repricing in any one period. Also consistent with GMW's interest rate risk management and debt maturity limits, GMW monitors the debt portfolio of fixed and floating interest rate components in accordance with an approved debt ratio.

In accordance with GMW's treasury policy, GMW incorporates an appropriate buffer in the form of an annual request for a temporary purpose financial accommodation. The amount of the accommodation is based on projected cash flows and the requirement to finance emergency expenditure in the case of a major asset failure.

This Corporate Plan proposes to contain borrowings to current levels, and within operating revenue utilise funds arising from operating cost reductions for either capital expenditure, paying down debt, or providing price benefit.

6. Structure of Financial Section

As set out above the financial information in this section is presented to provide readers with financial information in three key areas:

- Whole of GMW (Consolidating WS&D and Connections Project);
- WS&D financials
- Connections Project financials

7. Financial Performance & Sustainability Management

The achievement of GMW's strategy including delivering services for which pricing outcomes are acceptable to our customers can only be undertaken whilst maintaining financial sustainability. Accordingly financial sustainability is a key focus of the Board and Management.

GMW's Financial Reporting Framework ('Framework') continues to evolve with the changing nature of GMW's operations and continues to adopt a focus on presenting financial information and financial sustainability in a way that supports decision making by Board and Management.

Consistent with the financial information presented in this Corporate Plan, financial sustainability is focused on WS&D and the Connections Project. The Framework continues to underpin stakeholder, Board and Management Reporting.

a) Measuring Financial Sustainability

GMW's financial performance as reported in this Corporate Plan has been determined based on securing GMW's long term financial sustainability. Due to the different operational and financial nature of the WS&D Business compared with the Connections Project, financial sustainability is assessed differently for the two business components.

Financial Statements and performance commentary at a Corporate, WS&D and Connections segment level are provided in the following sections. Corporate metrics are required by MRD-01 and are also presented later in this section, however the combination of operational results (WS&D) with project results (Connections Project) means these consolidated metrics are difficult to interpret and can vary materially year on year.

Section 4: Financial Information

b) Water Storage & Delivery

The performance of this part of the business is based on a series of financial performance metrics covering both short term and longer term performance. These metrics depart from MRD-01 where appropriate to better reflect the commercial and specific aspects of this part of the GMW business.

Performance Measure (WS&D business only)	Target	Commentary
EBITDA	Positive	Positive EBITDA indicates business operations are sustainable.
Operating Cash Flows	Positive	Positive operating cash flows indicate the business generates sufficient revenue to pay its operating expenditure and contribute to the capital program.
Underlying Cash Interest Ratio Cover	2.5 times	Target ratio generates sufficient revenues to cover interest expense at a sustainable level. (GMW adjusts this ratio to exclude operating cash flows associated with revenue attributable to capital contributions).
Internal Financing Ratio	>35%	Target ratio indicates sufficient generation of operating cash flows to fund a portion of capital expenditure. Ensures that debt levels are not increasing unsustainably. (GMW adjusts this ratio to reflect equity contributions that are used to fund GMW's capital program).
RAB Gearing Ratio	<60%	Matches GMW debt with regulatory assets that generate revenue under the regulatory model. 60% gearing is the benchmark level used by the regulator.

The following forecast performance indicators include the GMW response to the Essential Service Commission (ESC) final decision:

Water Storage & Delivery Financial Performance Indicators	Target	2017/18 Forecast	2018/19 Budget	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast
Earnings Before Interest Tax & Amortisation (\$'000s)	Positive	12,309	9,193	20,116	16,205	39,359	41,376
Operating Cash Flows (\$'000s)	Positive	26,834	17,169	24,667	29,568	32,243	37,116
Cash Interest Cover (Underlying)	> 2 x	4.7	3.2	4.0	5.2	5.5	6.4
Internal Financing Ratio	>= 35%	67%	52%	93%	97%	107%	116%
Regulatory Gearing Ratio	<= 60%	38%	40%	35%	33%	30%	27%

As set out above, metrics for the Corporate Plan period are within GMW's sustainable limits. The metrics include revenue and operating expenditure savings based on the ESC final decision on GMW's draft Water Plan 4 pricing submission.

The Internal Financing Ratio is 52% in 2018/19 as a result of timing of the capital program. The metric is within the target range of >=35%.

c) Connections Project

The Connections Project is an externally funded project. The financial sustainability of the Project is assessed based on the ability to deliver the project within the funding, on time and on budget. The future financials included in the Consolidated and Connections sections are based on the

Connections Reset Delivery Plan (RDP) model. RDP consisted of a reforecast undertaken from July 2016, and is currently the formal budget referenced by the State.

Historically the Connections Project has been exposed to cash flow variability due to the nature of the project contractual funding milestone conditions. This largely arose due to the timing of landholder acceptance of connection contracts and landholders subsequently undertaking works to facilitate the connection through on-farm works. GMW has limited ability to influence this timing which resulted in variability of cash flows against forecasts. The Funding Deed signed in 2017/18 changed the funding parameters which reduces the liquidity risk to the Project.

The Connections Project cash holdings at the end of 2017/18 are forecast to be \$237 million which provides a strong base to cover 2018/19 expenditure. Funding is accessible from the investors on a quarterly basis or on an 'as needed' basis as agreed with the Connections Project & DELWP.

Cash management risk is closely managed by the business via the following:

- Strong project and cash flow management of the project;
- Management of contractual arrangements with landholders to manage the timing of cash flows within acceptable customer expectations, and;
- Regular liaison with DELWP and the Department of Treasury and Finance on project status and corresponding funding requirements.

d) Factors affecting achievement of targets

Water Plan 4 includes a reduction in future years' revenue and operating expenditure. The Corporate Plan includes that proposed lower revenue. The planned operating expenditure included in the Corporate Plan, prepared GMW for the possibility of such reduced revenue.

8. Material Changes from the 2017/18 Corporate Plan

Changes in WS&D results for 2018/19 when compared to the 2017/18 Corporate Plan are largely positive from a financial perspective and reflect implementation of strategic initiatives which have had the impact of improving financial performance over the plan period.

As described above the 2018/19 Connections forecast is based upon the reset delivery plan. There is some variability year on year over the comparative years largely reflecting changes in Connections Project phasing and revenue and expenditure recognition from adopting the reset delivery plan.

(i) Profit & Loss

The financial position of GMW for 2018/19 does not change materially at a Net Loss after Tax position compared to last year's Corporate Plan. There is some variability year on year over the comparative years largely reflecting changes in Connections Project as detailed above.

(ii) Operating Cash Flows

Variability in Operating Cash Flows largely reflects the timing of cash funding and expenditure of the Connections Project.

From a Water Storage and Delivery perspective operational cash flows remain positive over the Corporate Plan period supporting the financial sustainability of the business.

Section 4: Financial Information

(iii) Balance Sheet

Assets

GMW's cash balances are lower compared to the previous Corporate Plan reflective of the delivery phasing of the Connections Project.

Non-Current Assets Asset increase in future years due to asset revaluations estimated in 2020/21 and progressive transfers from Connections and an increase in WS&D capital works based on WP4.

Liabilities

The decrease in current liabilities compared to the previous Corporate Plan is due to the winding up of Connections Project.

(iv) Capital Expenditure

Summary of capital expenditure spend 2018/19 vs 2017/18 Corporate Plan is set out below:

Capital Expenditure – Consolidated

Actual figures from Corporate Plans	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	Total \$'000
2018/19 Corporate Plan	169,296	183,640	103,318	30,392	30,101	516,747
2017/18 Corporate Plan	170,742	92,960	72,192	43,553	41,238	420,685
Variance	(1,446)	90,680	31,126	(13,161)	(11,137)	96,062

Capital Expenditure – WS&D

Actual figures from Corporate Plans	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	Total \$'000
2018/19 Corporate Plan	40,295	32,859	26,442	30,392	30,101	160,089
2017/18 Corporate Plan	39,052	31,077	25,198	43,553	41,238	180,118
Variance	1,243	1,782	1,244	(13,161)	(11,137)	(20,029)

Capital Expenditure – Connections Project

Actual figures from Corporate Plans	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	Total \$'000
2018/19 Corporate Plan	129,001	150,781	76,876	0	0	356,658
2017/18 Corporate Plan	131,690	61,883	46,994	0	0	240,567
Variance	(2,689)	88,898	29,882	0	0	116,091

The changes in capital expenditure from the 2017/18 Corporate Plan mainly reflects the timing of project delivery which has been agreed to extend to 2020 from its original 2018.

Refer section 3(e) below for details of GMW's capital expenditure program.

9. Corporate Reporting

The financial statements presented in this Corporate Plan cover the period 2018/19 to 2022/23. It is important to note that the Corporate Plan covers Water Plan 4 (2017/18 to 2019/20) and the first three years of Water Plan 5 (2020/21 to 2022/23). This Corporate Plan period assumes completion of the Connections Project which is due in 2020.

a) General Drivers of Financial Performance & Key Assumptions

This Corporate Plan has been derived using the following key assumptions:

- Variable revenue is based on an assumed volume of 1,200GL for 2018/19 and 1,300GL for subsequent seasons. At the time of drafting the Corporate Plan, the forecast delivery volume for next season (2018/19) is lower than the subsequent seasons due to the current forecast climate conditions. There is a risk range for longer-term forecasts, whereby delivery volumes can be lower due to reduced demand following wetter periods, and likewise prolonged dryer period reducing storage volumes reduces allocations and delivery volumes.
- Inflation rate of 1.9% has been applied to operating costs;
- Regulated revenue for 2018/19 is based on CPI of 1.81% and 2.0% for the remainder of the Corporate Plan period which is consistent with expenditure increases.
- Following the resetting of the development of the Connection Reset Delivery Plan (RDP), the Connections Project inclusive of both Stages 1 and 2 are assumed to finish on time and on budget by October 2020.
- Interest has been calculated using a weighted average interest rate of 5.64.
- Depreciation and amortisation has been calculated based on the fair value of GMW's assets as per the last asset revaluation at 30 June 2016 adjusted for disposals, additions and depreciation.
- Wages have been forecast to increase by up to 3% per annum over the Corporate Plan period. This includes the inflation rates noted above.

Section 4: Financial Information

b) Statement of Financial Performance

Goulburn Murray Water Consolidated Statement of Financial Performance

	2017/18 Forecast	2018/19 Budget	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue From Operating Activities						
Tariff	119,168	120,930	123,080	125,229	127,379	129,927
Government Grants	1,584	300	305	311	316	322
Government Services Contract	3,807	3,200	3,500	2,500	1,000	1,000
MDBA Contract	16,825	18,942	18,014	18,025	17,461	17,503
Connections Project	116,547	132,357	62,072	391	-	-
Other Revenue	10,134	8,232	8,378	8,524	8,670	8,843
Total Revenue	268,065	283,961	215,349	154,980	154,826	157,595
Expenditure From Operating Activities						
Operations	73,919	63,513	58,099	44,665	44,411	45,048
Maintenance	28,729	27,259	26,830	26,392	26,450	26,979
Management & Administration	26,122	26,072	24,649	24,096	24,150	19,556
Government Grants	1,540	361	353	355	355	422
Government Services Contract	2,229	1,660	1,050	1,250	1,000	1,400
MDBA Contract	15,523	17,211	17,075	16,914	16,308	17,465
Connections Project	88,959	119,993	51,971	-	-	-
Environmental Contribution	1,686	2,793	2,793	2,793	2,793	2,849
Asset Disposals	15,000	15,000	40,000	20,000	-	2,500
Total Expenses	253,707	273,862	222,820	136,465	115,467	116,219
% of Revenue	95%	96%	103%	88%	75%	74%
EBITDA	14,358	10,099	(7,471)	18,515	39,359	41,376
% of Revenue	5%	4%	-3%	12%	25%	26%
Statutory Depreciation	103,727	106,194	108,205	108,768	110,635	112,847
Interest	6,874	7,253	8,244	7,066	7,570	7,236
Net Profit (Loss) Before Tax	(96,243)	(103,348)	(123,920)	(97,319)	(78,846)	(78,707)
Tax (Expense)/Benefit	28,873	31,004	28,791	29,196	23,653	23,612
Net Profit (Loss) After Tax	(67,370)	(72,344)	(95,129)	(68,123)	(55,193)	(55,095)

Revenue Highlights

- The regulated tariff structure for GMW includes only a small portion of asset cost. That is the primary reason for a loss in the Net Result.
- Tariff revenue for 2018/19 to 2019/20 is based on the 2016 ESC Decision on GMW's Water Plan 4 pricing submission. There is a 'revenue cap' across the four years of the regulated price period, with an allowance for inflation. Revenue for 2020/21 to 2022/23 is the latest forecast for draft Water Plan 5 using a CPI capped trend.
- Future pricing is affected by ESC final decision which includes a cost savings plan and reduced volumes. There is a section on price paths below.
- Connections Project revenue is based on the reset delivery plan, with total project completion expected early in the 2020/21 financial year.
- Government Services Contract decrease is a result of the phasing of funding in the SLA (Service Level Agreement) with the Goulburn Broken Catchment Management Authority, with the majority of the works to be completed across 2018/19 and 2019/20.
- Interest revenue is based on the latest available Treasury Corporation of Victoria interest rates, and is included in Other Revenue.

Expenditure Highlights

- Expenditure savings have been included based on the ESC 2016 price decision on GMW's Water Plan 4 pricing submission.
- GMW introduced a target in 2013/14 as part of WP3 to reduce controllable expenditure by \$20 million per annum by 2017/18, which was extended and agreed by the ESC to be by June 2020 due to the effect of the Connections Project. The Connections Project reset adjusted an end date for the project of June 2020.
- The ESC has taken our cost plan into the 'revenue cap' to June 2020, meaning there is no discretion to avoid taking actions required to remove costs from the business.
- In February 2018, the Minister released a report by the Strategic Advisory Panel which confirmed GMW's objectives to remove costs from the business, and set targets in three future time periods. The 'short-term' target is to 2024; one year beyond this Corporate Plan. That target for operating expenditure has been included in the Statement of Financial Performance. Likewise, the SAP report recommendation on borrowings has been factored into the financing expenditure arising from (at this stage) containing the growth in borrowings. More actions and implementation plans will be developed during 2018/19 in relation to the SAP targets.
- As described earlier in this Plan, the further years in this five-year Corporate Plan are based on targets which will be substantially achieved through the development of a key business case to transform the business from the current state in 2017/18. Full-year effect of achievement may be occurring earlier than 2022/23, so the material changes and reductions forecast may be occurring earlier. The factors included in such achievement are the extensive consultation with customers about their services, the standards they are willing to receive for price control, and thus the implementation plans to make changes within the GMW business.
- MDBA expenditure is consistent with the works plan and is aligned to the revenue.
- The Connections Project expenditure is based on the Connections Reset Delivery Plan. This results in expenditure being materially higher 2018/19 and then decreasing in the following year (but all fully funded).
- Interest expense has been calculated as noted above.
- Depreciation and amortisation have been calculated as noted above.
- Asset disposals are primarily due to Connections Project activity in rationalising gravity irrigation system assets. Such rationalisation is planned to conclude in the 2020/21 financial year. There is forecast a relatively small amount of further asset rationalisation post-Connections Project.

Price Paths

- The services described in the Customer section of this Plan are reflected in the Tariff and Pricing structure.
- There are price paths across the range of GMW services, and these are regulated by the Essential Services Commission on behalf of the Australian Consumer and Competition Commission. The latter's role in regulating GMW (along with Lower Murray Water's rural services) relates to being located in the Murray-Darling Basin and subject to the *Water Charge (Infrastructure) Rules of the Water Act (Cth)*.
- The ESC's 2016 Decision and each annual price review are published by the ESC on its website.
- GMW's Price Review period is regulated from July 2016 to June 2020. GMW will be submitting a new Price Preview in August 2019 for the period commencing July 2020, and many of the factors outlined in this Corporate Plan will have significant influence.
- The water delivery services are via Australia's largest gravity distribution network (GMID), and via two pumped districts. The former is across the districts of Shepparton, Central

Section 4: Financial Information

Goulburn, Rochester, Loddon Valley, Murray Valley, and Torrumbarry. The latter are Nyah and Tresco.

- Diversion are serviced in water-regulated and unregulated waterways.
- Water supply is provided by pumped and piped services, as well as gravity across five water districts. The former are Normanville, Tungamah, and East Loddon, while the latter are East Loddon (North) and West Loddon.
- Flood protection through Drainage and subsurface drainage networks are provided across Shepparton, Central Goulburn, Rochester, Loddon Valley, Murray Valley, Torrumbarry, Tyntynder, and Woorinen.
- Bulk water and entitlement storage services are provided for the basins of Broken, Goulburn, Campaspe, Loddon, Bullarook, Murray, and Ovens.
- Across the structure of tariffs currently used to recover the costs to service customers, around 90% of the fees payable by customers are fixed and unrelated to the volume of water delivered. Along with many other factors, this tariff structure is actively under review with customers from across the spectrum of services.
- Within that largest asset base and higher water use (the gravity irrigation system)., there are several elements of a customer's bill, depending on the services received and physical connections to the delivery network. Likewise, the significant modernisation being conducted of the GMID via the Connections Project has bill impact for customers changing from the old and cheap Dethridge wheel to a modern remote-controlled meter. The largest single component at present is the Infrastructure Access Fee (IAF), which is aligned on a one-to-one basis with the Delivery Share volume held by the customer. Using ABS data for the average CPI of 2.1% over the past 10 years, the IAF levied by GMW has been 0.2% below that average CPI.
- The recent track record, current actions and further transformation being undertaken by GMW are to control average prices at or below CPI.

c) **Statement of Financial Position**

Goulburn Murray Water
Consolidated Statement of Financial Position

	2017/18 Forecast \$'000	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Current Assets						
Cash	241,127	127,676	32,217	5,000	5,000	5,000
Accounts Receivable	19,867	18,217	15,226	15,131	15,029	14,921
Inventory	2,694	2,552	2,552	2,552	2,552	2,552
Total Current Assets	263,688	148,445	49,995	22,683	22,581	22,473
Non Current Assets						
Infrastructure	4,408,847	4,426,461	4,461,410	4,867,486	4,791,596	4,712,846
Work in Progress	234,903	165,066	38,970	38,970	38,970	38,970
Property, Plant and Equipment	81,729	77,436	72,835	73,154	68,358	63,524
Intangibles	5,906	6,794	6,531	6,761	6,914	7,203
Total Non Current Assets	4,731,384	4,675,757	4,579,746	4,986,371	4,905,838	4,822,543
TOTAL ASSETS	4,995,072	4,824,202	4,629,741	5,009,054	4,928,420	4,845,017
Current Liabilities						
Creditors & Accruals	38,982	38,456	18,619	18,362	18,096	17,821
Borrowings - Current	2,035	2,294	36,793	2,443	10,097	5,260
Employee Entitlements	19,541	18,701	18,741	19,356	20,076	20,823
Unearned Revenue	114,518	47,859	(3,087)	-	-	-
Total Current Liabilities	175,076	107,310	71,066	40,161	48,269	43,904
Non Current Liabilities						
Borrowings - Long Term	107,641	124,276	110,344	125,816	115,810	115,368
Employee Entitlements	2,790	2,318	2,330	2,093	2,172	2,252
Deferred Tax Liability	545,588	514,578	485,796	595,978	572,333	548,730
Total Non Current Liabilities	656,019	641,172	598,470	723,887	690,315	666,350
TOTAL LIABILITIES	831,096	748,482	669,536	764,048	738,584	710,254
NET ASSETS	4,163,978	4,075,720	3,960,205	4,245,006	4,189,836	4,134,763
Equity						
Contributed Capital	2,785,937	2,770,037	2,749,116	2,749,951	2,749,951	2,749,951
Asset Revaluation Reserve	1,596,314	1,596,314	1,596,314	1,949,814	1,949,814	1,949,814
Accumulated Surplus / (Deficit)	(218,273)	(290,631)	(385,225)	(454,759)	(509,929)	(565,002)
TOTAL EQUITY	4,163,978	4,075,720	3,960,205	4,245,006	4,189,836	4,134,763

Key Balance Sheet Highlights

- Decreases in cash holdings and Unearned Revenue across 2018/19 and 2019/20 largely represent the delivery of the Connections Project.

Section 4: Financial Information

- The increase in short term borrowing in 2019/20 reflects the need for temporary bridging finance for the Connections Project due to the timing of the final funding payment which is due in the 2020/21 year.
- Revaluation of infrastructure is expected in the 2020/21 financial year. Higher values are expected.
- Total borrowing increases, notably 2020/21 and 2022/23 reflect part funding of the large capital program. The average trend is flat.
- The Deferred Tax Liability reflects the differences between GMW's accounting and taxation results and is largely driven by differences in depreciation and accumulated tax losses.

d) **Statement of Cash Flows**

**Goulburn Murray Water
Consolidated Statement of Cashflows**

	2017/18 Forecast \$'000	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Cash flows from Operations						
Cash Receipts						
Fixed and Variable Charges	114,297	109,285	110,520	112,450	114,381	116,668
Govt Contributions/Grants	115,685	69,303	13,807	5,898	1,316	1,322
GST received from the ATO	9,438	9,027	7,933	8,273	8,053	7,702
Other Income	42,895	44,202	55,654	41,400	41,140	41,624
Cash flows from Operations	282,314	231,817	187,914	168,021	164,890	167,316
Cash Payments						
Payments to Suppliers & Employees	(250,304)	(268,340)	(187,398)	(143,097)	(119,929)	(117,745)
Interest and Other Costs of Finance Paid	(6,612)	(7,257)	(8,218)	(7,038)	(7,540)	(7,204)
Environmental Contributions	(1,686)	(2,793)	(2,793)	(2,793)	(2,793)	(2,849)
GST paid to the ATO	(2,440)	(2,501)	(2,419)	(2,431)	(2,385)	(2,402)
Total Cash Payments for Operations	(261,041)	(280,892)	(200,828)	(155,359)	(132,647)	(130,200)
Net Cash Inflow/(Outflow) Operations	21,273	(49,075)	(12,914)	12,662	32,243	37,116
Cash flows to Investing Activities						
Payments for Infrastructure Assets	(169,296)	(183,641)	(103,318)	(30,392)	(30,101)	(32,052)
Proceeds from Sale of Assets	584	200	204	207	211	215
Net Cash Inflow/(Outflow) Investment	(168,712)	(183,441)	(103,115)	(30,185)	(29,890)	(31,837)
Cash flows from Financing Activities						
Proceeds from Borrowings (including repayments)	818	16,890	20,570	(18,877)	(2,353)	(5,279)
Net Cash Inflow/(Outflow) Financing	105,445	119,135	20,570	(9,696)	(2,353)	(5,279)
Net Increase/(Decrease) in Cash	(41,994)	(113,381)	(95,459)	(27,219)	-	-
Opening Cash Balance	283,120	241,125	127,677	32,218	5,000	5,000
Closing Cash Balance	241,125	127,677	32,218	5,000	5,000	5,000

Key Cash Flow Highlights

- Movements in Operating Cash Flows between years largely reflect the timing of funding and expenditure for the delivery of the Connections Project. This is notable in 2019/20 with net cash outflows driven by Connections Project outputs and reduced government grant inflows. The Stage 2 Funding Agreement provides significant cash receipts ahead of each winter construction period, thereby providing a material opening cash balance through to 2019/20.
- Underlying Operating Cash Flows for WS&D remain stable over the period.
- Capital expenditure is largely driven by the Connections Project with WS&D core infrastructure renewal stable over the period notwithstanding an increase in the capital program in 2020/21 and 2021/22 coinciding with new Water Plan period.

e) **Capital Investment Program**

Capital Expenditure Program

GMW's capital expenditure program over the period 2018/19 to 2022/23 is budgeted at a total of \$380 million of which \$228 million relates to the Connections Project.

Section 4: Financial Information

Water Storage & Delivery Capital Investment Plan

The development of the capital program is broken into key stages:

1. Program Development

Developing the capital program includes:

- Review of asset management policy and procedures for particular asset types and classes (e.g. channels/drains/fences)
- Review of dam safety inspection records and priorities.
- Consultation with subject matter experts.
- Review of Connections Project works programs and targets to avoid duplicated effort and to remove works from GMW program such as:
 - No work on non-backbone channels;
 - No work on regulators, and;
 - No work on channels targeted for plastic lining.

2. Regulatory Requirements

- Inclusion of projects which must be completed to comply with regulations (OH&S, Safe Water Drinking Act), and;
- Inclusion of projects required to provide assurance that GMW's Statement of Obligations is being met.

3. Risk Review

- All projects are subject to GMW's risk review process.

4. Multi Criteria Analysis

- All projects are reviewed and a score applied with emphasis on the following criteria:
 - Return on Investment;
 - Asset Intervention Strategy (based on Asset Criticality Score i.e. risk to business is being dealt with appropriately);
 - Strategic Alignment, and;
 - Project Maturity

5. Project Delivery Review

- Significant projects are specifically reviewed from an implementation perspective to consider potential project timelines and delivery. This provides assurance that budget provisions are correctly staged and assigned.

6. Governance

The GMW Capital Plan has been prepared in accordance with the ESC WP4 final determination. Within the regulatory period the Board approves the annual capital plan and longer term capital plan as part of the annual budget cycle. A capital investment decision framework is being revised in accordance with the SAP Report.

Connections Project - Capital Expenditure

Connections Project capital expenditure is forecast in line with RDP as discussed above.

Goulburn- Murray Water Consolidated Capital Expenditure Forecast 2017/18 to 2022/23 Nominal dollars

	Project Total \$'000s	Forecast 2017/18 \$'000s	Budget 2018/19 \$'000s	Forecast 2019/20 \$'000s	Forecast 2020/21 \$'000s	Forecast 2021/22 \$'000s	Forecast 2022/23 \$'000s
Wholesale (Water Storage & Delivery)							
Buffalo - Dam Improvement Embankment Works*	11,457			785	3,854	6,818	
Projects Less than \$5M	40,094	7,711	8,573	4,885	6,187	3,637	9,101
Total Wholesale (Water Storage & Delivery)	51,551	7,711	8,573	5,670	10,041	10,455	9,101
Retail (Water Storage & Delivery)							
Projects Less than \$5M	140,590	32,584	24,286	20,772	20,351	19,646	22,951
Total Retail (Water Storage & Delivery)	140,590	32,584	24,286	20,772	20,351	19,646	22,951
Total Water Storage & Delivery	192,141	40,295	32,859	26,442	30,392	30,101	32,052
Connections Project*	356,658	129,001	150,781	76,876			
Total G-MW	548,799	169,296	183,640	103,318	30,392	30,101	32,052

*Projects incurring expenditure in future years with forecast totals above \$5m

In relation to WS&D the table above is sourced from the detailed capital asset plan. Only individual projects with a budgeted/forecast spend in excess of \$5 million have been listed.

Major Projects – Water Storage & Delivery

Lake Buffalo – Dam Spillway Works

Driver: Dam Safety
Outcomes: Reduced risk
Date: To be completed by 2022
Cost: \$11.5 million (program cost over Plan period)
 Lake Buffalo requires a spillway flood capacity upgrade to mitigate dam safety risks, consistent with the requirements of the Statement of Obligations.

Other Capital Expenditure

Capital expenditure over the planning period will see a continued commitment to programmes that complement the modernised irrigation program, the dam improvement program, renewal of infrastructure and ongoing commitment to modernising corporate systems. These programs include:

Backbone - Linear Programme

Driver: Replacement at end of life & Reduce maintenance costs
Outcomes: Maintain Customer Service & Reduces Whole of Life Costs
Date: Ongoing
Cost: \$38.6 million (programme cost over Plan period)
 The externally funded Connections project will not upgrade all of the 'backbone'. There are stretches of major channels where expenditure is required to ensure a

Section 4: Financial Information

consistent level of service. The Linear Program consists of four components; channel remodelling, rock armouring to prevent channel fretting and extend channel bank useful lives, the development of access tracks for on-going maintenance and fencing to prevent further damage to channels caused by livestock, one of the greatest contributors to channel deterioration.

Backbone – Structure Program

Driver: Renewal of existing assets

Outcomes: Replacement of existing structures

Date: Ongoing

Cost: \$32.8 million (program cost over Plan period)

As part of the irrigation and drainage network there are a substantial number of structures. For example occupational crossings are constructed over channels to enable customers to access their land along with road crossings to provide public access over channels and drains. Subways and syphons are also constructed to allow drainage water to cross supply channels. Replacement of structures that have reached the end of their serviceable life is required on an ongoing basis throughout the GMID. Prior to replacement each asset and site is considered for potential rationalisation or reconfiguration of access.

f) Funding Requirements

Based on forecast cash flows, GMW expects to seek approvals based on the following long term debt levels over this Corporate Plan:

Borrowings Table	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Water Storage & Delivery	818	16,890	1,076	617	(2,353)	(5,279)
Connections Project	0	0	19,494	(19,494)	0	0
Total	818	16,890	20,570	(18,877)	(2,353)	(5,279)

GMW's debt levels over the Corporate Plan period have decreased compared with the previous Corporate Plan reflecting strong operational performance by WS&D including delivery of cost savings in both operating and capital expenditure.

GMW's debt levels reflect:

- 'Bridging' funding in 2019/20 to manage cash flow timing of the final Connections Project funding payments which are due in 2020/21.
- Increasing WS&D debt consistent with the regulatory environment under which GMW operates which requires GMW to debt fund a portion of its capital expenditure which is recovered over time through pricing.

The funding of the Connections Project is 'ring-fenced' and is separate from the borrowings required for the WS&D business.

g) Statutory Financial Performance Ratios

Target	Consolidated Financial Performance Ratios	2017/18 Forecast	2018/19 Budget	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast
2.5x	Cash Interest Cover (MRD01) <i>Net Operating cash flows before net interest and tax / net interest payments</i>	4.2	-5.8	-0.6	2.8	5.3	6.2
<50%	Gearing Ratio (debt to assets) <i>Total Debt (including finance leases) / Total Assets</i>	2.2%	2.6%	3.2%	2.6%	2.6%	2.5%
>35%	Internal Financing Ratio <i>Net operating cash flow less dividends/ net capital expenditure</i>	13%	-27%	-13%	42%	108%	117%
positive	Current ratio <i>Current assets / current liabilities (excluding revenue in advance)</i>	4.4	2.5	0.7	0.6	0.5	0.5
positive	Return on Assets (statutory) <i>Earnings Before net Interest and Tax/Average Assets</i>	-1.8%	-2.0%	-2.4%	-1.9%	-1.4%	-1.5%
positive	Return On Equity <i>Net Profit After Tax / Average Total Equity</i>	-1.6%	-1.8%	-2.4%	-1.7%	-1.3%	-1.3%
positive	EBITDA Margin <i>Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue</i>	5.4%	3.6%	-3.5%	11.9%	25.4%	26.3%
<60%	Regulatory Gearing Ratio <i>Total Debt less Cash Assets / Total Regulatory Assets</i>	38.1%	40.1%	35.3%	32.5%	29.6%	26.8%

The Return on Assets and Return on Equity ratios are both affected by the regulatory pricing including only 8% of the asset base in setting revenue. The timing of cash received to fund the Connections project impacts the Cash Interest cover and Internal Financing ratio. As is clear from the 'Water Storage and Delivery' underlying business ratios reported below, all other measures are favourable compared to the targets set by the Minister.

Section 4: Financial Information

10. Water Storage & Delivery Financial Statements

Water Storage & Delivery Statement of Financial Performance						
	2017/18 Forecast \$'000	2018/19 Budget \$'000	2019/20 Budget \$'000	2020/21 Budget \$'000	2021/22 Budget \$'000	2022/23 Budget \$'000
Revenue From Operating Activities						
Tariff	119,168	120,930	123,080	125,229	127,379	129,927
Government Grants	1,584	300	305	311	316	322
Government Services Contract	3,807	3,200	3,500	2,500	1,000	1,000
MDBA Contract	16,825	18,942	18,014	18,025	17,461	17,503
Connections Project	2,790	2,092	27,432	-	-	-
Other Revenue	10,134	8,232	8,378	8,524	8,670	8,843
Total Revenue	154,308	153,696	180,709	154,589	154,826	157,595
Expenditure From Operating Activities						
Direct Controllable Expenditure						
Operations	35,781	37,203	33,233	31,980	31,716	32,340
Maintenance	28,729	27,259	26,830	26,392	26,450	26,979
Management & Administration	23,906	21,757	22,856	22,281	22,312	17,692
Strategic Initiatives	2,160	3,045	500	500	500	500
Total Direct Controllable Expenditure	90,576	89,264	83,419	81,153	80,978	77,511
Savings \$m						
Operating expenditure baseline	90.6	89.3	83.4	81.2	81.0	77.5
expenditure savings year to year reduction		1.3	5.8	2.3	0.2	3.5
baseline Inflation absorbed year to year		1.7	2.1	2.2	2.2	2.2
cumulative real savings		3.0	11.0	15.4	17.8	23.5
Non Controllable Expenditure						
Operations	12,495	14,917	12,675	12,685	12,695	12,708
Maintenance	-	-	-	-	-	-
Management & Administration	56	1,270	1,292	1,315	1,338	1,364
Government Grants	1,540	361	353	355	355	422
Government Services Contract	2,229	1,660	1,050	1,250	1,000	1,400
MDBA Contract	15,523	17,211	17,075	16,914	16,308	17,465
Connections Project	2,894	2,027	1,934	1,919	-	-
Environmental Contribution	1,686	2,793	2,793	2,793	2,793	2,849
Asset Disposals	15,000	15,000	40,000	20,000	-	2,500
Total Non Controllable Expenditure	51,423	55,239	77,172	57,231	34,489	38,708
Total Expenses	141,999	144,503	160,591	138,384	115,467	116,219
% of Revenue	92%	94%	89%	90%	75%	74%
EBITDA	12,309	9,193	20,118	16,205	39,359	41,376
% of Revenue	8%	6%	11%	10%	25%	26%
Statutory Depreciation	102,646	105,033	106,900	108,768	110,635	112,847
Interest	6,874	7,253	7,724	7,066	7,570	7,236
Net Profit (Loss) Before Tax	(97,211)	(103,093)	(94,506)	(99,629)	(78,846)	(78,707)
Tax (Expense)/Benefit	33,876	30,932	28,353	29,889	23,653	23,612
Net Profit (Loss) After Tax	(63,335)	(72,161)	(66,153)	(69,739)	(55,194)	(55,095)
Direct Controllable Savings \$'m	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Baseline (WP3) nominal 2013/14	104.1	105.8	107.9	110.1	112.3	114.5
Savings from 2013/14	13.5	16.5	21.9	26.4	28.7	35.9
Baseline from 2017/18	90.6	92.3	94.4	96.6	98.8	101.0
Original Corporate Plan	90.6	89.3	86.0	83.7	83.6	78.6
Pre SAP savings target		3.0	8.4	12.9	15.2	22.4
2018/19 Corporate Plan Baseline	90.6	89.3	83.4	81.2	81.0	77.5
Corporate Plan savings		3.0	11.0	15.4	17.8	23.5
Savings from WP3 baseline	13.5	16.5	24.5	28.9	31.3	37.0

Water Storage & Delivery
Statement of Financial Position

	2017/18 Forecast \$'000	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Current Assets						
Cash	4,165	5,495	5,000	5,000	5,000	5,000
Accounts Receivable	16,759	15,109	15,226	15,131	15,029	14,921
Inventory	2,694	2,552	2,552	2,552	2,552	2,552
Total Current Assets	23,618	23,156	22,778	22,683	22,581	22,473
Non Current Assets						
Infrastructure	4,408,847	4,426,461	4,461,410	4,867,486	4,791,596	4,712,846
Work in Progress	38,970	38,970	38,970	38,970	38,970	38,970
Property, Plant and Equipment	80,525	76,949	72,835	73,154	68,358	63,524
Intangibles	5,120	6,222	6,531	6,761	6,914	7,203
Total Non Current Assets	4,533,462	4,548,602	4,579,746	4,986,371	4,905,838	4,822,543
TOTAL ASSETS	4,557,080	4,571,758	4,602,524	5,009,054	4,928,419	4,845,016
Current Liabilities						
Creditors & Accruals	19,186	18,660	18,619	18,362	18,096	17,821
Borrowings - Current	2,035	2,291	17,299	2,443	10,097	5,260
Employee Entitlements	19,367	18,625	18,662	19,356	20,076	20,823
Total Current Liabilities	40,588	39,576	54,580	40,161	48,269	43,904
Non Current Liabilities						
Borrowings - Long Term	107,641	124,276	110,344	125,816	115,810	115,368
Employee Entitlements	2,094	2,014	2,018	2,093	2,171	2,252
Deferred Tax Liability	533,635	502,702	474,358	595,978	572,333	548,730
Total Non Current Liabilities	643,370	628,992	586,720	723,887	690,314	666,350
TOTAL LIABILITIES	683,958	668,568	641,300	764,048	738,583	710,254
NET ASSETS	3,873,122	3,903,190	3,961,224	4,245,006	4,189,836	4,134,762
Equity						
Contributed Capital	2,523,532	2,625,777	2,749,951	2,749,951	2,749,951	2,749,951
Asset Revaluation Reserve	1,596,314	1,596,314	1,596,314	1,949,814	1,949,814	1,949,814
Accumulated Surplus / (Deficit)	(246,724)	(318,901)	(385,041)	(454,759)	(509,929)	(565,003)
TOTAL EQUITY	3,873,122	3,903,190	3,961,224	4,245,006	4,189,836	4,134,762

Section 4: Financial Information

Water Storage & Delivery Statement of Cashflows

	2017/18 Forecast \$'000	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Cash flows from Operations						
Cash Receipts						
Fixed and Variable Charges	114,297	109,284	110,519	112,451	114,381	116,668
Govt Contributions/Grants	7,705	5,592	3,807	2,811	1,316	1,322
GST received from the ATO	9,438	9,027	7,933	8,273	8,053	7,702
Other Income	40,884	42,771	41,009	41,390	41,140	41,624
Cash flows from Operations	172,324	166,674	163,268	164,925	164,890	167,316
Cash Payments						
Payments to Suppliers & Employees	(134,752)	(136,954)	(125,691)	(123,095)	(119,929)	(117,745)
Interest and Other Costs of Finance Paid	(6,612)	(7,257)	(7,698)	(7,038)	(7,540)	(7,204)
Environmental Contributions	(1,686)	(2,793)	(2,793)	(2,793)	(2,793)	(2,849)
GST paid to the ATO	(2,440)	(2,501)	(2,419)	(2,431)	(2,385)	(2,402)
Total Cash Payments for Operations	(145,490)	(149,505)	(138,601)	(135,357)	(132,647)	(130,200)
Net Cash Inflow/(Outflow) Operations	26,834	17,169	24,667	29,568	32,243	37,116
Cash flows to Investing Activities						
Payments for Infrastructure Assets	(40,295)	(32,860)	(26,442)	(30,392)	(30,101)	(32,052)
Proceeds from Sale of Assets	584	200	204	207	211	215
Net Cash Inflow/(Outflow) Investment	(39,711)	(32,660)	(26,238)	(30,185)	(29,890)	(31,837)
Cash flows from Financing Activities						
Proceeds from Borrowings (including repayments)	818	16,890	1,076	617	(2,353)	(5,279)
Net Cash Inflow/(Outflow) Financing	818	16,890	1,076	617	(2,353)	(5,279)
Net Increase/(Decrease) in Cash	(12,059)	1,399	(495)	-	-	-
Opening Cash Balance	16,224	4,165	5,495	5,000	5,000	5,000
Closing Cash Balance	4,165	5,495	5,000	5,000	5,000	5,000

**Water Storage & Delivery
Financial Performance Ratios**

Target	Water Storage and Delivery	2017/18 Forecast	2018/19 Budget	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast
2.5x	Cash Interest Cover (MRD01) <i>Net Operating cash flows before net interest and tax / net interest payments</i>	5.2	3.5	4.3	5.4	5.5	6.4
<50%	Gearing Ratio (debt to assets) <i>Total Debt (including finance leases) / Total Assets</i>	2.4%	2.8%	2.8%	2.6%	2.6%	2.5%
>35%	Internal Financing Ratio <i>Net operating cash flow less dividends/ net capital expenditure</i>	67%	52%	93%	97%	107%	116%
positive	Current ratio <i>Current assets / current liabilities (excluding revenue in advance)</i>	0.6	0.6	0.4	0.6	0.5	0.5
positive	Return on Assets (statutory) <i>Earnings Before net Interest and Tax/Average Assets</i>	-2.0%	-2.1%	-1.9%	-1.9%	-1.4%	-1.5%
positive	Return On Equity <i>Net Profit After Tax / Average Total Equity</i>	-1.8%	-1.9%	-1.7%	-1.7%	-1.3%	-1.3%
positive	EBITDA Margin <i>Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue</i>	8.0%	6.0%	11.1%	10.5%	25.4%	26.3%
<60%	Regulatory Gearing Ratio <i>Total Debt less Cash Assets / Total Regulatory Assets</i>	38.1%	40.1%	35.3%	32.5%	29.6%	26.8%

The Return on Assets and Return on Equity ratios are both affected by the regulatory pricing including only 8% of the asset base in setting revenue. All other measures are favourable compared to the targets set by the Minister

Section 4: Financial Information

Water Storage & Delivery Statement of Financial Performance - Quarterly

	2018/19 Quarter 1 Budget \$'000	2018/19 Quarter 2 Budget \$'000	2018/19 Quarter 3 Budget \$'000	2018/19 Quarter 4 Budget \$'000	2018/19 Total Budget \$'000
Revenue From Operating Activities					
Tariff	30,232	30,232	30,232	30,232	120,930
Government Grants	75	75	75	75	300
Government Services Contract	793	800	772	836	3,200
MDBA Contract	4,617	4,553	4,794	4,979	18,942
Connections Project	504	549	490	549	2,092
Other Revenue	1,548	1,588	1,945	3,151	8,232
Total Revenue	37,769	37,797	38,308	39,822	153,696
Expenditure From Operating Activities					
Operations	14,664	12,476	12,347	12,634	52,120
Maintenance	6,780	6,607	6,471	7,401	27,259
Management & Administration	6,166	6,552	6,795	6,558	26,072
Government Grants	89	90	85	97	361
Government Services Contract	411	415	401	433	1,660
MDBA Contract	4,183	4,126	4,351	4,552	17,211
Connections Project	488	533	474	532	2,027
Environmental Contribution	698	698	698	698	2,793
Asset Disposals	3,750	3,750	3,750	3,750	15,000
Total Expenses	37,229	35,246	35,373	36,655	144,503
% of Revenue	99%	93%	92%	92%	94%
EBITDA	540	2,551	2,935	3,167	9,193
% of Revenue	1%	7%	8%	8%	6%
Statutory Depreciation	26,130	26,368	25,810	26,725	105,033
Interest	1,813	1,813	1,813	1,813	7,253
Net Profit (Loss) Before Tax	(27,404)	(25,630)	(24,688)	(25,371)	(103,093)
Tax (Expense)/Benefit	8,250	7,687	7,396	7,600	30,932
Net Profit (Loss) After Tax	(19,154)	(17,944)	(17,292)	(17,771)	(72,161)

Water Storage & Delivery
Statement of Financial Position - Quarterly

	2018/19 Quarter 1 Budget \$'000	2018/19 Quarter 2 Budget \$'000	2018/19 Quarter 3 Budget \$'000	2018/19 Quarter 4 Budget \$'000
Current Assets				
Cash	17,569	21,554	31,516	5,495
Accounts Receivable	13,345	8,899	4,075	15,109
Inventory	2,694	2,694	2,694	2,552
Total Current Assets	33,608	33,147	38,285	23,156
Non Current Assets				
Infrastructure	4,390,020	4,366,656	4,343,073	4,426,461
Work in Progress	38,970	38,970	38,970	38,970
Property, Plant and Equipment	79,832	78,774	77,682	76,949
Intangibles	5,919	5,945	5,796	6,222
Total Non Current Assets	4,514,741	4,490,345	4,465,521	4,548,602
TOTAL ASSETS	4,548,349	4,523,492	4,503,806	4,571,758
Current Liabilities				
Creditors & Accruals	19,596	21,013	26,560	18,660
Borrowings - Current Portion	1,577	1,033	560	2,291
Employee Entitlements	19,270	19,174	19,077	18,625
Total Current Liabilities	40,443	41,220	46,197	39,576
Non Current Liabilities				
Borrowings - Long Term	126,567	126,567	126,567	124,276
Employee Entitlements	2,084	2,073	2,063	2,014
Deferred Tax Liability	525,385	517,698	510,302	502,702
Total Non Current Liabilities	654,036	646,338	638,932	628,992
TOTAL LIABILITIES	694,479	687,558	685,129	668,568
NET ASSETS	3,853,870	3,835,934	3,818,677	3,903,190
Equity				
Contributed Capital	2,523,532	2,523,532	2,523,532	2,625,777
Asset Revaluation Reserve	1,596,314	1,596,314	1,596,314	1,596,314
Accumulated Surplus/Deficit	(265,976)	(283,912)	(301,169)	(318,901)
TOTAL EQUITY	3,853,870	3,835,934	3,818,677	3,903,190

Section 4: Financial Information

Water Storage & Delivery Statement of Cashflows - Quarterly

	2018/19 Quarter 1 Budget \$'000	2018/19 Quarter 2 Budget \$'000	2018/19 Quarter 3 Budget \$'000	2018/19 Quarter 4 Budget \$'000	2018/19 Total Budget \$'000
Cash flows from Operations					
Cash Receipts					
Fixed and Variable Charges	32,314	24,928	32,989	19,053	109,284
Govt Contributions/Grants	579	624	2,965	1,424	5,592
GST received from the ATO	2,751	2,143	1,870	2,263	9,027
Other Income	8,799	17,254	7,837	8,880	42,771
Cash flows from Operations	44,443	44,949	45,661	31,620	166,674
Cash Payments					
Payments to Suppliers & Employees	(32,917)	(28,891)	(29,073)	(46,073)	(136,954)
Interest and Other Costs of Finance Paid	(452)	(2,919)	(945)	(2,942)	(7,257)
Environmental Contributions	-	(931)	(931)	(931)	(2,793)
GST paid to the ATO	(574)	(573)	(624)	(730)	(2,501)
Total Cash Payments for Operations	(33,943)	(33,314)	(31,573)	(50,676)	(149,505)
Net Cash Inflow/(Outflow) Operations	10,500	11,635	14,088	(19,056)	17,169
Cash flows to Investing Activities					
Payments for Infrastructure Assets	(15,545)	(7,089)	(3,638)	(6,588)	(32,860)
Proceeds from Sale of Assets	-	-	-	200	200
Net Cash Inflow/(Outflow) Investment	(15,545)	(7,089)	(3,638)	(6,388)	(32,660)
Cash flows from Financing Activities					
Proceeds from Borrowings (including repayments)	18,467	(544)	(473)	(560)	16,890
Net Cash Inflow/(Outflow) Financing	18,467	(544)	(473)	(560)	16,890
Net Increase/(Decrease) in Cash	13,422	4,002	9,977	(26,004)	1,399
Cash At Beginning of Period (including TCV Capital Account)	4,165	17,569	21,554	31,516	4,165
Cash at End of Period (Including TCV Capital Account)	17,569	21,554	31,516	5,495	5,495

11. Connections Project Financial Statements

Connections Project - Combined Stage 1 & 2 Statement of Financial Performance

	2017/18 Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue From Operating Activities						
Government Grants	116,128	131,877	61,697	-	-	-
Interest	523	415	375	-	-	-
Total Revenue	116,651	132,292	62,072	-	-	-
Expenditure From Operating Activities						
Operations Expenses	25,643	11,393	12,191	-	-	-
Stage 1 Project Costs	10,519	30,296	19,679	(33)	-	-
Stage 2 Project Costs	78,440	89,697	57,790	(358)	-	-
Total Expenses	114,602	131,386	89,660	(391)	-	-
EBITDA	2,049	906	(27,588)	391	-	-
Interest	-	-	520	-	-	-
Statutory Depreciation	1,081	1,161	1,305	-	-	-
Net Profit (Loss) Before Tax	968	(255)	(28,893)	391	-	-
Tax (Expense)/Benefit	(290)	76	438	(208)	-	-
Net Profit (Loss) After Tax	678	(179)	(28,455)	183	-	-

Section 4: Financial Information

Connections Project - Combined Stage 1 & 2 Statement of Financial Position

	2017/18 Forecast \$'000	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Current Assets						
Cash	236,962	122,181	27,217	-	-	-
Accounts Receivable	3,108	3,108	-	-	-	-
Inventory	-	-	-	-	-	-
Total Current Assets	240,070	125,289	27,217	-	-	-
Non Current Assets						
Infrastructure	-	-	-	-	-	-
Work in Progress	195,933	126,096	-	-	-	-
Property, Plant and Equipment	1,204	487	-	-	-	-
Intangibles	786	572	-	-	-	-
Total Non Current Assets	197,923	127,155	-	-	-	-
TOTAL ASSETS	437,993	252,444	27,217	-	-	-
Current Liabilities						
Creditors & Accruals (Payables)	19,796	19,796	-	-	-	-
Borrowings - Current	-	-	19,494	-	-	-
Employee Entitlements	174	76	79	-	-	-
Unearned Revenue	114,518	47,859	(3,087)	-	-	-
Total Current Liabilities	134,488	67,731	16,486	-	-	-
Non Current Liabilities						
Borrowings - Long Term	-	-	-	-	-	-
Employee Entitlements	696	304	312	-	-	-
Deferred Tax Liability	11,953	11,876	11,438	-	-	-
Total Non Current Liabilities	12,649	12,180	11,750	-	-	-
TOTAL LIABILITIES	147,137	79,911	28,236	-	-	-
NET ASSETS	290,856	172,533	(1,019)	-	-	-
Equity						
Contributed Capital	262,405	144,260	(835)	-	-	-
Asset Revaluation Reserve	-	-	-	-	-	-
Accumulated Surplus / (Deficit)	28,451	28,273	(184)	-	-	-
TOTAL EQUITY	290,856	172,533	(1,019)	-	-	-

Connections Project - Combined Stage 1 & 2
Statement of Cashflows

	2017/18 Forecast \$'000	2018/19 Budget \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000	2021/22 Forecast \$'000	2022/23 Forecast \$'000
Cash flows from Operations						
Cash Receipts						
Govt Contributions/Grants	107,980	63,711	10,000	3,087	-	-
Other Income	2,011	1,431	14,645	10	-	-
Cash flows from Operations	109,991	65,142	24,645	3,097	-	-
Cash Payments						
Payments to Suppliers & Employees	(115,552)	(131,386)	(61,707)	(20,002)	-	-
Interest and Other Costs of Finance Paid	-	-	(520)	-	-	-
Total Cash Payments for Operations	(115,552)	(131,386)	(62,227)	(20,002)	-	-
Net Cash Inflow/(Outflow) Operations	(5,561)	(66,244)	(37,582)	(16,905)	-	-
Cash flows to Investing Activities						
Payments for Infrastructure Assets	(129,001)	(150,781)	(76,876)	-	-	-
Net Cash Inflow/(Outflow) Investment	(129,001)	(150,781)	(76,876)	-	-	-
Cash flows from Financing Activities						
Proceeds from Borrowings (including repayments)	-	-	19,494	(19,494)	-	-
Net Cash Inflow/(Outflow) Financing	104,627	102,245	19,494	(10,313)	-	-
Net Increase/(Decrease) in Cash	(29,936)	(114,780)	(94,964)	(27,218)	-	-
Opening Cash Balance	266,897	236,961	122,182	27,218	-	-
Closing Cash Balance	236,961	122,182	27,218	-	-	-

Appendix A

The Connections Project

The Goulburn Murray Water (GMW) Connections Project is contributing to the sustainable future of productive agriculture in the Goulburn Murray Irrigation District (GMID). Funded by the Commonwealth and Victorian governments, it is the most significant upgrade to the region's irrigation infrastructure in its 100-year history. The Project is a significant and fundamental change to the way in which water is used for irrigated agriculture in the GMID, and contributes to Victoria's water savings targets as outlined in the Murray Darling Basin Plan.

The GMW Connections Project is investing more than \$2 billion to improve the delivery of water to irrigation businesses across the GMID. The Project is focused on modernising infrastructure and improving service standards while generating water savings, and is working to provide long term sustainability of irrigation in the region. The project is the key to ensuring water for the environment is provided through infrastructure upgrades, not buybacks. Delivering such a complex project is not without its challenges particularly given the many variables that need to be managed throughout the project.

Project Background

Prior to the Connections Project, GMW operated and maintained more than 6,300 km of open channel and around 24,000 customer service points.

The Federal Government, Victorian Government and Melbourne water retailers have provided the \$2 billion of funding for the Project. In return, the Governments and water retailers will receive a defined share of the water savings achieved from improving the efficiency of the channel delivery network. The Victorian and Commonwealth Government's shares of the water savings will be used to deliver environmental benefits.

Project Developments in 2017

Following September 2016 approval of the Connections Reset Delivery Plan, in 2017 the Project commenced the full scale implementation of the Reset scope of works. The Project is now on time and on budget for delivery by October 2020. Key activities completed in the 2017 year included:

- appointment through a competitive tendering process of John Holland as the Connections Project's Early Contractor Involvement (ECI) Contractor to deliver backbone modernisation and connections works through to completion of the Project.
- completion of \$100 M winter works program of works including 40 km of pipeline, 250 automation sites and 33 km of remediated channel. To the end of 2017, the Project has installed 7,144 modernised meter outlets and decommissioned 1,064 km of channel.
- delivered the Winter Works program of construction works (the largest of recent years) with no Lost Time Injuries (LTIs). The Project is currently running at a Lost Time Injury Frequency Rate (LTIFR) of 4.0 LTIs per million man hours worked which compares favourably to the heavy construction industry LTIFR of 13.7.
- the achievement of three consecutive milestones and water savings targets, including 296GL to 30 June 2017, highlighting that the Reset of the Project in 2016 is on track to deliver on the Project Aims for investors, GMW and the Goulburn Murray Irrigation District (GMID) community.
- the publication of the rules by which the Project makes important decisions. The *Connections Project Operational Rules* provide information about how we determine meter types and sizing, as well as the principles of co-contribution, voluntary dry-off and on-farm works.
- the enhancement of the complaints management process to provide customers with more timely and consistent resolutions to issues raised.
- the engagement of the Stakeholder Consultative Committee (SCC) for four meetings which included site visits and workshops. The SCC provides support to the PCG on customer and community engagement to assist with the smooth implementation of the Project.
- welcoming new Project Control Group (PCG) Chair Peter McManamon, as well as new member Patrick McNamara (GMW Board Deputy Chair) to the monthly PCG meetings. The significant leadership of outgoing chair Mike Walsh and the contribution of outgoing PCG member Margot Henty were acknowledged.
- the certification of the Project's management systems to International and Australian Standards for Quality, Environment and Safety (ISO 9001:2015; ISO 14001:2015 and AS 4801:2001).
- the introduction of a revised engagement model using statutory reconfiguration powers with remaining works to be delivered through Reconfiguration Plans (RPs). During 2017 work commenced on 127 RPs and 7 RPs were formally Gazetted, the first time under the Water Act 1989. In total to the end of 2017, the Project has connected over 4,700 landowners to the modernised backbone.
- provided a stimulus to the regional GMID economy through the Project's 2017 construction program creating an estimated 1,190 FTEs in the region (direct and indirect employment) and generating an estimated regional GDP increase of \$114 M for the 6 month reporting period.

Next Steps in 2018

The Project will build on the implementation of the Connections Reset in 2017 to deliver on the Project aims and milestones for 2018. Key activities to achieve these milestones include a substantial 2018 winter works construction program involving channel remediation, pipelining, channel automation, meter installations and asset rationalisation. Delivery of the works program will be supported by the Reconfiguration Plan engagement process.



Appendix B

Water for Victoria: Specific activities to improve performance

Climate Change

Focus on performance improvement

Provide services that minimize environmental impacts, mitigate climate change and put in place adaptation strategies.

Actions

- Establish Emissions Reduction Forum (EERF).
- Emissions Reductions Pledge to achieve net zero- carbon emissions by 2050 – as per actions on pledge.
- Participate in development of the Victorian Water sector climate change adaptation plan (led by DELWP) in the Water working group. Readiness for climate impacts on water sources, floods and drainage are particularly relevant to GMW.

Specific activities

- The EERF has produced the Renewable Energy Plan which focusses GMW on reaching its Zero net CO2 emissions point by 2024 instead of 2050.
- An EOI process is underway for installation of a Behind-the-Meter solar capacity of 800 KW, equivalent to 940 tonnes of CO2 savings (15% of total current emissions). Emissions savings between FY2016 and 17 were approximately 450 Tonnes, achieved through efficiency measures.
- GMW is a member of the working group contributing to the development of the AAP.
- Strategic project initiatives are scheduled to commence in the first quarter of 2018.
- River Operations Planning are examining outlooks under the new guidelines, beginning with the Loddon system.

Customer and community outcomes

Focus on performance improvement

All aspects of delivery will be customer and community centred.

Actions

- Extending our engagement to ensure we're working with all our customers, stakeholders and community leaders.
- Continuing to improve the ways we communicate to our customers.
- Better planning on who, how and when to best engage with priority stakeholders.

Specific activities

- GMW is working through a Strategic Level Engagement project which has developed new segments, personas and the development of an engagement framework, policy and handbook.
- GMW is embedding a new engagement framework which incorporates IAP2 principles using the new handbook.
- GMW is working with WSC's to improve the functionality of the respective district groups
- GMW have developed Strategic Customer and Stakeholder Working Groups around Tariff, Pricing and Assets to ensure the engagement feeds into the way we do future business
- GMW leads 12 LOWMP Groups across the region which consist of community and agency stakeholders whom work together to implement beneficial outcomes for local communities
- GMW is refining a Stakeholder Engagement Framework (to be implemented) which will assist in who/how/when to engage with stakeholders
- Implementation of GMW Engagement Framework.
- Development of GMW Engagement Handbook
- Dedicated Central CRC to focus on engagement activities.

Deliver water for Aboriginal cultural, spiritual and economic values

Focus on performance improvement

Recognise and support Aboriginal cultural values and economic inclusion in the water sector.

Actions

- Cultural Awareness training provided for GMW personnel.
- GMW's Groundwater Management Planning processes include engagement with Traditional Owners.
- Traditional Owner representation on our Strategic Advisory Committee, which is a partnership between GMW and our stakeholders to shape the future of water delivery in northern Victoria.
- Traditional Owner representation in Land and On-Water Management Implementation Committees such as at Kow Swamp.
- GMW forming Working Groups to assist in the delivery of Corporate Plan projects. There is opportunity for engagement with Traditional Owners regarding participation in this process.
- GMW engaging with Traditional Owners to include Aboriginal values and traditional ecological knowledge in water planning.
- Submission of Public Sector Innovation Fund Aboriginal liaison officer submitted (Declined).
- Develop a Reconciliation Action Plan.
- Draft Traditional Owner Engagement Plan developed.
- GMW & Yorta Yorta Agreement Signed (Feb 2018).
- Signatories to Algabonyah Agreement (Feb 2018).
- Funding submission made for Aboriginal Water Grants (DELWP) funding Aboriginal Water Officer & Project initiatives (Feb 2018).

Specific activities

Cultural Awareness training an ongoing training package, 203 staff have undertaken the training. GMW has pledged support to multiple Traditional Owner Groups in the development of proposed 'Aboriginal Waterway Assessments' pledging technical support to Traditional Owner Ecological Knowledge in water planning. Draft Reconciliation Action Plan submitted to Reconciliation Australia. Submission made to have a dedicated resource to engage with Traditional Owners from across GMW via a DELWP funded 'Aboriginal Water Grants' to employ an 'Aboriginal Water Officer'

Recognise recreational values

Focus on performance improvement

Support the wellbeing of rural and regional communities by considering recreational values in water management.

Actions

Strengthen community engagement efforts to consider shared benefits, including recreational benefits of water, in planning and management decisions.

Specific activities

Development of "User Guides" including boating maps and storage information storages. Developed a "Recreation Page" on the GMW external web site providing information on GMW services at recreational sites and public access and boating safety information. Active on "Social Media" with "thing to do" and safety information.

- Consolidation of 13 Land and On-Water Management plans for our key storages.
- Implementation committees made up of community, stakeholder, user and key government agency representatives.

1 / Approval for 400k of works at Lake Eppalock including toilet block replacement barbeque and shelter renewal. 2 / Working with Fisheries Victoria to develop program for fishing/boating infrastructure to support increased access to GMW waterways for fishing. 3 / Development of information on boating operation and safety programs with Transport Safety Victoria Maritime Safety. 3 / Actively pursuing external funding to support the development of public access and recreational services to GMW foreshore land and waterways.

Resilient and liveable cities and towns

Focus on performance improvement

Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.

Actions

Develop, deliver and participate in projects with liveability benefits.

Specific activities

- Development of Tariff and Pricing Strategy.
- Development of pricing submission in 2019.
- Involvement in community projects, including Integrated Water Management Forums in the Goulburn Valley and Bendigo, the Rising Groundwater Project in Bendigo and the Eastbank Lake Project in Shepparton.

Leadership and Culture

Focus on performance improvement

Reflect the needs of our diverse communities.

Actions

GMW Workforce Diversity & Inclusiveness Policy, GMW D&I Action plan of events , GMW has submitted all demographic data to the VPSC through the data set reporting requirements and the People Matters Employee Survey.

Specific activities

A list of reportable activities are occurring the D&I space such as Inclusive Leadership training for our hiring managers and the creation of the GMW's Diversity and Inclusion week GMW has provide a budget to assist with all D&I related work across our business.

Financial sustainability

Focus on performance improvement

Delivering safe and cost-effective water and wastewater services in a financially sustainable way.

Actions

- Innovation Program – 'My Big Idea' portal.
- Operating expenditure reduction – over \$16m achieved from the original \$20m target set in 2014.
- Transformation programs will ensure further cost reduction by 2024.

Specific activities

FY16/17 New non-prescribed Income \$5.7M in business won and work pending. FY 16/17 target was \$3.3M.

Appendix C

Letter of Expectation: Performance

Minister's Letter of Expectations Key Performance Indicators

GMW is committed to delivering long-term and short-term key strategic business objectives and drivers to deliver its part of this response as both a lead and a stakeholder.

GMW is focusing its attention on improving performance in relation to the Minister's Letter of Expectations. The information below provides GMW's performance against the key performance indicators relevant to the priority areas as set out in *Water for Victoria*.

Climate Change

Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies and actions.

Key Performance Indicator

E2 Emission reductions. Demonstrate reasonable progress toward achievement of the entity's emission reduction pledge, as per the 2018-19 Corporate Plan Guidelines.

Measure

E2 Total net emissions of CO₂ equivalent tonnes.

Definition

Net tonnes of CO₂ equivalent emissions (scope 1 and scope 2 emissions only) for the whole business and its activities.

Comments

A new Ministerial Reporting Direction will provide additional guidance for emission reduction reporting. Actual emission reductions (E2) will be reported as part of the entity's Performance Report under Ministerial Reporting Direction 01. Cross ref NPR (E9, E10, E11, E12) and ESC (CRR5).

Performance

Two major initiatives have commenced under the emissions pledge adopted by the GMW's Board: An EOI to convert 15% of traditional electricity to solar and a Renewable Energy Plan which aims to achieve 100% electricity conversion by 2024. Vehicle and machinery emissions are targeted next.

Key Performance Indicator

E3 Climate adaptation. a) Apply the Guidelines for Assessing the Impact of Climate Change on Water Suppliers in Victoria and demonstrate adaptation by:

- their application in drought preparedness and urban water strategies (Urban water corporations).
- Rural water corporations (as applicable) develop low flow contingency plans that include an appropriate range of climate scenarios.

b) Integrate climate change adaptation into decision-making across the business (all sources of water, wastewater, and where relevant drainage and flood management) including:

- source waters and demand
- built assets
- natural environment
- people and workplace
- interdependencies
- customer and product delivery.

Measure

E3 Qualitative description of how adaptation to climate change and variability are integrated across all relevant business decisions, in the parts of the business specified. Include consideration of short, medium and long-term changes.

Definition

Planning for adaptation to all changed conditions anticipated under climate change. These include the warmer, drier climate conditions, more intense rainfall and more frequent extreme events predicted for the future.

Comments

Targets to be developed through the DELWP Pilot Water Cycle Climate Change Adaptation Action Plan. Progress against these targets will be monitored in the following years.

The *WSAA Climate Change Guidelines* contain more information on how each part of the business is defined, and the climate risks, vulnerabilities and adaptation approaches for each. DELWP does not mandate its use of the Guidelines for Victorian water corporations, however has chosen to follow their approach to defining parts of the business where adaptation is relevant.

Adaptation strategies and actions should be designed in an all inclusive manner working closely with other agencies and utilities.

Information to be included in the report of operations in the Annual Report.

Performance

GMW is anticipating publication of the draft AAP in February/March. The AAP will provide better indication of Government and DELWP direction on climate change management in the water sector.

GMW is also undertaking project initiatives that are intended to improve the robustness of water supply options as climate change occurs. Key projects under investigation include new sources of water, acquisition of additional entitlement (for distribution to GMW customers), climate change adaptation plan and supplying water through conjunctive use.

Planned recurrent work includes adapting seasonal outlooks to the new climate change guidelines.

Customer and community outcomes

All aspects of service delivery will be customer and community centred

Key Performance Indicator

C1 Customer satisfaction. Note this indicator includes both direct and proxy measures. Overall, reporting on measures identified for this indicator should demonstrate high or improving levels of customer satisfaction over time.

Measure

C1(R) Customer satisfaction survey (rurals) High level survey to be developed across the four businesses, with a joint delivery method. DELWP/Rural Working Group to be established early 2018 to progress, with survey methodology to be finalised and agreed by end June 2018.

Comments

Information to be included in the report of operations in the Annual Report.

Performance

GMW has completed an annual customer satisfaction survey for the last eight years. The survey measures customers'

understanding, perceptions and satisfaction with our services. Despite GMW receiving an upward trend we are looking to improve our survey and are rescoping how GMW measures customer satisfaction which will involve:

- Building on the existing customer segmentation and customer engagement work by developing a Customer Satisfaction Measurement Model that moves beyond the previous whole of customer view to one that identifies all customers and interactions as being unique.

Measure

C1.4 Orders delivered at time agreed (rurals, regulated delivery systems only)

Definition

Proportion of water orders delivered on time.

Comments

Proposed be reported as part of the entity's Performance Report from 2018-19.

Performance

Pumped Districts 98% as at 28/02/2018.

Gravity Systems 93% as at 28/02/2018.

Measure

Percentage of applications completed within agreed timeframes (rurals).

Comments

Proposed be reported as part of the entity's Performance Report from 2018-19.

Performance

99% as of 16/03/2018.

Measure

C1.6 Rural bills (data to be provided by district)

C1.6.1 Total rural bill gravity irrigation

C1.6.2 Total rural bill pumped irrigation

C1.6.3 Total rural bill domestic and stock supply

Definition

C1.6.1

Irrigation gravity - 50 ML irrigations customer; or

C1.6.2

Irrigation pumped - 50 ML irrigations customer; or

C1.6.3

2ML – Domestic and stock supply as applicable

Comments

Information to be included in the report of operations in the Annual Report.

Performance

C1.6.1 – gravity System

- Shepparton: \$9,212
- Central Goulburn, Rochester & Loddon Valley: \$6,835
- Murray Valley & Torrumbarry: \$7,086.

C1.6.2 – Pumped Irrigation

- Nyah: \$8,425
- Tresco: \$8,265
- Woorinen: \$8,134..

C1.6.3 – Water D&S Districts

- Normanville: \$2,155
- Tungamah: \$1,781
- East Loddon (South): \$1,396
- East Loddon (North): \$1,052
- West Loddon: \$878.

Key Performance Indicator

C2 Customer and community

engagement. Stakeholder engagement based on best practice that demonstrates approaches to engagement that are open, honest and occur frequently. The DELWP Community Charter or IAP2 framework could be considered as a guide.

Measure

C2 Development and delivery of an engagement strategy/plan/policy and publication (via the water corporation's website) of the engagement strategy/plan/policy or equivalent explanation.

Comments

Water corporations should provide high level narrative information on their engagement activities and their outcomes, providing quantitative data where available. Information to be included in the report of operations in the Annual Report. DELWP will also review water corporation websites for relevant information.

Performance

GMW is currently undertaking a project to review and improve its engagement approach with customers and stakeholders.

The project is underway and so far we have completed:

1. Customer segmentation – this has allowed us to identify 11 clear customer groups
2. Needs analysis – this has allowed us to identify our customer and stakeholder's preferred engagement approach and allows us to tailor our communications and engagement in the future to meet their needs.

We have now drafted our Communications, Engagement and Partnerships strategy, with associated documents that flow from this strategy including a handbook that provides detailed guidance on how to deliver the strategy. Our approach draws and expands upon the IAP2 Engagement Spectrum and proposed a suit of interactions that our business can use to improve customer and stakeholder engagement.

Water for Aboriginal cultural, spiritual and economic values

Recognise and support Aboriginal cultural values and economic inclusion in the water sector.

Key Performance Indicator

AC1 Engagement of Aboriginal

communities. Effective and genuine engagement of Aboriginal communities for involvement in business opportunities and access to water for economic development. Measures related to this indicator will not be considered in isolation. Rather, reported information will be used to help build a broad picture of engagement, taking into account the relevant local context.

Measure

AC1.1 A strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply goods/ services to water corporations.

AC1.2 Number/explanation of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships.

Appendix C

Letter of Expectation: Performance

AC1.3 Number of staff within the water corporation who have undertaken a cross-cultural training course (by relevant Traditional Owner) in the last 5 years.

Definition

Explore and develop opportunities for business arrangements with Traditional Owners and Aboriginal enterprises to deliver value-for-money catchment and water services.

Provide opportunities for cross-cultural learning in the water sector, as well as skills training and employment for Aboriginal Victorians.

Comments

Water corporations should provide narrative and quantitative data (as appropriate) demonstrating their progress for each measure and overall in relation to this indicator. Information should be included in the report of operations in the Annual Report.

Performance

AC 1.1 Developing Traditional Owner Engagement Plan.

AC1.2 Finalising Algabonyah Employment Agreement with GMW and Kaiela Institute.

AC1.3 Cultural Awareness Training, 203 employees have undertaken training. Further Workshops are planned in March April throughout GMW's region.

Key Performance Indicator

AC2 Engagement of Traditional Owners.

Effective and genuine engagement of Traditional Owners for inclusion of Aboriginal values in water planning. Measures related to this indicator will not be considered in isolation. Rather, reported information will be used to help build a broad picture of engagement, taking into account the relevant local context.

Measure

AC2.1 Number of engagements with Traditional Owners in water planning and management and report on outcomes.

AC2.2 Number of pilot programs to test different ways to achieve shared benefits.

Definition

Inform Traditional Owners when opportunities arise to access water entitlements within existing framework. Incorporate traditional ecological

knowledge into water planning and management using Aboriginal Waterway Assessments and other tools developed by Traditional Owners. Notify and engage with Traditional Owners to achieve shared benefits.

Comments

Water corporations should provide narrative and quantitative data (as appropriate) demonstrating their progress for each measure and overall in relation to this indicator. Information should be included in the report of operations in the Annual Report.

Performance

Finalising new GMW Yorta Yorta Agreement.

Meetings conducted with Yorta Yorta and Aboriginal Victoria (AV) on management of Kow (Ghow) Swamp. Meetings completed onsite with Yorta Yorta regarding management of Kanyapella Basin and planning for DELWP Aboriginal Water Grants. Meeting conducted with Dja Dja Wurrung to better understand requirements of 'Traditional Owner Settlement Agreement.'

Submitted support letters to Traditional Owner Groups for their submissions for DELWP Aboriginal Water Grants.

Key Performance Indicator

AC3 Aboriginal Inclusion Plan/ Reconciliation Action Plan.

To be considered in conjunction with AC1 and AC2, taking into account the relevant local context.

Measure

AC3 Development of either an Aboriginal Inclusion Plan or a Reconciliation Action Plan, reflecting measures AC1.1 to AC1.3 and AC2.1 to AC2.2 as appropriate.

Comments

Progress to be reported in the report of operations in the Annual Report.

Performance

Draft Reconciliation Action Plan submitted to Reconciliation Australia

Resilient and liveable cities and towns

Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments.

Key Performance Indicator

L4 Payment management and hardship.

Overall improved access to instalment plans for management of payments. Understand year on year trends in hardship grants.

Measure

L4

a) Number of instalment plans at the end of the reporting period

b) Number of customers awarded hardship grants

Definition

L4

a) For urbans, definition as per ESC (UPP1) and (UPP6).

Comments

To be included in the report of operations in the Annual Report. For urbans cross ref ESC (UPP1) and (UPP6).

Performance

A more thorough approach has been taken to communicate with customers who owe GMW for their accounts. More effort is occurring by GMW staff to communicate with customers before referring those debtor accounts to an outsourced debt collection company. Negotiation outcomes have included the writing off of interest incurrent on aged debtors balances as part of payment arrangements.

There is a number of accounts balances owed in excess of 2 years, which will take a substantial time period to restore those customers to an annual account basis, through a multi-step approach.

Legal action available to GMW is currently minimised, pending reasonable and mutual outcomes.

Financial counselling service information is being advised to customers, as is the Plan2Farm program coordinated by the NCCMA (the latter has so far been taken up only minimally by customers).

Recognising recreational values

Support the wellbeing of rural and regional communities by considering recreational values in water management.

Key Performance Indicator

Rec1 Recreational values. Consideration of recreational values in carrying out functions and providing services (applicable to all water corporations except the three Melbourne metropolitan retail water corporations).

Measure

1) Efforts taken around the following four themes of Water for Victoria, including numbers where available:

- Community engagement in order to understand recreational objectives relating to water and waterways
- Planning and management that incorporates consideration of recreational values objectives
- Availability of accessible, user-friendly information to help recreational users to plan their activities
- Collaboration with other organisations and government agencies to explore and progress opportunities to support recreational objectives

2) Where applicable, progress to date to prepare land and recreation management plans for all major water storages of recreational value, and the extent to which management plan actions have been implemented, as per Water for Victoria action 7.3.

Definition

Explicit consideration of opportunities to support recreational values objectives through delivery of function areas.

Comments

Water corporations should provide narrative information and case studies, supported by quantitative data where available, demonstrating their progress for each measure and overall in relation to this indicator. Water Corporations should also include at least one case study of activities that have delivered enhanced recreational outcomes. Information should be included in the report of operations in the Annual Report. Note for 2018-19, this KPI has been extended beyond the four rural water corporations after all water corporations

provided information around this KPI for the previous corporate plans.

Performance

Development and rollout of information on GMW recreational services and general information including storage specific public access and safety messaging via social media. Development and release of individual User Guides and Boating Maps at Eildon and Eppalock. Introduced public use web based Interactive Mapping for Lake Eppalock and Lake Eildon providing accessible information on all recreational opportunities on both foreshore and waterways. GMW are supporting the DELWP Closing The Loop Project that is assessing current and future recreational user information needs across the State. GMW are working with the office of the Minister for Water for Roads and Road Safety and Ports and DEDJTR on the Safe and Accessible Waterways State wide initiative looking at the potential to fund recreational facilities and services and establish a robust safety education and compliance across the state under the Marine Safety Act 2010. Seek input from the wider Community, Recreational Users, Key Stakeholders and other Agencies via formalised working groups. Initiate process to develop recreational opportunities to support public access opportunities into the future.

With support from community and users and backing from other agencies seek out external funding sources to implement upgrades to existing and development of new facilities and services

of the Inclusion Plan or equivalent explanation.

G1.2 Number of females occupying senior executive positions over projected five-year period.

G1.3 Adopt a 1% target for Aboriginal people in the business consistent with Vic government policy[1] and work to a stretch target of 3% by 2020 (DELWP policy[2]).

G1.4 Actions taken to improve participation by Traditional Owners in Board committees and other organisational Committees.

G1.5 Number of respondents to the VPSC People Matter Survey from each water corporation should be high or improving over time (to be based on participation in alternate years with implementation measures achievements reported in follow up year). Results indicate favourable response to implementation of diversity inclusion plan.

Definition

G1.1 A Diversity Inclusion Plan/s that includes gender equity and cultural, indigenous inclusion.

G1.5 Staff participation in the Victorian Public Sector Commission (VPSC) People Matter Survey. Water corporation to encourage staff participation to complete annual survey or equivalent survey.

Comments

G1.1 Water corporations should provide high level narrative information on activities to deliver their Inclusion Plan/s, providing quantitative data where available. Information to be included in the report of operations in the Annual Report. DELWP will also review water corporation websites for relevant information.

G1.2 Information should be included in the report of operations in the Annual Report.

G1.3 Information should be included in the report of operations in the Annual Report.

G1.4 Information should be included in the report of operations in the Annual Report.

G1.5 Data analysed by VPSC and provided to water corporation and DELWP. No additional reporting by water corporations.

Leadership and Culture

Water corporations reflect the needs of our diverse communities.

Key Performance Indicator

G1 Diversity and inclusion. Improve gender and cultural diversity in workforce including gender equity in executive leadership. Diversity Inclusion plans to be based on best practice. The approach of the DELWP Diversity and Inclusion Strategy 2016-2020 could be considered as a guide.

Measure

G1.1 Development and delivery of a Diversity Inclusion Plan/s and publication (via the water corporation's website)

Appendix C

Letter of Expectation: Performance

Performance

G1.1 GMW's Diversity and Inclusion Plan is available on our website.

G1.2 2018/19 target is 40%. Current performance is 0%.

G1.3 2018/19 target is 3% Indigenous people in the business. Current performance is 2% Indigenous people in the business.

G1.4 Information will be provided in the Annual Report.

G1.5 2018/19 target is 70% participation. 2018 performance will be reported in Annual Report.

Key Performance Indicator

G2 Board performance review. Annual Board performance review to help monitor and improve the Board's effectiveness in leading the organisation.

Measure

G2 Board performance report submitted to the Minister for Water by 31 March each year with identified actions for continuous improvement. Monitoring of previous year's actions have had a positive result on the Board's ability to lead the organisation.

Comments

The Minister for Water is able to issue additional guidance to the requirements under the SoO. Guidance has been issued for the 2017 Board performance review. Reporting will be via the Board Performance Report. Consideration will be given to reporting in Annual Report for future years.

Performance

Review completed 28 February 2018.

Key Performance Indicator

G3 Health and Safety. Sustained annual improvement against H&S performance benchmarks (AS/NZS standard 4801).

Measure

G3 Performance indicators adopted to monitor occupational health and safety in line with FRD 22G, section 6.10.

Comments

Information should be included in the report of operations in the Annual Report.

Performance

G3 Performance indicators adopted to monitor occupational health and safety in line with FRD 22G, section 6.10.

Financial Sustainability

Delivering safe and cost-effective water and wastewater services in a financially sustainable way.

Key Performance Indicator

F1-F8 Financial Indicators. Overall reporting on these measures should demonstrate financial sustainability and provide a positive picture of a corporations' financial sustainability over time.

Measure

F1 interest cover
F2 gearing ratio
F3 internal financing ratio
F4 current ratio
F5 return on Assets
F6 return on equity
F7 EBITDA Margin

Definition

Financial indicators as prescribed by PRF.

Comments

To be reported as part of the entity's Performance Report.

Performance

See page 21 of this Corporate Plan.

Measure

F8 Credit rating

Definition

Credit rating based on TCV for FAL or independent credit rating.

Comments

No additional reporting requirements.

Performance

See page 21 of this Corporate Plan.



Appendix E

Operational Risk Assessment

Reduction in funds to support business operations

Planned Controls

- Enhance and improve GMW business unit financial structure and financial systems
- Strengthen the management performance and accountability framework
- Review of GMW's land ownership including sale of land and assets no longer needed or utilised by GMW
- Asset reviews and innovation
- Customer Data Cleansing Project/ Missed Customer Bill
- Direct controllable operating cost actions
- Grant and partnership arrangements and identification of new revenue source

Planned Risk Rating

Medium

Decline in water resource availability

Planned Controls

- Climate Change Modelling Approach Project
- Water Efficiencies
- Water Management Systems Roadmap – Greenfields Site
- Review and Research BGA sources
- Research BGA thresholds and impacts to customer enterprise

Planned Risk Rating

Significant

Connections Project outcomes necessitate change for the wider business

Planned Controls

- Staff/Resource Planning post Connections
- Co-contribution Opportunity for Connections Project (GMW/CP/ Contractor)
- Communication and Engagement Plan for CP and WS&D
- Co-funding of CP Projects
- Connections reconfiguration committee

Planned Risk Rating

Medium

Significant organisational change

Planned Controls

- Use of sound change management practices
- Implementation of GMW's Succession Planning Framework including identification of key person risk and associated training and development programs
- Staff Communication & Engagement Review
- Direct controllable cost actions

Planned Risk Rating

Medium

Increased competition for personnel with skills critical to GMW operations

Planned Controls

- Implementation of GMW's Succession Planning Framework including identification of key person risk and associated training and development programs

- GMW Work Experience Program for students across the GMID
- Leadership Development Program
- Staff Communication & Engagement Review
- Diversity and Inclusiveness Program to 2024

Planned Risk Rating

Medium

Increased number and/or severity of major disaster events

Planned Controls

- Development of strategy for establishment of water resource plans
- Identification of key assets and assessment of options for weather/ disaster proofing
- Whole of Life Asset Modelling Project
- Climate/Weatherproofing of critical assets (asset maintenance program works) that are vulnerable to increased severity of weather events
- Develop Fire Management Plans for key operational areas
- Complete annual review of Flood Incident Management Plans
- Complete annual review of Dam Safety Emergency Plans (DESP)
- Development of long term strategy to cater for prolonged fuel shortage including identification and location of alternative stores and required equipment
- Conduct CCTV review for infrastructure of significance – operational and dams locations
- Climate Change Modelling Approach Project
- Capital Expenditure Investment Profile for asset classes
- Innovation Program to reduce future asset investment costs
- Dams Portfolio Risk Assessment Program

Planned Risk Rating

Significant

Changing customer base and/or land user requirements across the GMID

Planned Controls

- Establish account manager arrangements which embed staff for large customer accounts
- Community Participation Strategy
- Operational Recurrent Expenditure Savings
- Whole of Life Asset Modelling Project
- Climate Change Modelling Approach Project
- Capital Expenditure Investment Profile for asset classes
- Innovation Program to reduce future asset investment costs
- Identifying new revenue via third part funding

Planned Risk Rating

Medium

Changes governing GMW activities that increases workload without additional funding

Planned Controls

- Attendance at Government forums where strategy/policy changes may be flagged
- Implementation of action plans to address required works through changes and manage resource requirements associated with implementation
- Implementation of outcomes delivered through external reviews or changes to policy directions (including recommendations from SAP process)

Planned Risk Rating

Medium

Sole or monopoly supplier arrangement for services critical to GMW operations and/or maintenance no longer able to provide product or services

Planned Controls

- Development of risk mitigation plans for key suppliers
- Water Management System Roadmap
- Implementation of Procurement Internal Audit Findings

Planned Risk Rating

Medium

Customer or system data is lost, corrupted, inaccurate, duplicated, incomplete or leaked outside the organisation

Planned Controls

- Customer Data Cleansing Project/ Missed Customer Bills
- Transfer of State Rivers commission permanent files to PROV
- Development of Information Management policy
- Implementation of External Audit Actions
- Implementation of VPDSS requirements

Planned Risk Rating

Significant

Appendix E

Transformation Project Teams and GMW Strategic Initiatives

Correlation of Strategic Project initiatives and SAP recommendations to Water for Victoria actions.

Water for Victoria actions	Strategic Project initiatives	SAP Recommendation
2.1. Achieve net-zero emissions in the water sector		
2.2. Understand and apply climate science	Climate Change Adaptation Plan	
2.3. Lead climate change adaptation	Climate Change Adaptation Plan	
3.7. Environmental water charging arrangements	Tariff & Pricing Strategy	20. Customer price trade off
4.1. Support regional development and change	Regional Development Plan	19. Policies and tools to attract new customers
4.2. Invest in rural infrastructure	Mitiamo project business case	
4.3. Help irrigation districts adapt - Delivery share review	Delivery share review (DELWP led)	DELWP Recommendation 2: Delivery share review
4.5. Improve water delivery efficiency	GMW Water Entitlements and Purchases	
4.6 Manage salinity, waterlogging and water quality		
4.4. Support irrigation development	Regional Development Plan	19. Policies and tools to attract new customers
4.7. Irrigation development guidelines		
4.9. Improve management of emergency water supply		
4.11. Balance water recovery for the MDBA	GMW Water Entitlements and Purchases	
6.2. Include Aboriginal values	Indigenous Engagement Plan	
6.3. Support Aboriginal access to water	Indigenous Engagement Plan	
7.1 Recreational values in water & waterway planning	Recreation & land assets strategy	30. Review non-core activities
7.2. Recreational objectives leadership	Recreation & land assets strategy	
7.3. Information about recreation	Recreation & land assets strategy	30. Review non-core activities
8.1. Strong and responsive water entitlement system		
8.2. Unregulated and groundwater licence conditions	Diversions Strategy	

Water for Victoria actions	Strategic Project initiatives	SAP Recommendation
8.3. Winterfill licence conditions	Diversions Strategy	
8.4 Water use reporting		
8.5. Ensure a modern compliance regime that works		
8.9. Improve rural water supply planning	Climate Change Adaptation Plan	
8.11 Improve water resource information	Climate Change Adaptation Plan	
9.1. Develop a grid oversight function		
9.6. Improve trading rules in northern Victoria		
9.7. Unreg and G/water trading rules		
10.1. Improve customers engagement	GMW engagement framework	17. Customer and stakeholder engagement program.
10.2 Support customer investment decisions	Customer service strategy	19. Policies and tools to attract new customers
10.4. Build capacity and capability in the water sector	Work Pathways Strategy	
10.7. Promote gender equity in the water sector	Diversity & Inclusiveness Program	
10.8. Increase Aboriginal inclusion in the water sector	Indigenous Engagement Plan	
10.9. economic development: Aboriginal participation	Indigenous Engagement Plan	
10.10. Royal Commission into Family Violence	Diversity & Inclusiveness Program	
10.11. Find ways to cut red tape	Customer service strategy	28. Review decision making processes
10.12. Improve emergency management capability	Work Pathways Strategy	

Appendix F

Disclosure Index

This Corporate Plan is submitted in accordance with section 247 of the *Water Act 1989* (the Act) and has been prepared in accordance with the *Victorian Water Industry Corporate Planning and Reporting Guidelines 2018-19* (the Guidelines) issued by the Minister for Water, dated 8 March 2018.

This Disclosure Index has been prepared to facilitate identification of our compliance with the Guidelines.

Guidelines Reference	Requirement	Page Reference
1(a)	Statement of Corporate Intent	6
1(b)	Business plan and financial statements	18 & 24
2.1	Climate change: expected emission reductions for 2018-19 and a pathway for emissions reductions to 2025	54 & 56
2.2(a)	Customer and community outcomes: customer satisfaction related goals	7, 12, 13, 14, 15, 16, 19 & 56
2.2(b)	Customer and community outcomes: community engagement	7, 14, 16, 17, 19, 52, 54, 55, 57 & 59
2.3(a)	Water for Aboriginal cultural, spiritual and economic values: engagement of Aboriginal communities	16, 19, 54, 57, 58, 59 & 64
2.3(b)	Water for Aboriginal cultural, spiritual and economic values: engagement of Traditional Owners	13, 14, 16, 19, 54 & 58
2.4(a)	Resilient and liveable cities and towns: liveability benefits	55
2.4(b)	Resilient and liveable cities and towns: water efficiency programs	7
2.4(c)	Resilient and liveable cities and towns: improve affordability and assist customers in hardship	14, 16, 18, 55 & 58
2.5	Recognising recreational values: plans for consideration of recreational values	7, 13, 14, 17, 19, 22, 55 & 59
2.6	Leadership and culture: diversity and inclusion	16, 19, 23, 55, 59, 60, 62 & 65
2.7(a)	Financial sustainability: price paths	33
2.7(b)	Financial sustainability: debt management strategies	28
2.7(c)	Financial sustainability: quarterly financial projections	46
2.7(d)	Financial sustainability: debt management strategies	26
2.7(e)	Financial sustainability: unregulated business activities	28 onwards
2.7(a2)	Financial sustainability: operational risk assessment	62
2.7(b2)	Financial sustainability: impact on performance of high and low scenarios for key planning variables	55
2.7(d2)	Financial sustainability: credit rating	21
2.8(a)	Statement of Corporate Intent: business objectives	6, 7, 12 & 13
2.8(b)	Statement of Corporate Intent: main business undertakings	6 & 7
2.8(c)	Statement of Corporate Intent: nature and scope of activities	6 & 7
2.8(d)	Statement of Corporate Intent: performance targets	13, 14, 16 & 18
2.9(a)	Planning assumptions: assumed water allocations	26 & 31
2.9(b)	Planning assumptions: assumed price increases	33 & 34
2.9(c)	Planning assumptions: all other relevant assumptions	26 & 31
4	Significant Deviations	27, 29 & 33
5.1	Victorian Water Industry Performance Reporting Framework: PRF KPIs	21
5.2	Periodic performance reporting: key financial targets	15 & 21



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