



Corporate Plan

2017/18 - 2021/22



DELIVERING MORE THAN JUST WATER

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Corporate Plan - Joint foreword (Chair and MD)

Goulburn-Murray Water (**GMW**) harvests, stores and delivers water to its customers and communities across a foot print measuring approximately one third of Victoria.

The agricultural sector in Northern Victoria generates more than \$6 billion of production value annually and directly supports greater than 10,000 jobs alone in the Goulburn-Murray Irrigation District (**GMID**).

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.

GMW recognises that our customers' needs are changing and that this requires us to make changes to the services the business provides and to the way in which those services are delivered.

In response to these challenges, in late 2016 we started working with our customers and communities to develop a strategic plan for GMW. The Board will adopt this Strategic Plan in September 2017 and it will guide our business in the short, medium and longer terms. However, this doesn't mean that we're marking time. Financial Year 2016/17 has seen many achievements including:

- Establishment and delivery of the Connection Project Reset Delivery Plan;
- Driving an operational efficiency program that now contributes an ongoing \$12 million per annum in savings;
- Setting average prices for our larger and medium customers that are flat or falling;
- Simplifying our pricing structures;
- Delivering a circa \$30 million annual maintenance program that brings real benefits to our customers through improved flow rates and channel capacity; and
- Delivering hundreds of capital projects within budget that create a more secure water supply for our customers.

In addition, we're already hard at work on priority business undertakings including:

- Working with the Victorian Government to deliver key outcomes under its *Water for Victoria* plan.
- Developing a GMID strategy for whole of life water assets, beyond the Connections Project;
- Further promoting and developing our innovation team to actively pursue innovation and new revenue streams to benefit the business and customers and
- Continuing to identify ways to improve our engagement with our customers and communities, stakeholders and staff.

As outlined in *Water for Victoria*, we're also committed to delivering safe and cost-effective services in a financially stable way. We are also focussed on developing services that minimise environmental impacts and mitigate the effects of climate change.

It's an exciting time for us to have joined GMW and we're proud of the many achievements the business has made this past year, and we also know there's much more to do.

We want to take this opportunity to assure you that we're very much focussed on the challenges the future will bring and engaging with our customers, stakeholders and the community to ensure that we deliver the best outcomes for all.

Jo Anderson and Pat Lennon

Introduction



1. Context

This Corporate Plan

This Corporate Plan updates GMW's previous corporate plan (2016/17) and provides information relating to the strategic direction and financial position of Goulburn Murray Rural Water Corporation (trading as Goulburn-Murray Water) for the period of 2017/18 to 2021/22.

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

- Section 1 - Statement of Corporate Intent in accordance with section 248 of the Act
- Section 2 - Details of our Corporate Plan
- Section 3 - Our Business Plan and Financial Statements.

The contents are also in accordance with:

- 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 2017-18* (**the Guidelines**) issued by the Minister for Water
- the *Letter of Expectations* (**LOE**) dated 6 February 2017 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.

GMW's Profile

GMW is a statutory Corporation constituted by Ministerial Order under the provisions of the Act. An independent Board of Directors (**the Board**) governs GMW. The Board operates under Part 6 of the Act and reports annually to the Minister for Water and the Treasurer.

GMW is ultimately accountable to the Minister for Water and has 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).

GMW is also appointed as the Resource Manager for Northern Victoria water systems.

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. GMW's tariff structure differs from urban water corporations in that the asset base was set by regulation in 2006 to be 6% of the total asset base.

Responsibilities as a Delegate or Appointee

GMW has 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 Murray Darling Basin Authority (**MDBA**), and;

- appointment by the Water Registrar under the *Water Act 1989* – recording of certain water share dealings.

Our Operating Region

GMW is Australia's largest rural water corporation and manages Australia's largest irrigation delivery network (the Goulburn Murray Irrigation District). GMW manages approximately 70% of Victoria's stored water resources and 50% of Victoria's underground water supplies.

GMW manages 24 water storages that can hold approximately 11 million ML of water and also has responsibility for managing more than 100,000 hectares of public land surrounding our storages. GMW is also Victoria's largest inland boating authority and manages boating and recreational activities across the majority of our storages.

GMW's service area covers more than 68,000 square kilometres, or approximately one third of Victoria. Please see Figure 1.

Figure 1 – GMW's Operating Region



Our Customers

GMW has previously reported a total customer population of 39,326 in its 2015/16 Annual Report. This number has been calculated based on the number of services supplied to properties. For example if an individual has two properties supplied by GMW, the individual would be reflected twice in the customer count.

During 2016/17 GMW undertook work to better identify its customer base by classifying them into distinct segments with different needs. Using this single customer view GMW has about 25,000 customers. It is important to note that the variance reflects two alternative reporting methodologies and the number of customers, services and properties GMW supplies has not changed.

Table 1 – GMW's Customer Segments

| No. | Name | Description | Number of Customers ¹ |
|-----|---|--|----------------------------------|
| 1 | Irrigation | Dairy, cropping, mixed farming, horticulture | 12,352 |
| 2 | Domestic and stock | Rural residential customers Mixed farming and intensive animal industries (piggeries) | 6,515 |
| 3 | Farm dam registrations and Private Rights | Private landholders | 4,110 |
| 4 | Recreation | Houseboat operators Recreation clubs | 891 |
| 5 | Water investment | Investment funds Agriculture corporations | 789 |
| 6 | Commercial leasing | Livestock graziers Forestry corporations Caravan parks | 337 |
| 7 | Contract services | Murray Darling Basin Authority State, Federal governments | 142 |
| 8 | Flood protection | Protection of land and property in flood protection districts | 35 |
| 9 | Urban and rural water supply | Providing water for urban and rural water supply | 12 |
| 10 | Environmental watering | Commonwealth and State Environmental Water Holders | 2 |
| 11 | Power generation | Hydroelectric power utilities | 2 |

¹ Total customers based on single customer view as at 30/06/2016.

Our Stakeholders

GMW is 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 GMW 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 GMW. Table 2 below summarises GMW's major stakeholder groups.

Table 2 – GMW's Stakeholder Groups

| Stakeholder Category | Stakeholder Groups |
|---|---|
| Government | 1. Commonwealth Government 2. State Government 3. Local Government |
| Industry representatives | 4. Dairy 5. Mixed / cropping 6. Horticulture 7. Water Industry 8. Legal Services 9. Mining & Extractive Industry |
| Catchment Management Authorities | 10. All northern Victorian Catchment Management Authorities (4) |
| Key suppliers | 11. Building, Construction and Maintenance |
| Other utility authorities | 12. Energy Authorities (3) 13. Urban Water Authorities (4) 14. Other Water Authorities (9) |
| GMW committees & other special interest groups | 15. GMW Water Services Committees 16. Community & Special Interest Groups 17. Land and Water Management Groups |
| Water entitlement holders | 18. Large GMW customers 19. Environmental Water Holders 20. Water Allocation Owners |
| Media | 21. Print Media 22. Radio Media 23. Social Media 24. Television Media |
| Environmental groups | 25. Environmental Water Holders (State and Federal) 26. Environmental Peak Bodies |
| Indigenous groups | 27. Northern Victorian Aboriginal Corporations |
| Academic institutions | 28. Universities (4) 29. Research Foundation (1) 30. Leadership Groups (2) |
| Employee organisations | 31. Unions |

2. Preparation of this Corporate Plan

As per the Guidelines, the expectation in preparing this Corporate Plan is that it articulates strategies and approaches to deliver modern, efficient, innovative and affordable water services which are valued by our customers.

GMW's current corporate strategy provides three Fundamental Commitments (**FC**) that are directly aligned to delivering modern, efficient, innovative and affordable water for our customers. GMW's Fundamental Commitments are as follows:

- FC 1 - Partnering with our customers;

- FC 2 - Creating the opportunity to increase production in northern Victoria over the next 20 years, and;
- FC 3 - A high performing organisation.

While each of the Fundamental Commitments ultimately serves to deliver modern, efficient, innovative and affordable water services for our customers, FC 1 and FC 2 above are specifically intended to deliver these outcomes. Sitting behind these Fundamental Commitments are many initiatives that GMW is working on to provide modern, efficient, innovative and affordable water services; including, initiatives to deliver the Connections Project and reduce operating expenditure across the business by \$20 million², by 2018.

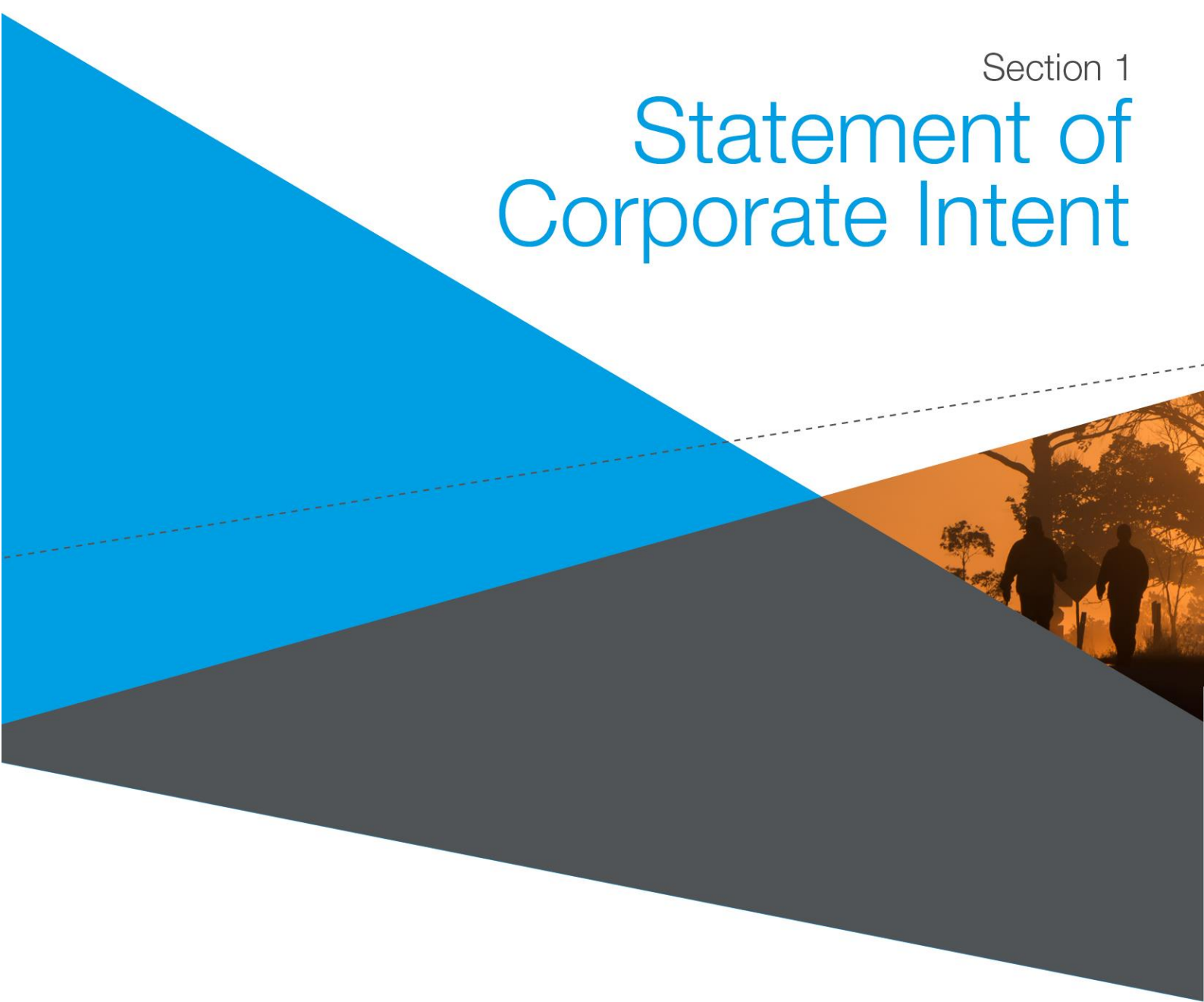
GMW's corporate strategy including each of its Fundamental Commitments, Strategic Outcomes and Strategic Initiatives are detailed further throughout this Corporate Plan.

² Affordable water services: GMW is working to reduce recurrent operational expenditure costs within the business by \$20 million.



Section 1

Statement of Corporate Intent



3. Statement of Corporate Intent

3 a) Business Objectives

Our Strategic Business Objectives

GMW's corporate strategy sets out our strategic business objectives for the five year period from 2012/13 to 2017/18. GMW's corporate strategy is articulated as what GMW is fundamentally committed to, the Strategic Outcomes (**SO**) fulfilling these commitments and the Initiatives to deliver the outcomes. As part of ensuring our corporate strategy remains relevant and in an effort to simplify our strategy, GMW's Fundamental Commitments and related Strategic Outcomes are defined as follows:

FC 1: Partnering with our customers

Strategic Outcomes:

- **SO 1** – Our service levels meet our customer's needs; and
- **SO 2** – We are easy to deal with.

FC 2: Creating the opportunity to increase production in northern Victoria over the next 20 years

Strategic Outcomes:

- **SO 3** - We deliver the Connections Project for the long term benefit of our region;
- **SO 4** - Our stakeholders are enrolled in our sustainable future;
- **SO 5** - We operate commercially to deliver sustainable, predictable and affordable pricing, and;
- **SO 6** - We develop our business in support of our customers and community.

FC 3: A high performing organisation

Strategic Outcomes:

- **SO 7** - We are world leaders in water storage and irrigation management systems;
- **SO 8** - We have an ongoing depth of capability, opportunity and leadership throughout the organisation, and;
- **SO 9** - Our processes, systems and technology enable our future.

Accompanying our corporate strategy is a suite of Conditions of Satisfaction. The Conditions of Satisfaction are our 'rules of the game' and cannot be compromised in achieving our corporate strategy. The Conditions of Satisfaction are also key drivers of performance that we strictly adhere to in all business undertakings.

Our Conditions of Satisfaction are as follows:

- Safety first is non-negotiable;
- We always operate in service of our Fundamental Commitments;
- We always operate consistent with our agreed behaviours;
- We have strong ethical governance;
- Our decisions are informed to ensure we are financially sustainable;
- We manage our risk;
- We meet our legal, contractual and regulatory obligations, and;
- We listen to, understand and anticipate what is important to our customers.

GMW's corporate strategy is embedded throughout the business with all individuals accountable for contributing to the Fundamental Commitments. Individual contribution is at the Strategic Initiative level, which rolls-up into our Fundamental Commitments and cascades down into Individual Work Plans.

Our Operational Business Objectives

GMW manages a range of operational business objectives to service our customers and stakeholders. Our key operational objectives for the corporate plan period are as follows:

- Harvesting, storing and managing water in our reservoirs and dams;
- Managing the supply, delivery, and drainage of water for our irrigation and water districts;
- Providing flood protection and maintenance of infrastructure for our irrigation and water districts;
- Implementing the Government's regulations and policy for groundwater and surface water resource management in accordance with delegated powers;
- Facilitating hydroelectricity generation;
- Operating salinity mitigation works, and;
- Providing for public recreational activities including houseboats and caravan parks.

Our Business Functions

GMW's core business functions can be articulated as follows:

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, and;
- Minister's delegate for licensing ground water and surface water diversions and private dams.

Monitoring the quality of our water

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

Building and maintaining 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;
- Facilitate hydroelectricity generation, and;
- Provide construction and operational services for other Government agencies for delivering water (MDBA and Victorian Government).

Securing our water supply

- Allocate the agreed supply of water to meet our region's needs;
- Provide water registry services for water trading;
- Plan for the future to safeguard and maximise the diminishing water resource, and;
- Support Government policy development and implementation regarding water resource management.

Supporting 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, and;
- Facilitate recreational use on and around our rivers, lakes and reservoirs.

Meeting our legislative and reporting requirements

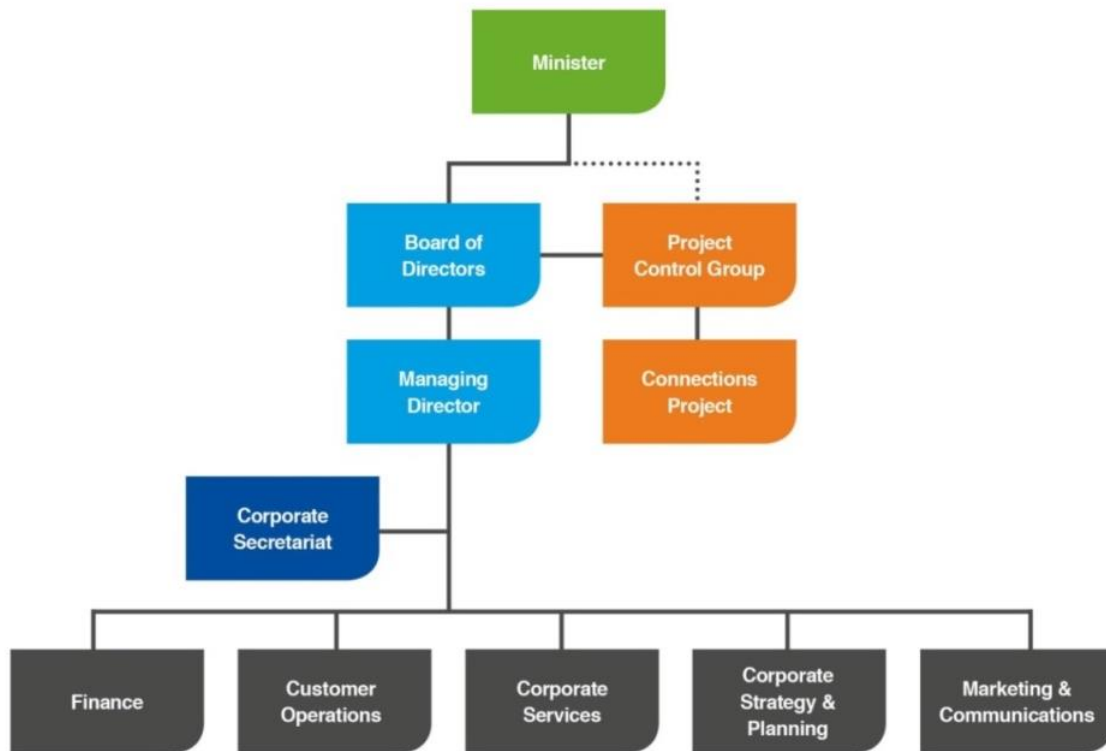
- Compliance with legislative requirements under the Water Act and other relevant governing legislation;
- Meet reporting obligations to Government in accordance with statutory requirements;
- Set prices to collect revenue for GMW's prescribed and non-prescribed services, and;
- Comply with the regulator's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

Our Business Units

On a practical level, the employees of GMW are divided within functionally separated business units which work collaboratively to achieve our strategic and operational business objectives. Our business units are as follows:

- **Finance** - Provides support services to GMW in the areas of financial control, procurement, budgeting and forecasting, financial analytics and systems, and regulation and pricing.
- **Customer Operations** - Responsible for providing customer service, retail, wholesale and construction related operations. This includes, but is not limited to continual improvements in delivery of our customer experience, implementation of efficient business processes and in doing so reducing costs for customers, operation and monitoring of key infrastructure including dams, channels, drains, pipelines and associated assets, and engineering and technical support.
- **Corporate Services** - Provides support services to GMW in the areas of human resources, training and development, safety, risk and compliance, facilities and property management along with Information, Communications and Technology operations, enterprise knowledge management and programme management.
- **Corporate Strategy and Planning** - Provides Corporate Strategy and Planning services to GMW focussing on three key areas: facilitating and coordinating corporate strategy, corporate policy and reform and planning and innovation. This is achieved by coordinating and planning activities to ensure a cohesive long term direction for GMW. In addition the team works with the business to establish strong cross-functional working groups to facilitate the development of key business strategies and enhance the focus of innovation through research and development across the whole business to support delivery of our fundamental commitments.
- **Marketing and Communications** - Provides support services to GMW in the areas of Marketing and Communications strategy, media relations, community and stakeholder engagement, brand awareness and internal and external communications.
- **Corporate Secretariat** - Provides support services to GMW in the areas of strategic and operational corporate governance, business integrity, regulatory and statutory compliance, corporate legal matters for the Board, Executive Team and the overall business.
- **Connections Project** - Responsible for the delivery of the \$2 billion Connections Project the Project is the single most important upgrade of the GMID in its 100 year history. The Connections Project improves farm productivity, reduces the GMID footprint and benefits the health of local environment and the Murray Darling Basin by generating water savings through infrastructure upgrades. Further information relating to the Connections Project is available at **Appendix A**.

Figure 2 – GMW’s Organisational Chart



GMW’s Future Strategic Plan

GMW’s current five year strategic plan will be in its final year of implementation in 2017/18.

In 2016/17, GMW commenced the process to develop its future strategic plan to meet the future needs of the agricultural industry, our customers and stakeholders. GMW’s Board will be adopting an updated strategic plan in September 2017.

So far, this process has focussed on consulting with customer, stakeholder and community groups to help them understand why we need a new strategic plan, and to find out what matters most to them. Our goal – and the reason we’re taking this collaborative approach – is to work together to ensure the future prosperity of our business and our region.

Work will continue into 2017/18 with a future strategy due to be approved by the GMW Board in September 2017. This future strategic direction will have a 30 year time horizon and provide strategic plans for the next five and 10 years.

Why are we developing a new strategic plan?

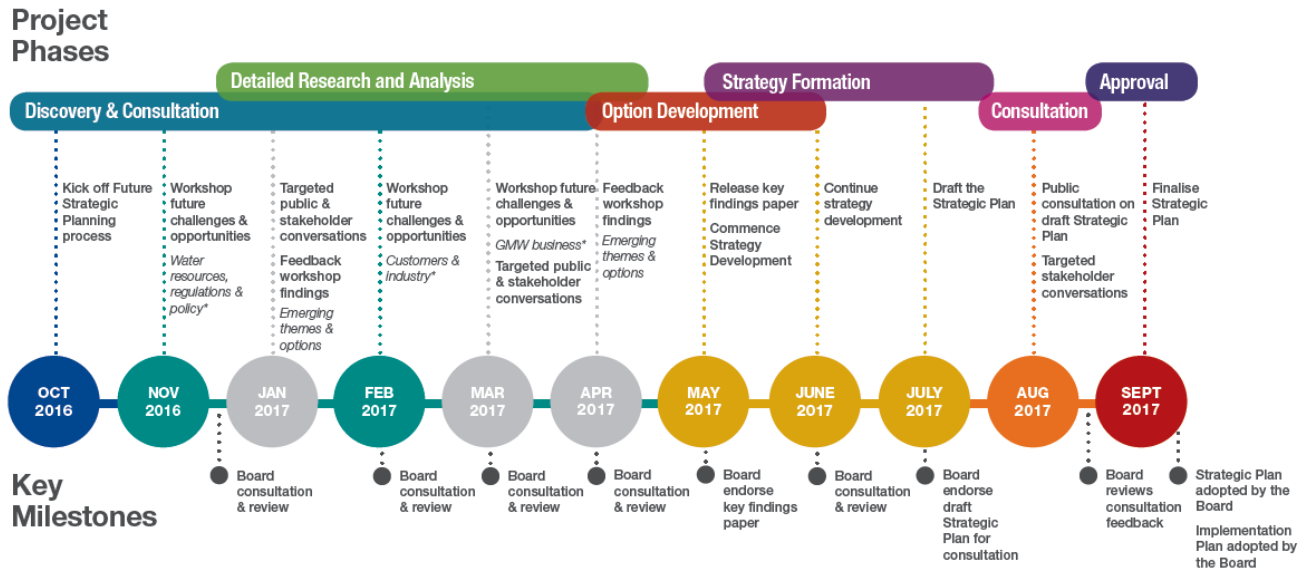
GMW needs to make significant changes to our business and delivery network to ensure it is sustainable in the future.

In addition to the significant impact that climate change and reduced water availability will have on our business, there are significant challenges affecting our infrastructure that we need to manage. Managing the network to match water delivery requirements is critical to our region’s success. For example, our infrastructure is aging and it is inconsistent with delivery needs (the delivery network was designed to deliver 2500GL of water each year but at its peak delivers just 1400GL).

Further, there is a reduction in the number of farms, which provides an opportunity for us to downsize our delivery network, which would ultimately reduce costs for customers.

Further, research shows our farmers are expanding to new crop types that demand changes to our delivery network. Therefore, GMW needs to consider delivering water beyond the traditional irrigation season to meet this demand.

Figure 3 – GMW's future strategic plan project phases



February 2017

Focus for 2017/18

To ensure there is a smooth transition from our current strategy into our future strategy, we have identified five key priority areas that the business will focus on in 2017/18. Under each priority area we have identified a number of key projects that will ensure the business remains focused on what we need to deliver as we transition to our new strategy.

The key areas of focus are as follows:

- Continuing to identify ways to improve our engagement with our customers and communities, stakeholders and staff;
- Further promoting and developing our innovation team to actively pursue innovation and new revenue streams to benefit the business and customers;
- Delivering on the Connections Project Reset Delivery Plan;
- Developing a GMID strategy for whole of life assets, and
- Working with the Victorian Government to deliver key outcomes under its *Water for Victoria* plan, including the delivery share review;

Table 3 on the following pages provides a high level overview of the priority projects and their objectives.

Table 3 – Focus areas and Projects

| Focus areas | Projects | Objectives |
|----------------------|--|---|
| Improving engagement | Improving our Engagement | <ul style="list-style-type: none"> To ensure we're working with all of our customers segments, stakeholders and communities. |
| | Diversity & Inclusiveness | <ul style="list-style-type: none"> 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. |
| | Staff Communication Engagement Review | <ul style="list-style-type: none"> Investigate new options to deliver improved engagement and communications to all GMW staff. |
| Innovation | Land Parcel Strategy | <ul style="list-style-type: none"> Taking over from the 'Estates Review': <ul style="list-style-type: none"> release value from our land assets through leasing opportunities and limited strategic sales and; to ensure utilisation of land for social or recreational purposes. |
| | Capital Expenditure Innovation | <ul style="list-style-type: none"> 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. |
| | Maintenance Innovation | <ul style="list-style-type: none"> Focus primarily on the gravity distribution channel network and also the dams seeking to reduce our OPEX spend and improve reliability, life and service levels. |
| | Grant and Partnership New Revenue | <ul style="list-style-type: none"> Look for external grant funds to leverage / support our capital and operation programs. |
| | Controllable Cost Operational Expenditure Target | <ul style="list-style-type: none"> Achieve \$20 million recurrent cost reduction by end of June 2020, and a further \$5 million by end of June 2022. The \$20million cost reduction target has already been built into prices by the ESC through to June 2020. |
| | Capital Expenditure Target | <ul style="list-style-type: none"> 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. |
| Operations | Asset Modelling | <ul style="list-style-type: none"> 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. |
| | GMID Strategy & River Assets | <ul style="list-style-type: none"> Establish a future vision and footprint for the GMID, Diversions, Pumped Districts, Water Districts and associated river assets. The |

| Focus areas | Projects | Objectives |
|-----------------|--|---|
| | | strategy will include surface and sub-surface drainage infrastructure and consider known and forecast opportunities and threats within the identified areas. |
| Water challenge | Additional Water Savings | <ul style="list-style-type: none"> 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. |
| | Water for Victoria Implementation Plan | <ul style="list-style-type: none"> Refer to section 4 for information specific activities that GMW is undertaking in relation to the Water for Victoria key priorities. |

In addition to the above focus areas, further areas of focus will be identified through the development of GMW's future strategic plan. Some areas that have already been identified include Delivery Share and tariff reviews.

3 b) Main Business Undertakings

Business achieved in 2016/17

The following key strategic initiatives were completed in 2016/17 in line with the current Business Plan.

Table 4 – Business achieved in 2016/17

| Strategic Initiative | Objective |
|--|--|
| SO1-01 Future Service Initiative (Wholesale and Retail) | To research and identify additional common services that customers are seeking and their preparedness to receive these on a cost recovery basis. |
| SO2-02 Customer Policy Reform | To identify opportunities where policy can be simplified, contemporised and reformed to improve customer outcomes and ensure transparency and understanding. |
| SO4-01 GMW Stakeholder Engagement Framework | Develop the implementation plan for the Stakeholder Engagement Framework. |
| SO5-01 Procurement Review | New Procurement Framework in line with Victorian Government Procurement Board guidelines, and improved capability focussed on best value outcomes to assist achieve the operating expenditure reduction target. |
| SO5-02 Fleet Project | Cost savings across the business by streamlining light vehicle fleet policy, and reducing fleet numbers. |
| SO5-06 Estates Review Initiative | To develop a Future Estates Master Plan incorporating, property optimisation and revenue generation from our property portfolio of land and buildings. |
| SO6-02 Recreation and Land Initiative | Identify opportunities to increase the utilisation of our key assets to enable us to generate positive revenue. |
| SO7-05 Low Inflows Strategy | Develop whole of business response to low water availability for customers arising from low inflows continuing into 2016/17 and for future low inflow sequences. Define operational and financial responses to mitigate revenue decline and customer financial stress and the appropriate implementation plan. |
| SO8-02 Innovation Leadership and Research and Development Program | To develop an Innovation, Research and Development program and supporting framework. |

The following initiatives have progressed to a point where they are now embedded into business as usual (BAU) activities and will be reported through normal BAU channels or will be implemented as part of GMW's future strategic plan implementation plan from 2017/18 onwards.

Table 5 – Initiatives now considered BAU

| Strategic Initiative | Objective | Status |
|---|---|--|
| SO2-01 Customer Experience Improvement Program | To significantly improve the way we deliver services to our customers and enhance their experience when dealing with GMW. | BAU |
| SO7-01 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. | BAU |
| SO5-05 Enterprise Agreement Initiative | To optimise our balance of customer service, productivity, employee retention and engagement, and cost reduction objectives. | BAU |
| SO7-04 Water Delivery Efficiency Project | To understand forecast bulk entitlements and develop an Efficiency Improvement initiative. | BAU |
| SO9-01 ICT Strategic Plan Delivery | To deliver technical capabilities around core systems, business data and reporting automation, systems sustainability and rationalisation of technologies. | BAU |
| SO9-02 Internal Process Optimisation Program | To streamline internal business processes using process optimisation methodologies, maximising the use of technology and automation. | BAU |
| SO1-03 Future Service Initiative (Diversion Customers) | To deliver to customers, greater choice and flexibility in the way they hold and use their diversions and groundwater licenses. | To be implemented as part of future strategic plan from 2017/18 onwards. |
| SO1-04 GMID Service Strategy | This service strategy will deliver the customer segmentation model for the GMID, Service standards and the capital and operating requirements for the GMID. | To be implemented as part of future strategic plan from 2017/18 onwards. |

3 c) Nature and Scope of Activities to be undertaken

Business to be achieved in 2017/18

The nature and scope of activities which remain the focus of 2017/18 are in service of achieving our Corporate Strategy. The table below lists the Strategic Initiatives that will close out on the five year strategy in 2017/18, and shows how these initiatives relate to our current Strategic Outcomes and Fundamental Commitments.

For further detail on the Strategic Initiatives being undertaken during 2017/18, please see the Business Plan in section 3.

Table 6 – Corporate Strategy Activities

| Strategic Outcome | Strategic Initiative | Objective |
|--|-----------------------------|---|
| FC1 Partnering with our customers | | |
| SO2 We are easy to deal with | SO2-03 Tariff 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. |

| Strategic Outcome | Strategic Initiative | Objective |
|--|--|---|
| FC2 Creating the opportunity to increase production in northern Victoria over the next 20 years | | |
| SO5 We operate commercially to deliver sustainable predictable and affordable pricing | SO5-03 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. |
| FC3 A high performing organisation | | |
| SO7 We are world leaders in water storage and irrigation management systems | SO7-02 Strategic Plan for All Dams | Develop a strategic plan for all dams that will assist in future investment decisions and long-term direction. |
| | SO7-03 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. |
| SO8 We have an ongoing depth of capability opportunity and leadership throughout the organisation | SO8-01 Our People Our Future | To develop a structured capability, succession and performance management framework to invest in our staff for the future. |
| SO9 Our processes systems and technology enable our future | SO9-03 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. |

3 d) Performance Targets and Other Measures

The information below relates to internal KPIs developed by GMW. Section 2, part 4 of this Corporate Plan provides KPIs as per the Minister for Water's LOE relating to Water for Victoria, and Section 7 of this Corporate Plan provides information relating to KPIs as prescribed by the Victorian Water Industry Performance Reporting Framework.

In order to track and monitor performance against key elements of our corporate strategy, GMW has developed the following corporate KPIs.

Table 7 – GMW's Internal KPIs

| Corporate KPI | Latest Performance |
|---|--|
| FC1 Partnering with our customers | |
| Customer satisfaction is at 90% or higher as per the annual Customer Satisfaction Survey | <p>GMW is committed to providing customers with a high level of customer service. To achieve this, it's important that customers' expectations are understood and current performance is measured against those expectations.</p> <p>The annual Customer Satisfaction Survey was conducted in October and November 2016.</p> <p>This year 88% of customers said they were satisfied with GMW overall. While this is the same result as 2015 and falls short of our KPI, the proportion of customers who rated their overall satisfaction 7+/10 increased from 60% in 2015 to 66% in 2016.</p> <p>In 2016, we also surveyed our Water Services Committee members so we could understand their perceptions of our service and compare their perceptions with that of the random customer sample (Overall Customer Satisfaction Survey). 95% of WSC members were satisfied with GMW's overall service, which is notably higher than the overall result for customers (88%). Both groups, however, rate the supply of water as the most important factor affecting their overall satisfaction.</p> |

| Corporate KPI | Latest Performance |
|--|--|
| | For the first time, we also conducted a survey of our bulk water customers to gather feedback about their perceptions of and satisfaction with GMW's services. Of those surveyed, all (100%) were satisfied with GMW's service, including water supply and access, overall customer service and communication. 71% surveyed believe that GMW provides a good value service, 29% had concerns about pricing. |
| FC2 Creating the opportunity to increase production in northern Victoria over the next 20 years | |
| Reduce operating expenditure across the business by \$20M by 2018 | Total operating expenditure savings forecast for 2017/18 is \$12.9M. The target is measured against a base year using the annual expenditure figure for 2014/15 that accompanied GMW's Water Plan 3 submission. The ESC noted that costs have been trending down and in its final decision on Water Plan 4 (2016 to 2020) incorporated that reduced operating expenditure into customer prices. |
| We have 85% water delivery efficiency by 2020 | Latest performance for this KPI is 80% water delivery efficiency. A number of different factors influence the system efficiency including the total volume of water delivered during the season, start of season channel fill and end of season channel drawdown, operation of local system storages, seasonal weather conditions and local catchment inflows. |
| We have delivered the Connections project by 31 October 2020 | To deliver the Connections Project in line with the approved Reset Delivery Plan. |
| FC3 A high performing organisation | |
| Employee engagement staff survey results are in the top quartile by 2017 <i>This KPI has been superseded by the Victorian Public Sector Commission People Matters Survey tool.</i> | In previous years, GMW employees have responded to an Alignment and Engagement Survey which was designed to establish the extent to which the operations of the organisation aligned with our strategic goals and levels of employee engagement. In 2017/18, the usual Alignment and Engagement Survey will be replaced by the Victorian Public Sector Commission (VPSC) <i>People Matters Survey</i> tool ³ . The VPSC survey will focus on general core questions relating to employee engagement and satisfaction along with questions around government processes, diversity and inclusion, change management and learning and development. This will also provide GMW with a more detailed demographic read on our employees. The reporting structure will be different to previous years, but will give GMW an employee satisfaction score along with targeting areas we are doing well and not so well at. Once GMW has this more detailed demographic read on our employees, a baseline will be formed for performance improvement in future years. |

³ Staff participation in the Victorian Public Sector Commission *People Matters Survey* tool is in line with the key performance indicator G1, part 2, as prescribed by the *Victoria Water Industry Corporate Planning and Reporting Guidelines 2017/18, Appendix 3A: Minister's Letter of Expectations Key Performance Indicators*.



Section 2

Corporate Plan



4. Water for Victoria

Water for Victoria is the Victorian Government's adaptation response to climate change for all Victorian water services. 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.

In accordance with the Victorian State Government's Letter Of Expectation, GMW is focusing its attention on improving performance in relation to the following seven key priority areas as set out in *Water for Victoria*:

- 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.

Table 8 on the following pages provides specific actions that GMW is currently undertaking, or will implement, in order to improve performance in these priority areas.

Table 8 – Specific Actions to improve performance in relation to Water for Victoria priorities

| | Priority Area | Focus on performance improvement | Actions | Specific Activities |
|---|----------------|---|---|---|
| 1 | Climate Change | Provide services that minimize environmental impacts, mitigate climate change and put in place adaptation strategies. | <ul style="list-style-type: none"> Continue work towards minimizing impact on the environment, including prompt action to reduce carbon emissions and plan to adapt to a future of warmer temperatures and reduced rainfall. Achieve net-zero carbon emissions by 2050. | <p>GMW is committed to minimising environmental impacts by mitigating climate change and implementing adaptation strategies. To help achieve this, GMW has established an Emissions Reduction Forum (ERF) to deliver on our Emissions Reductions Pledge to achieve net-zero carbon emissions by 2050. The ERF are responsible for:</p> <ul style="list-style-type: none"> developing the initial pledge for 2017-2025 which was approved by GMW's Board in February 2017; developing an engagement and communication strategy with customers, stakeholders and staff; emissions data base lining, capturing, ongoing reporting and monitoring; development of a Business Case to develop GMW's response to Emissions Reduction, and; establishing delivery teams to implement initiatives. <p>In order to achieve our emissions efficiency targets, we are undertaking the following actions:</p> <ul style="list-style-type: none"> pump efficiency project at Nyah (outside Hume region) pump station; fleet reduction and fleet efficiency improvement; solar energy for Casey Street office in Tatura, and assessment of potential for other sites; |

| | Priority Area | Focus on performance improvement | Actions | Specific Activities |
|---|--|--|--|--|
| | | | | <ul style="list-style-type: none"> HVAC upgrade to more energy efficient systems at Casey Street office in Tatura, and assessment of potential for other sites, and; LED lighting at Casey Street office in Tatura, and assessment of potential for other sites. |
| 2 | Customer and community outcomes | All aspects of delivery will be customer and community centred. | Communicate and engage effectively and transparently with customers and local community. | <p>A Fundamental Commitment of GMW's current five year strategy is 'Partnering with our customers'. Accordingly, since 2012/13 we have been a customer centric focussed organisation and have implemented many initiatives to realise this. Some current initiatives to improve our engagement are being implemented, such as:</p> <ul style="list-style-type: none"> 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, and; better planning on who, how and when to best engage with priority stakeholders. |
| 3 | Deliver water for Aboriginal cultural, spiritual and economic values | Recognise and support Aboriginal cultural values and economic inclusion in the water sector. | <p>Better recognize and manage Aboriginal values by:</p> <ul style="list-style-type: none"> committing to include these values in water planning; generating economic opportunities through supporting access to water, and; increasing Aboriginal participation in water management. | <p>GMW is committed to recognizing and managing Aboriginal values in water planning, supporting access to water and increasing Aboriginal participation in water management. This is demonstrated by:</p> <ul style="list-style-type: none"> GMW's Groundwater Management Planning process which includes engagement of Traditional Owners Aboriginal representation on our Strategic Advisory Committee which is a partnership between GMW and our |

| | Priority Area | Focus on performance improvement | Actions | Specific Activities |
|---|---|---|--|--|
| | | | | <p>stakeholders to shape the future of water delivery in northern Victoria</p> <ul style="list-style-type: none"> Aboriginal representation in Land and On Water Management Implementation Committees such as at Kow Swamp. |
| 4 | Recognise recreational values | Support the wellbeing of rural and regional communities by considering recreational values in water management. | Strengthen community engagement efforts to consider shared benefits, including recreational benefits of water, in planning and management decisions. | <p>GMW has developed Land and On-Water Management Plans to prioritise and address the wide ranging community interests at our storages. We currently provide information and services to assist the community.</p> <p>GMW recognises the importance of providing access to GMW managed waterways for recreational purposes and the benefit this has on the health, wellbeing and the social fabric of communities.</p> |
| 5 | Resilient and liveable cities and towns | Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments. | Develop, deliver and participate in projects with liveability benefits. | <p>GMW will provide a 2018/19 pricing submission with the intent of maintaining downward pressure on pricing and water bills whilst remaining an efficient and compliant business.</p> <p>GMW supports, through project involvement, relevant initiatives such as Eastbank Lake Project in Shepparton and Rising Groundwater Project in Bendigo.</p> |
| 6 | Leadership and Culture | Reflect the needs of our diverse communities. | Develop strategies and goals that will increase both gender equity and Aboriginal inclusion, participation and engagement. | GMW strives to reflect the needs of our diverse communities. GMW exercises both a People Policy and a Diversity Policy with the objective of providing a fair and equal work place for all employees that is free from all forms of discrimination and complies with all relevant regulatory, legislative, administrative and organisational requirements for all |

| | Priority Area | Focus on performance improvement | Actions | Specific Activities |
|---|--------------------------|--|--|---|
| | | | | <p>employees, contractors, visitors and guests.</p> <p>Becoming a more diverse, inclusive and reflective organisation will create a positive cultural improvement within GMW and drive increased performance and improved outcomes.</p> <p>These policies are to be applied to all human resource related activities, policies, processes, procedures and guidelines in matters such as, but not limited to, recruitment and selection, training and development, diversity, retention, employment opportunities, performance management reviews, salary and remuneration, exit and termination, community based people programs, and health and well-being.</p> <p>All employees are expected to uphold GMW's commitment to workforce Diversity, Inclusion and Gender Equity, to promote a true spirit of Equal Employment Opportunity across the business and to ensure that the workplace environment allows for all employees to be treated fairly and equitably.</p> |
| 7 | Financial sustainability | Delivering safe and cost-effective water and wastewater services in a financially sustainable way. | Continue to focus on efficiency and innovation in order to improve water services delivery while maintaining downward pressure on costs. | GMW aims to improve our water service delivery by focusing on innovation and efficiency to maintain downward pressure on costs. |

Table 9 on the following page provides GMW's performance against the key performance indicators relevant to the priority areas.

Table 9 – Water for Victoria Key Performance Indicators

| Priority Area | Key Performance Indicator | Definition | Measure | Comments | Performance |
|--|---|---|---|--|---|
| <u>Climate Change</u> Provide services that minimize environmental impacts, mitigate climate change and put in place adaptation strategies. | E2 Emission reduction pledges. Pledges to commit to specific actions to achieve net zero emissions. | Net tonnes of CO2 equivalent emissions (scope 1 and scope 2 emissions only) for the whole business and its activities. | Total net CO2 emissions equivalent tonnes. | Performance reporting in annual report (PRF). Report on progress towards committed targets to be monitored in following years. | Performance will be reported in our 2016/17 Annual Report, establishing a baseline for future years. |
| | E3 Climate adaptation Apply the Guidelines for Assessing the Impact of Climate Change on Water Suppliers in Victoria and demonstrate adaptation by: <ul style="list-style-type: none"> Rural water corporations develop low flow contingency plans that include an appropriate range of climate scenarios (as applicable) | Planning for adaptation to the warmer, drier climate conditions predicted for the future. | Baseline established in 2016/17. Report on progress towards commitments. | Targets to be monitored in following years. | GMW is considering how to include climate change in short-term seasonal outlooks and will develop a transition plan to ensure customers are fully informed. |
| <u>Customer and community outcomes</u> All aspects of delivery will be customer and community centred. | C1 Customer satisfaction with response (including digitally). | <ul style="list-style-type: none"> Proportion of water orders delivered on time. Application process. | <ul style="list-style-type: none"> Orders delivered on time. Percentage of applications completed within agreed timeframes. | To be determined in consultation with each business and ESC. | Performance will be reported in our 2016/17 Annual Report. |
| | C2 ESC Customer Satisfaction Survey. | Customer confidence in performance of water corporation. | Aggregate customer satisfaction score for water corporation. <i>Baseline established in the 2016/17 ESC Water</i> | Monitor improvement in ESC customer satisfaction survey. | Measure to be developed in 2017/18 in consultation with DELWP. |

| Priority Area | Key Performance Indicator | Definition | Measure | Comments | Performance |
|---|--|--|---|---|--|
| | | | <i>Performance Report – Performance of Victorian urban water and sewerage businesses.</i> 2017/18 rural water to develop measure with DELWP. | | |
| | C3 Appropriate engagement methods used when working with communities. | Use of DELWP community charter or equivalent best-practice engagement methods. | A strategy that demonstrates approaches to community engagement that are open, honest and occur frequently. | Monitor in following years for progress set out in strategy. Report on performance in Annual Report. ESC Customer Satisfaction Survey. Annual Report to Parliament. | Performance will be reported in our 2016/17 Annual Report. |
| | CRR Rural water service delivery complaints. | Number of service delivery complaints per 100 customers. | Number of service delivery complaints received relating to leaks, service interruptions, metering, overuse, flow rate (gravity systems) and water pressure (for pressurized systems). | Report of operations in Annual Report. | Performance will be reported in our 2016/17 Annual Report. |
| | CR4 Billing/payment issue complaints. | Number of billing/payment issue complaints per 1000 customers. | Reduced number of complaints year on year. | Performance reporting in Annual Report (PRF). | Target for 2017/18 will be calculated at end of 2016/17 based on rolling five year average. |
| Water for Aboriginal cultural, spiritual and economic values Recognise and support Aboriginal cultural | AC1 Effective engagement of Aboriginal communities for involvement in business | Explore and develop opportunities for business arrangements with Traditional Owners and Aboriginal | A strategy that demonstrates how GMW will build capability and understanding of | Monitor in following years towards progress set out in strategy. Report on operations in Annual Report. | GMW is committed to upholding the highest standards of probity in all procurement related activities, in line with |

| Priority Area | Key Performance Indicator | Definition | Measure | Comments | Performance |
|--|---|--|---|----------|--|
| values and economic inclusion in the water sector. | opportunities and access to water for economic development. | enterprises to deliver value for money catchment and water services. | procurement processes to address barriers for Aboriginal enterprises to supply goods/services to GMW. | | <p>GMW's <i>Probity Guidelines</i> and best practice. As a leading and respectable corporate citizen, GMW is obliged to clearly communicate to all suppliers, including Aboriginal enterprises:</p> <ul style="list-style-type: none"> • its expectations in terms of the behaviours and conduct that both parties will abide by throughout procurement related processes; • the terms and conditions under which GMW agrees to procure goods or services or enter into any leasing arrangements; • the process that applies to specific procurement related activities including requirements for completing formal procurement documentation, and; • the process and |

| Priority Area | Key Performance Indicator | Definition | Measure | Comments | Performance |
|---------------|---------------------------|---|---|---|---|
| | | | | | <p>principles associated with requesting from or providing additional information to GMW throughout the duration of any procurement related activities.</p> <p>In addition to this, to further build capability and understanding of GMW's procurement activities, GMW will develop a strategy to host Supplier Information Days which will allow for a more tailored conversation regarding tender requirements.</p> |
| | | <p>Inform Traditional Owners when opportunities arise to access water entitlements within existing framework. Provide opportunities for cross-cultural learning in the water sector, as well as skills training and employment for Aboriginal Victorians.</p> | <ul style="list-style-type: none"> Number of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships. Staff have undertaken a cross-cultural training course (by relevant | <p>Monitor for year on year progress. DELWP community survey to be completed.</p> | <p>GMW is currently preparing a strategy for engaging with the Aboriginal and Torres Strait Islander community in regards to:</p> <ul style="list-style-type: none"> delivering cultural awareness training, and; developing a work placement program for high school and |

| Priority Area | Key Performance Indicator | Definition | Measure | Comments | Performance |
|---|--|--|---|--|--|
| | | | Traditional Owner) in the last five years. | | TAFE level students. |
| | AC2 Effective engagement of Traditional Owners for inclusion of Aboriginal Values in water planning. | 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. | <ul style="list-style-type: none"> Number of engagements with Traditional Owners in water planning and management and report on outcomes. Number of pilot programs to test different ways to achieve shared benefits. | Report on operations in Annual Report. | GMW will develop a strategy for engaging with Traditional Owners for inclusion of Aboriginal Values in water planning. |
| <u>Resilient and liveable cities and towns</u> Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments. | L3 Victorian water bills are amongst the lowest in Australia. Typical bill for whichever applies. | Comparison with national median for relevant utility sized groupings: <ul style="list-style-type: none"> Irrigation: 50ML irrigation customer; or 2ML domestic and stock supply as applicable. | Total residential bill based on: <ol style="list-style-type: none"> average consumption 200kl consumption. | Report on operations in Annual Report. | Performance will be reported in our 2016/17 Annual Report. |
| | L4 Hardship programs. | Customers accessing hardship arrangements/payment plans over time. Develop capability and capacity to improve support for victims of family violence experiencing financial hardship. | <ul style="list-style-type: none"> Percentage of customers on instalment plans Number of customers applied and awarded hardship grants. | Report on operations in Annual Report. | Performance will be reported in our 2016/17 Annual Report. |

| Priority Area | Key Performance Indicator | Definition | Measure | Comments | Performance |
|---|--|---|---|--|--|
| | L5 Regulated river supply service charge. | Cost of operation, maintenance, administration and asset renewal associated with regulated river supply assets. | Regulated river supply service charge/volume supplied at customer service points. | Report on operations in Annual Report. | Performance will be reported in our 2016/17 Annual Report. |
| <u>Recognising recreational values</u> Support the wellbeing of rural and regional communities by considering recreational values in water management. | RW1 Consideration of recreational values in carrying out functions and providing services. | Recognise and support recreational values in water/waterway planning, information provision and infrastructure. | Report on efforts taken to work with community members and other government agencies to explore cost effective opportunities to provide complimentary social, recreational and economic benefits. | | In consultation with the community and stakeholders, GMW has developed Land and On Water Management Plans for many of our lakes, dams and reservoirs that are accessible for recreational purposes. Each Plan has its own implementation group made up of twelve people including community representatives, local councils, recreation groups and other agencies. The groups' aim is to implement and deliver on actions identified within the Land and On Water Management Plan. We will continually assess outcomes achieved with each group and report on an annual basis. |
| <u>Leadership and Culture</u> | G1 | Development of a | • Diversity Inclusion | Report on operations in | GMW's diversity and |

| Priority Area | Key Performance Indicator | Definition | Measure | Comments | Performance |
|---|---|---|--|----------------|---|
| Reflect the needs of our diverse communities. | Gender and cultural diversity in workforce including gender equity in executive leadership. | Diversity Inclusion Plan/s that cover gender equity and cultural, indigenous inclusion. | <p>Plan/s provided to DELWP to establish baseline.</p> <ul style="list-style-type: none"> Follow up on annual basis for predicted increase in the number of females occupying senior executive positions over projected five year period. Adopt a 1% target for Aboriginal people in the business consistent with Vic government policy⁴ and commit to a stretch target of 3% by 2020 (DELWP policy⁵). Increase capacity of Traditional Owners to participate in boards and committees. | Annual Report. | <p>inclusion plan will look at all targets set by DELWP's Water Industry Diversity Inclusion Action Plan. Accordingly, GMW will set out to achieve the following by 2024:</p> <ul style="list-style-type: none"> 50/50 split of male to female in leadership positions (D band +); 3% of our workforce will identify as ATSI ; 7% will identify as LGBTI; 10% of our workforce will identify as having a disability; 20% of our workforce will speak a language other than English; 25% of the workforce will enjoy flexible working, and; 35% of the workforce will |

⁴ Karreeta Yirramboi: Victorian Aboriginal Public Sector Employment and Career Development Action Plan.

⁵ DELWP Aboriginal Inclusion Plan 2016-2020.

| Priority Area | Key Performance Indicator | Definition | Measure | Comments | Performance |
|---------------|--|---|--|---|--|
| | | | | | identify as having care responsibilities. |
| | | Staff participation in the Victorian Public Sector Commission (VPSC) People Matter Survey. GMW to encourage staff participation to complete annual survey or equivalent survey. | <ul style="list-style-type: none"> Number of respondents to the VPSC People Matter Survey from GMW increase over time (to be based on participation in alternate years with implementation measures reported in follow up year). Results indicate favourable response to implementation of diversity inclusion plan. | Data analysed by VPSC and provided to water corporation and the department. | From 2017/18, the usual Alignment and Engagement Survey previously undertaken by GMW employees will be superseded or complemented by the Victorian Public Sector Commission (VPSC) <i>People Matters Survey</i> tool. The VPSC survey will provide GMW with a more detailed demographic read on our employees. Once we have this, a baseline will be formed for performance improvement in future years. |
| | G2 Annual board performance report prepared. | Annual Board performance report identifying areas for further development. | Board performance report submitted in a timely manner with recommendations for continuous improvement. | Annual Board performance report to Minister. | GMW reports to the Minister for Water annually on Board Performance. |
| | G3 Health and safety. | Sustained annual improvement against H&S performance benchmarks (AS/NZS standard 4801). | Performance indicators adopted to monitor occupational health and safety in line with FRD 22G, section 6.10. | Report on performance in Annual Report. | Performance will be reported in our Annual Report. |

Financial sustainability KPIs relating to the *Performance Reporting Framework* are set out at section 2, part 7.

4 a) Long-term and short term key strategic business objectives and drivers

GMW has undertaken extensive consultation with customers and stakeholders in relation to the information in Table 10 below, as part of our future strategic planning process. Further detail is available on our website at www.g-mwater.com.au/ourfuture.

The information in Table 10 below relates to the Corporate Plan requirements as per section 2.2 of the DTF Requirements.

Table 10 – Corporate Planning - Section 2.2 DTF Requirements

| Detail | |
|--|--|
| Section - Operating Environment | |
| External factors impacting on performance (e.g. regulatory constraints, competitive environment, economic and market conditions, opportunities and threats, community service obligations) | <ul style="list-style-type: none"> • Policy – e.g. the Victorian Government's climate change adaptation plan, Water for Victoria (<i>Water Plan</i>) and the Murray-Darling Basin Plan. • The Connections Project – major upgrade and rationalisation of GMW assets, funded by the state and federal governments, due for completion in 2020. • Climate change – more extreme climatic events, less rainfall, potential for streamflows to reduce by up to 50% by 2065⁶. • Competition for water - water trade from the GMID to other regions. • Finance markets – interest rates, exchange rates etc. • Labour markets – sourcing and retaining suitable employees. • Purchase markets – raw materials, plant and equipment. • Technology – greater utilisation of on farm technology, cloud and mobile computing, automation, cyber security. • Growth in agriculture – positioning Northern Victoria to benefit from the expected growth in the agricultural sector. • Customer viability – some customer groups are facing significant pressure due to both cyclical and structural factors. • Customer engagement - customer behaviours and needs are constantly evolving requiring effective engagement to adapt services to these changes. • Price regulation – the ESC has made a number of changes to the water pricing framework and approach, future price submissions will be subject to these changes. GMW's regulated tariff structure does not include the majority of asset replenishment requirements. |
| Key drivers of performance (e.g.: determinants of demand, key input costs, asset utilisation) | <p>GMW's key drivers of performance are as per our Conditions of Satisfaction (as set out in section 1, part 3(a)), which are as follows:</p> <ul style="list-style-type: none"> • Safety first is non-negotiable; • We always operate in service of our Fundamental Commitments; • We always operate consistent with our agreed behaviours; • We have strong ethical governance; • Our decisions are informed to ensure we are financially sustainable; • We manage our risk; • We meet our legal, contractual and regulatory obligations, and; • We listen to, understand and anticipate what is important to our customers. |
| Internal factors impacting on performance (e.g.: competitive strengths and weaknesses, organisational structure, | <p>Key internal issues that will impact on performance:</p> <ul style="list-style-type: none"> • Connections Project reset. <p>Strengths:</p> <ul style="list-style-type: none"> • customers – large, established customer base across a diverse range of enterprises; • large asset footprint – providing strength in the security of water supply; • technical expertise in water resource management, policy, engineering, |

⁶ Water for Victoria – Water Plan, Victorian Government, 2016

| Detail | |
|--|--|
| asset condition) | <p>information communications and technology;</p> <ul style="list-style-type: none"> engaged and passionate customer and stakeholder representatives willing to work with GMW; capable and experienced staff; large fleet of modernised, high efficiency assets, and; broad service offering. <p>Weaknesses:</p> <ul style="list-style-type: none"> large asset footprint relative to demand; large proportion of assets are aging and will require replacement/renewal, yet the regulated pricing method does not provide for sufficient financing, and; costs are predominately fixed, limited ability to scale down business (and costs and tariff) during periods of low demand. |
| Identification of internal and external risks (e.g.: business risks, exposure to interest rate and currency movements, technological change, environmental impacts) | <p>In past years, GMW's risk matrix has primarily focussed on the risks or threats posed to business operations with limited risk acceptance tolerances (risk rating = likelihood x consequence).</p> <p>GMW's risk management framework has been revised and a risk target level approach considered which also 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.</p> <p>Opportunities:</p> <ul style="list-style-type: none"> production and investment growth in the agriculture sector; large scale investment in perennial horticulture occurring in other areas that are potentially suited to the GMID; greater utilisation of technology to improve productivity, service outcomes and lower operating costs, and; additional revenue from non-prescribed services. <p>Threats:</p> <ul style="list-style-type: none"> water markets – entitlement trade from the GMID and greater reliance on temporary allocation trade, and; water availability & security – climate change and drought. |
| Section: Key Strategies | |
| Risk and asset management strategies | <p>Information relating to operational risks is set out at Appendix B.</p> <p>GMW's Corporate Asset Management Strategy deals with the four pillars of our assets, including retail, wholesale, corporate and technology assets. The strategy aims to:</p> <ul style="list-style-type: none"> set the long term sustainable direction for asset management required to help meet the organisational strategic plan and mandated obligations; detail the strategic objectives for each business function involved in asset management activities, and; outline the governance structure, controls and performance targets required to implement the asset management strategy throughout the organisation. <p>Key themes that are common across each of the pillars include:</p> <ul style="list-style-type: none"> investment decisions to realise cost savings; prioritisation of expenditure based on condition and criticality; |

| Detail | |
|---|--|
| | <ul style="list-style-type: none"> • ensure assets meet the agreed design and operational standards; • development and implementation of a condition monitoring regime incorporating inspection schedules and techniques appropriate to the risk posed by individual assets; • recording of information for quality analysis on asset performance, and; • proactive maintenance. |
| Strategies to minimise operating costs and achieve operating efficiencies | <p>As set out in the Introduction at part 2, the following Fundamental Commitments serve to deliver efficient and affordable water services for our customers:</p> <ul style="list-style-type: none"> • FC 1 - Partnering with our customers, and; • FC 2 - Creating the opportunity to increase production in Northern Victoria over the next 20 years. <p>As per section 1, part 3(a), the Strategic Outcomes that relate to these Fundamental Commitments are as follows:</p> <p>FC 1: 'Partnering with our customers':</p> <ul style="list-style-type: none"> • SO 1 - Our service levels meet our customers' needs, and; • SO 2 - We are easy to deal with. <p>FC 2: 'Creating the opportunity to increase production in Northern Victoria over the next 20 years':</p> <ul style="list-style-type: none"> • SO 3 - We deliver the Connections Project for the long term benefit of our region; • SO 4 - Our stakeholders are enrolled in our sustainable future; • SO 5 - We operate commercially to deliver sustainable predictable and, affordable pricing, and; • SO 6 - We develop our business in support of our customers and community. <p>As set out in the Statement of Corporate Intent at part 3(a) and 3(c), sitting behind these Fundamental Commitments are many initiatives that GMW is working on to provide modern, efficient, innovative and affordable practices. This includes initiatives to:</p> <ul style="list-style-type: none"> • deliver the Connections Project, and; • reduce operating expenditure across the business by \$20 million by the end of June 2020, and a further \$5 million by the end of June 2022. |
| Other strategies (pricing, marketing and customer service) | <p>In addition to the above, as set out in the Introduction at part 2, GMW's third Fundamental Commitment is to be 'A high performing organisation'. The Strategic Outcomes that relate to this Fundamental Commitments are as follows:</p> <p>FC 3: 'A high performing organisation':</p> <ul style="list-style-type: none"> • SO7 - We are world leaders in water storage and irrigation management systems; • SO8 - We have an ongoing depth of capability opportunity and leadership throughout the organisation, and; • SO9 - Our processes systems and technology enable our future. |

5. Financial Sustainability

5 a) Price Paths

Goulburn-Murray Water is completing the first year of the regulated four year Revenue and Pricing period from 1 July 2016 to 30 June 2020. Along with Melbourne Water, GMW is not facing a

regulatory review of revenue and prices commencing 1 July 2018 as is the case for the other 17 water corporations. GMW's revenue 'cap' has been set by the Essential Services Commission for the period to June 2020.

The ESC has acknowledged GMW's operating expenditure reduction plans and actions, and has passed on those actual and planned reductions through prices. The 'price path' has been set to be generally flat or falling, with some exceptions based on cost-reflective services acknowledged by the regulator to require phased increases. As announced by the ESC in June 2016, such services include service point fees, and small diverter access fees. Within the revenue cap, that means prices for other customers are adjusted downwards, such as larger diverters' access fees.

Apart from the four year regulatory period, GMW's annual price reviews are occurring according to the regulations. Consistent with the revenue cap principles, where GMW has earned revenue above the cap, it does and will recognise and pass back that unplanned revenue through future price reductions. An example of this occurred where customers were billed for holding water in excess of their water share, where such water was at risk of being forfeited subject to allocation announcements (and thus was a speculative decision by the customers). Such revenue is adjusted through prices in the subsequent period.

5 b) Debt Management

GMW monitors debt in accordance with DTF treasury management guidelines and GMW's own treasury policy. Further detail is provided in the Financial Information at **Appendix C** part 4.

5 c) Unregulated (Non-prescribed) business activities

GMW has unregulated business activities known as non-prescribed activities and services. As part of the future GMW Strategy planning is underway to review the non-prescribed activities expenditure and increase the revenue potential. A new General Manager Innovation and Business Development has been included in this Corporate Plan. Future real revenue generation opportunities are yet to be determined, but an assumption has been made in the Corporate Plan and an additional \$700,000 in Other Revenue in 2017/18 and \$1 million recurrent included each year after 2017/18.

5 d) Operational risk assessment

GMW has undertaken a risk assessment of each of our Fundamental Commitments and Strategic Outcomes. Each identified risk has been categorised by level of severity and planned controls assigned to mitigate the likelihood of the risk eventuating. The Operational Risk Assessment is attached at **Appendix B**.

5 e) Financial business targets and projections

For financial business targets and projections please see the Financial Information at **Appendix C** part 6 (d)

5 f) Quarterly financial projections

For quarterly financial projections please see the Financial Information at **Appendix C**.

5 g) Impact on performance of high and low scenarios for key planning variables

For impact on performance of high and low scenarios for key planning variables, please see the Financial Information at **Appendix C** part 6.

5 h) Regulated revenue and pricing (Water Plan 4)

For key commentary in relation to changes from the previous Corporate Plan arising from Water Plan 4 see the Financial Information at **Appendix C** part 7.

6. Planning Assumptions

6 a) Assumed water allocations

GMW 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 GMW to downgrade its 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 consistent with the forecast under dry conditions.

GMW is assessing likely deliveries through the remainder of 2016/17 and the potential impacts on the variable revenue in this and following seasons under drier weather conditions recently predicted by the Bureau of Meteorology.

6 b) Assumed price changes and customer bills

The Essential Services Commission has determined GMW's revenue cap and pricing for the four years to June 2020. All other relevant information relating to price changes and customer bills is detailed in the Financial Information at **Appendix C**.

6 c) All other relevant assumptions

All other relevant assumptions are detailed in the Financial Information at **Appendix C**.

7. Performance Reporting

Key Performance Indicators and Targets

The information below relates to KPIs as prescribed by the Victorian Water Industry Performance Reporting Framework and the DTF Requirements. Section 1, part 3(d) of this Corporate Plan provides information relating to GMW's internal KPIs.

The following non-financial and financial KPIs are prescribed by the *Victorian Water Industry Performance Reporting Framework*. GMW has assigned targets for the Water Storage and Delivery business as outlined below. Please see the Financial Information section at **Appendix C** for targets in relation to the Connections Project.

Water Service Performance

Table 11 - KPIs - Victorian Water Industry Performance Reporting Framework - Water Service Performance Indicators

| KPI Number | Key Performance Indicator | Target for 2017/18 (%) |
|-------------|---|-------------------------------|
| WSR1 | Rural water supply deliveries (Number of orders delivered/total number of orders) * 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) * 100 | 1.5 |
| WSR3 | Groundwater supply (Number of transfers processed within target period / total number of transfers processed) * 100 | 78.3 |

Customer Responsiveness**Table 12 - KPIs - Victorian Water Industry Performance Reporting Framework - Customer Responsiveness Performance Indicators**

| KPI Number | Key Performance Indicator | Target for 2017/18 |
|------------|---|---|
| CR4 | Billing/payment issues complaints Number of complaints per 1000 customers | Target for 2017/18 will be calculated at end of 2016/17 based on rolling five year average. |

Environmental Performance**Table 13 - KPIs - Victorian Water Industry Performance Reporting Framework - Environmental Performance Indicators**

| KPI Number | Key Performance Indicator | Target for 2017/18 |
|------------|--|--------------------|
| E2 | Total net CO₂ emissions Net tonnes CO ₂ equivalent | 12,451 tonnes |

Financial Performance**Table 14 - KPIs - Victorian Water Industry Performance Reporting Framework - Financial Performance Indicators.**

| KPI Number | Key Performance Indicator | Budget 2017/18 |
|------------|---|----------------|
| F1 | Cash Interest Cover Net operating cash flows before net interest and tax/net interest payments | 4.2 |
| F2 | Gearing Ratio (Total Debt (including finance leases)/total assets) * 100 | 2.4% |
| F3 | Internal Financing Ratio (Net operating cash flow less dividends/net capital expenditure) * 100 | 55.6% |
| F4 | Current Ratio Current assets/current liabilities (excluding long-term employee provisions and revenue in advance) | 0.6 |
| F5 | Return on Assets (Earnings before net interest and tax/average assets) * 100 | -2.1% |
| F6 | Return on Equity (Net profit after tax/average total equity) * 100 | -1.9% |
| F7 | EBITDA Margin (Earnings Before Interest, Tax, Depreciation and Amortisation/total revenue) * 100 | 6.9% |
| F8 | Credit Rating | A- |

Section 3

Business Plan

DELIVERING MORE THAN JUST WATER

8. Business Plan

Actions and strategies to achieve outcomes

The Business Plan below sets out GMW's Strategic Initiatives and key focus areas to be progressed throughout 2017/18.

They are complemented by the 'Focus areas and Projects' as set out in section 1, part 3(a) and the 'Nature and Scope of Activities to be undertaken', as set out in section 1, part 3(c).

Table 15 – Business Plan

| Strategic Outcome | Strategic Initiative | Objective |
|--|---|---|
| FC1 Partnering with our customers | | |
| SO2 We are easy to deal with | SO2-01 Customer Experience Improvement Program | To significantly improve the way we deliver services to our customers and enhance their experience when dealing with GMW. |
| | SO2-03 Tariff 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. |
| FC2 Creating the opportunity to increase production in northern Victoria over the next 20 years | | |
| SO3 We deliver the Connections Project for the long term benefit of our region | SO3-01 Connections Program Reset Delivery Plan | This initiative will focus on three key deliverables: 1) Connections Project long term business implications (e.g. whole of life) 2) Supporting the operational delivery of the Connections Project The Connections Project Reset. |
| SO5 We operate commercially to deliver sustainable predictable and affordable pricing | SO5-03 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. |
| FC3 A high performing organisation | | |
| SO7 We are world leaders in water storage and irrigation management systems | SO7-01 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. |
| | SO7-02 Strategic Plan for All Dams | Develop a strategic plan for all dams that will assist in future investment decisions and long-term direction. |
| | SO7-03 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. |
| | SO7-04 Water Delivery Efficiency Project | To understand forecast bulk entitlements and develop an Efficiency Improvement initiative. |
| SO8 We have an ongoing depth of capability opportunity and leadership throughout the organisation | SO8-01 Our People Our Future | To develop a structured capability, succession and performance management framework. |
| SO9 Our processes systems and technology enable our future | SO9-01 ICT Strategic Plan Delivery | To deliver technical capabilities around core systems, business data and reporting automation, systems sustainability and rationalisation of |

| Strategic Outcome | Strategic Initiative | Objective |
|----------------------|---|--|
| | | technologies. |
| | S09-02 Internal Process Optimisation Program | To streamline internal business processes using process optimisation methodologies, maximising the use of technology and automation. |
| | S09-03 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. |
| Focus areas | Projects | Objectives |
| Improving engagement | Improving our Engagement | <ul style="list-style-type: none"> To ensure we're working with all of our customers segments, stakeholders and communities. |
| | Diversity & Inclusiveness | <ul style="list-style-type: none"> 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. |
| | Staff Communication Engagement Review | <ul style="list-style-type: none"> Investigate new options to deliver improved engagement and communications to all GMW staff. |
| Innovation | Land Parcel Strategy | <ul style="list-style-type: none"> Taking over from the 'Estates Review': <ul style="list-style-type: none"> release value from our land assets through leasing opportunities and limited strategic sales and; to ensure utilisation of land for social or recreational purposes. |
| | Capital Expenditure Innovation | <ul style="list-style-type: none"> 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. |
| | Maintenance Innovation | <ul style="list-style-type: none"> Focus primarily on the gravity distribution channel network and also the dams seeking to reduce our OPEX spend and improve reliability, life and service levels. |
| | Grant and Partnership New Revenue | <ul style="list-style-type: none"> Look for external grant funds to leverage / support our capital and operation programs. |
| | Controllable Cost Operational Expenditure Target | <ul style="list-style-type: none"> Achieve \$20 million recurrent cost reduction by end of June 2020, and a further \$5 million by end of June 2022. The \$20million cost reduction target has already been built into prices by the ESC through to June 2020. |
| | Capital Expenditure Target | <ul style="list-style-type: none"> 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. |
| Operations | Asset Modelling | <ul style="list-style-type: none"> Consider enhancements to asset modelling |

| Focus areas | Projects | Objectives |
|-----------------|--|--|
| | | <p>software to better inform GMW's investment profile and prioritise the asset treatments to provide best value solutions.</p> <ul style="list-style-type: none"> • 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. |
| | GMID Strategy & River Assets | <ul style="list-style-type: none"> • 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. |
| Water challenge | Additional Water Savings | <ul style="list-style-type: none"> • 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. |
| | Water for Victoria Implementation Plan | <ul style="list-style-type: none"> • Refer to section 4 for information specific activities that GMW is undertaking in relation to the Water for Victoria key priorities. |

GMW is committed to delivering the above Strategic Initiatives and priority projects in line with our Conditions of Satisfaction as set out in section 1, part 3(a).

Appendix A – The Connections Project

The Goulburn Murray Water (GMW) Connections Project is contributing to the sustainable future of productive agriculture in Northern Victoria. 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 Northern Victoria, 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 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 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 2016

Following the independent review in late 2015, the Commonwealth and Victorian governments, along with GMW, worked with key stakeholders, irrigator and industry representatives to reshape the project.

On 3 March, 2016 Victorian Water Minister Lisa Neville announced the appointment of a new Project Control Group (PCG). The PCG's role is to drive change and streamline the decision making process. The PCG reports to the GMW Board and also directly to the Minister for Water.

Following significant community consultation a clear way forward was presented in the Reset Delivery Plan. This Plan was approved by both the State and Commonwealth in September 2016 and provides a clear methodology to deliver the agreed water savings by September 2020. A key change in the methodology is the introduction of a revised engagement model that uses the statutory reconfiguration powers under the Water Act to provide greater surety of timelines as well as providing customers with a clear process.

NEXT STEPS IN 2017

A key part of the approved Reset Delivery Plan is that the delivery of a major portion of works will be undertaken by qualified and experienced contractors. In early 2017 John Holland was awarded the contract and will be delivering works for the remainder of the Project. John Holland will be working closely with landowners to develop solutions and deliver works in order to achieve water savings. John Holland will also be the main contractor delivering the 2017 Winter Works program which will be the largest program delivered in recent years.

The Project will continue to make internal improvements to help achieve its contractual targets. GMW is committed to keeping staff, landowners and the public informed as we move through this process.

Appendix B – Operational Risk Assessment

| 1 Risk Name | Reduction in funds to support business operations | Planned Risk Rating |
|--------------------|---|----------------------------|
| Planned Controls | Enhance and improve GMW financial structure and financial systems Development and implementation of estate strategy including sale of land and assets no longer needed or utilised by GMW Innovation 150 Program Capex Innovation – VFM outcomes Customer Data Cleansing Project/Missed Customer Bills Strategic Plan development including 30 year forward look program Land Parcel Strategy (excluding Easements) Maintenance Innovation Opex \$25M – direct controllable costs Grant and partnership arrangements and identification of new revenue sources | Medium |
| 2 Risk Name | Decline in water resource availability | Planned Risk Rating |
| Planned Controls | Climate Change Modelling Approach Project Water for Victoria Implementation Plan Water Efficiencies Water Challenge 30GL Bulk Entitlement (MIL Model) conveyance losses Water Management Systems Roadmap – Greenfields Site | Significant |
| 3 Risk Name | Connections Project outcomes challenge the needs or expectations of GMW and its customers/stakeholders | Planned Risk Rating |
| Planned Controls | Connections Project Reset Delivery Plan 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 | Medium |
| 4 Risk Name | Externally imposed organisational changes (including amalgamation, loss of functions and gaining additional functions) | Planned Risk Rating |
| Planned Controls | Implementation of GMW's Succession Planning Framework including identification of key person risk and associated training and development programs Strategic Plan development including 30 year forward look program GMW Engagement Model Project Staff Communication & Engagement Review Opex \$25M – direct controllable costs Water Challenge 30GL Connections Project Reset Delivery Plan | Medium |

| 5 Risk Name | Increased competition for personnel with skills critical to GMW operations | Planned Risk Rating |
|------------------|--|---------------------|
| Planned Controls | Implementation of GMWs Succession Planning Framework including identification of key person risk and associated training and development programs Employee Reward and Recognition Program and Awards Night GMW Work Experience Program for students across the GMID Coaching/Mentoring Program Leadership Development Program Staff Communication & Engagement Review Diversity and Inclusiveness Program to 2024 Develop budget and resource plan for Shadowing Program for key person risk roles across the business (including Dam Safety, Finance, Engineering and Operations employees) | Medium |
| 6 Risk Name | Increased number and/or severity of major disaster events | Planned Risk Rating |
| 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 | Significant |
| 7 Risk Name | Changing customer base and/or land user requirements across the GMID | Planned Risk Rating |
| Planned Controls | Establish account manager arrangements which embed staff for large customer accounts Community Participation Strategy Operational Recurrent Expenditure Savings Environmental scan of market influences and impacts Whole of Life Asset Modelling Project Ongoing discussions between PM and respective GMs on resource commitments Define key project deliverables and have them approved by the project drivers Thoroughly understand the project visions. Meet with the project drivers and deliver an overview of the project as a whole for their review and comments Define deliverables and have them approved by the project drivers Strategy development process resourcing requirements to be defined Proactive external communications strategy analysed | Medium |

| | | |
|---------------------|---|----------------------------|
| | 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 | |
| 8 Risk Name | Changes governing GMW activities that increases workload without additional funding | Planned Risk Rating |
| Planned Controls | Establish communications and engagement strategy to influence government views on the Government Water Plan Environmental scan of market influences and impacts Attendance at Government forums where strategy/policy changes may be flagged Climate Change Modelling Approach Project Comprehensive Building Audit and implementation of identified corrective actions Cultural Heritage Education and Awareness Workshops | Medium |
| 9 Risk Name | Sole or monopoly supplier arrangement for services critical to GMW operations and/or maintenance no longer able to provide product or services | Planned Risk Rating |
| Planned Controls | Development of risk mitigation plans for key suppliers Water Management System Roadmap Implementation of Procurement Internal Audit Findings | Medium |
| 10 Risk Name | Customer or system data is lost, corrupted, inaccurate, duplicated, incomplete or leaked outside the organisation | Planned Risk Rating |
| Planned Controls | Development of guidelines and processes around opening mail Customer Data Cleansing Project/Missed Customer Bills Transfer of State Rivers commission permanent files to PROV Information Management policy Implementation of External Audit Actions | Significant |
| 11 Risk Name | Minister, Government, DELWP or key stakeholders do not have confidence in GMW | Planned Risk Rating |
| Planned Controls | Investigate opportunities for multi-party conversations through industry roundtables Establish communications and engagement strategy to influence government views on the Government Water Plan Environmental scan of market influences and impacts Attendance at Government forums where strategy/policy changes may be flagged Review/re-issue of performance management framework Proactive engagement with IRV Strategic Plan development including 30 year forward look program | Low |
| 12 Risk Name | Technology related to GMW operations advances at a rate that exceeds GMW capacity to evolve | Planned Risk Rating |
| Planned Controls | Water Management System Roadmap Internal process optimization program Procurement strategy GMID Strategy | Low |

Appendix C – Financial Information

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 2017-18 Corporate Plan is the fifth 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. We note that the financial forecasts included in this Corporate Plan are as BAU. As GMW works through a Strategic Planning process there are likely to be changes to the financial results reported in future Corporate Plans.

2. Financial Efficiencies

Since our last Corporate Plan the following significant areas of financial change have been resolved or substantially managed. These include:

- the final decision on GMW's Water Plan 4 submission from the Essential Services Commission, and;
- the resetting of the Connections Project and agreement on a Service Level Agreement between Water Storage & Delivery and the Connections Project.

GMW is in the process of setting its strategic framework for the next 30 years. The Corporate Plan for 2017/18 includes efficiencies from the current Corporate Strategy to reduce operating costs however not all efficiencies have been identified to achieve the proposed reduced revenue beyond 2017/18.

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 services standards.

3. Financial Risk Management

In accordance with Appendix A and B, 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;
- 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, as became evident with the April 2016 dairy commodity price reduction by 20%;
- 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. 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 Audit 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.

5. 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 financials⁷ - Appendix A, and;
- Connections Project financials⁸ - Appendix B.

6. 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.

⁷ Water Storage and Delivery refers to the operations of GMW prior to integration of NVIRP on 1 July 2012. It encompasses the core functions of catchment services (dams and associated activities) and retail functions (gravity irrigation, diverters, etc.)

⁸ Connections Project is the delivery of the \$2b government funded modernisation program. This represents the functions of NVIRP prior to integration into GMW on 1 July 2012.

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.

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 | 2.0 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 | >40% | 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 | <=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 draft decision

| Financial Performance Indicators | Target | 2016/17 Forecast | 2017/18 Budget | 2018/19 Forecast | 2019/20 Forecast | 2020/21 Forecast | 2021/22 Forecast |
|---|----------|------------------|----------------|------------------|------------------|------------------|------------------|
| Earnings Before Interest Tax & Amortisation (\$'000s) | Positive | 17,735 | 10,656 | 21,255 | 58,456 | 24,775 | 27,098 |
| Operating Cash Flows (\$'000s) | Positive | 8,342 | 20,961 | 21,813 | 23,234 | 24,629 | 24,900 |
| Cash Interest Cover (Underlying) | > 2 x | 2.0 | 3.5 | 3.6 | 3.4 | 3.8 | 3.4 |
| Internal Financing Ratio | >= 40% | 20% | 54% | 70% | 92% | 57% | 60% |
| Regulatory Gearing Ratio | <= 60% | 35% | 38% | 35% | 32% | 34% | 36% |

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 54% in 2017/18 as a result of timing of the capital program. The metric is within the target range of >=40%.

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 recently signed Finding Deed changing the funding parameters reduces the liquidity risk to the Project.

The Connections Project cash holdings at the end of 2016-17 are forecast to be \$233m which provides a strong base to cover 2017-18 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 our Shareholder Minister's department and the Department of Treasury and Finance on project status and corresponding funding requirements.

d) Factors affecting achievement of targets.

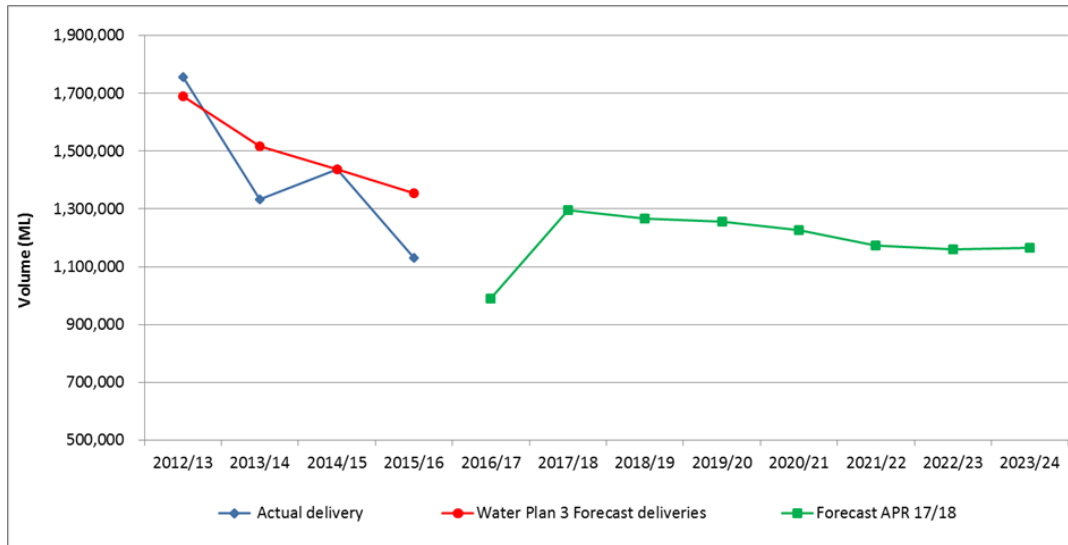
As shown in Financial Statements, for the Prescribed Services, this cost trend is designed to offset the impact of lower water volumes, to contain the average price per ML and per Delivery Share for customers. The non-prescribed business segment, where revenue is more market driven, must be self-sufficient and cannot be subsidised by the regulated prescribed services. A reduction in non-prescribed recurrent expenditure may generate surplus funding that could be utilised for capital replenishment within the non-prescribed business segment and /or assist reduce pressure on prices for the prescribed services customers.

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

In terms of volume, above average rainfall across northern Victoria at the start of 2016/17 reduced early season irrigation demand and boosted depleted resources. Unless very dry conditions return quickly, carryover and opening volumes are forecast to be higher than average and expected to contribute to above average deliveries of 1,300 GL for 2017/18.

The following graph reflects the delivery demand range.

The median range is used as an assumption for the revenue budget.



- The updated forecast (green line) is based on GMW's modelled data. The model uses historic seasons to predict a range of delivery possibilities given the current storage and resource position.
- The forecast delivery volume for each season shown in the green line is the median predicted volume of delivery in that season.
- The forecast delivery volume for next season (2017/18) is higher than the subsequent seasons due to the current relatively healthy storage volumes.
- Sensitivity range of 100 GL would change variable revenue by \$785k.

7. Material Changes from the 2016-17 Corporate Plan

Changes in WS&D results for 2017-18 when compared to the 2016-17 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 2017/18 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 2017-18 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. The dairy crisis of 2016 is still having an effect on account receipts through 2017, and thus GMW's operating cash flow.

(iii) Balance Sheet**Assets**

GMW's cash balances are higher compared to the previous Corporate Plan reflecting funding and expenditure profiles of the Connections Project. The cash balance at the end of the financial year for the Connections Project supports the winter works program through July and August of the following financial year.

Non-Current Assets Asset increase in future years as 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 increase in unearned revenue from the previous Corporate Plan reflects the phasing of expenditure associated with the Connections Project as described above.

(iv) Capital Expenditure

Summary of capital expenditure spend 2017-18 vs 2016-17 Corporate Plan is set out below:

Capital Expenditure – Consolidated

| Consolidated | | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Actual figures from Corporate Plans | 2016/17 \$'000 | 2017/18 \$'000 | 2018/19 \$'000 | 2019/20 \$'000 | 2020/21 \$'000 | Total \$'000 |
| 2017/18 Corporate Plan | 128,947 | 170,742 | 92,960 | 72,192 | 43,553 | 508,393 |
| 2016/17 Corporate Plan | 123,228 | 166,407 | 33,275 | 27,486 | 43,468 | 393,864 |
| Variance | 5,719 | 4,335 | 59,685 | 44,706 | 85 | 114,529 |

Capital Expenditure – WS&D

| Water Storage & Delivery | | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Actual figures from Corporate Plans | 2016/17 \$'000 | 2017/18 \$'000 | 2018/19 \$'000 | 2019/20 \$'000 | 2020/21 \$'000 | Total \$'000 |
| 2017/18 Corporate Plan | 39,964 | 39,052 | 31,077 | 25,198 | 43,553 | 178,843 |
| 2016/17 Corporate Plan | 45,218 | 33,034 | 33,275 | 27,486 | 43,468 | 182,481 |
| Variance | (5,254) | 6,018 | (2,198) | (2,288) | 85 | (3,638) |

These changes largely reflect the re-phasing of capital expenditure across Water Plan 3 and Water Plan 4.

Capital Expenditure – Connections Project

| Connections | | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Actual figures from Corporate Plans | 2016/17 \$'000 | 2017/18 \$'000 | 2018/19 \$'000 | 2019/20 \$'000 | 2020/21 \$'000 | Total \$'000 |
| 2017/18 Corporate Plan | 88,983 | 131,690 | 61,883 | 46,994 | - | 329,550 |
| 2016/17 Corporate Plan | 78,010 | 133,373 | - | - | - | 211,383 |
| Variance | 10,973 | (1,683) | 61,883 | 46,994 | - | 118,167 |

The changes in capital expenditure from the 2016-17 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.

8. Corporate Reporting

The financial statements presented in this Corporate Plan cover the period 2017-18 to 2021-22. It is important to note that the Corporate Plan covers Water Plan 4 (2016-17 to 2019-20) and the first two years of Water Plan 5 (2020-21 and 2021-22). 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:

- Inflation rate of 1.66% has been applied to operating costs.
- Regulated revenue for 2017-18 is based on CPI of 1.066% and 2.0% for the remainder of the Corporate Plan period which is consistent with expenditure increases.
- Water entitlements held by irrigators, diverters and bulk entitlement holders are expected to vary across future years. In 2017-18 estimated water availability and allocations. Variable revenue is based on an assumed volume of 1,300 GL. The forecast delivery volume for next season (2017/18) is higher than the subsequent seasons due to the current relatively healthy storage volumes.
- 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 2011 adjusted for disposals, additions and depreciation.
- Wages have been forecast to increase by 3% per annum over the Corporate Plan period. This includes the inflation rates noted above.

b) Statement of Financial Performance

| Goulburn Murray Water Consolidated Statement of Financial Performance | | | | | | |
|--|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2016/17 Forecast \$'000 | 2017/18 Budget \$'000 | 2018/19 Budget \$'000 | 2019/20 Budget \$'000 | 2020/21 Budget \$'000 | 2021/22 Budget \$'000 |
| Revenue From Operating Activities | | | | | | |
| Tariff | 119,841 | 116,785 | 121,923 | 124,100 | 125,261 | 128,176 |
| Government Grants | 1,932 | 1,584 | 885 | 900 | 916 | 931 |
| Government Services Contract | 1,990 | 3,405 | 2,403 | 2,401 | 1,400 | 898 |
| MDBA Contract | 15,214 | 15,475 | 16,055 | 16,336 | 16,609 | 16,886 |
| Connections Project | 107,734 | 189,856 | 106,542 | 66,946 | - | - |
| Other Revenue | 8,534 | 10,473 | 9,184 | 9,346 | 9,505 | 9,664 |
| Total Revenue | 255,245 | 337,578 | 256,992 | 220,029 | 153,691 | 156,555 |
| Expenditure From Operating Activities | | | | | | |
| Operations | 46,385 | 48,140 | 46,463 | 46,560 | 46,460 | 46,689 |
| Maintenance | 28,022 | 28,449 | 27,773 | 27,557 | 27,288 | 27,288 |
| Management & Administration | 27,423 | 27,209 | 26,198 | 25,976 | 25,723 | 25,723 |
| Government Grants | 1,574 | 1,450 | 780 | 791 | 804 | 818 |
| Government Services Contract | 934 | 890 | 761 | 776 | 847 | 890 |
| MDBA Contract | 14,025 | 14,242 | 14,491 | 14,750 | 15,001 | 15,256 |
| Connections Project | 104,786 | 189,145 | 106,089 | 67,172 | - | - |
| Environmental Contribution | 1,680 | 1,686 | 2,793 | 2,793 | 2,793 | 2,793 |
| Asset Disposals | 10,123 | 15,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Total Expenses | 234,952 | 326,211 | 235,348 | 196,375 | 128,916 | 129,457 |
| % of Revenue | 92% | 97% | 92% | 89% | 84% | 83% |
| EBITDA | 20,293 | 11,367 | 21,644 | 23,654 | 24,775 | 27,098 |
| % of Revenue | 8% | 3% | 8% | 11% | 16% | 17% |
| Depreciation on Regulated Asset Value | 7,264 | 9,125 | 10,938 | 12,265 | 13,552 | 14,877 |
| Interest | 7,530 | 6,962 | 8,018 | 9,254 | 8,666 | 10,692 |
| Net Profit (Loss) Before Tax and Statutory Depreciation | 5,499 | (4,720) | 2,688 | 2,135 | 2,557 | 1,529 |
| Additional Statutory Depreciation | 86,705 | 104,948 | 103,173 | 106,064 | 104,602 | 105,314 |
| Tax (Expense)/Benefit | 24,362 | 32,900 | 30,146 | 31,179 | 30,614 | 31,136 |
| Net Result | (56,844) | (76,768) | (70,339) | (72,750) | (71,431) | (72,649) |

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 2017-18 to 2019-20 is based on the ESC Final Decision on GMW's Water Plan 4 pricing submission. Revenue for 2020-21 to 2021-22 is the latest forecast for draft Water Plan 5.
- Future pricing is affected by ESC final decision which includes a cost savings plan and reduced volumes.
- Connections Project revenue is based on the reset delivery plan.
- Government Services Contract increase is a result of timing delays in the SLA (Service Level Agreement) with the Goulburn Broken Catchment Management Authority, agreed in 2016/17

but work delayed by 6 months, pushing works and funds into begin in 2017/18 for a renewed surface drainage works program.

- 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 final decision on GMW's Water Plan 4 pricing submission.
- GMW introduced a target as part of WP3 to reduce controllable expenditure by \$20m per annum by 2017/18. This cost savings target includes assumptions including the completion of the Connections project by June 2018. The Connections project reset now includes an end date for the project of June 2020. The ESC has taken our cost plan into the revenue cap, meaning there is no discretion to avoid taking actions required to remove costs from the business. The timeline to do so has now been extended to June 2020.
- 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 2017-18 and then decreasing in future years.
- 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.

c) Statement of Financial Position

| Goulburn Murray Water Consolidated Statement of Financial Position | | | | | | |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016/17 Forecast | 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current Assets | | | | | | |
| Cash | 246,242 | 153,280 | 136,627 | 38,163 | 10,400 | 10,600 |
| Accounts Receivable | 32,631 | 26,686 | 26,932 | 24,404 | 24,655 | 24,908 |
| Inventory | 3,123 | 2,623 | 2,623 | 2,623 | 2,623 | 2,623 |
| Total Current Assets | 281,996 | 182,589 | 166,182 | 65,190 | 37,678 | 38,131 |
| Non Current Assets | | | | | | |
| Infrastructure | 4,545,263 | 4,595,779 | 4,559,499 | 4,607,043 | 5,016,259 | 4,921,450 |
| Work in Progress | 202,756 | 126,735 | 126,024 | 52,180 | 52,180 | 52,180 |
| Property, Plant and Equipment | 78,054 | 76,660 | 78,746 | 79,746 | 86,619 | 88,392 |
| Intangibles | 12,265 | 9,796 | 13,549 | 13,938 | 18,250 | 22,333 |
| Total Non Current Assets | 4,838,338 | 4,808,970 | 4,777,818 | 4,752,907 | 5,173,308 | 5,084,355 |
| TOTAL ASSETS | 5,120,334 | 4,991,559 | 4,944,000 | 4,818,097 | 5,210,986 | 5,122,487 |
| Current Liabilities | | | | | | |
| Creditors & Accruals | 49,305 | 46,709 | 45,895 | 23,906 | 23,030 | 22,122 |
| Borrowings - Current | 11,915 | 2,035 | 2,163 | 36,759 | 2,443 | 10,097 |
| Employee Entitlements | 18,836 | 19,535 | 20,228 | 20,981 | 21,701 | 22,508 |
| Unearned Revenue | 101,236 | 77,946 | 67,227 | 1,461 | - | - |
| Total Current Liabilities | 181,292 | 146,225 | 135,513 | 83,107 | 47,174 | 54,727 |
| Non Current Liabilities | | | | | | |
| Borrowings - Long Term | 96,944 | 112,246 | 129,453 | 115,536 | 148,553 | 156,460 |
| Employee Entitlements | 2,681 | 2,772 | 2,741 | 2,844 | 2,709 | 2,810 |
| Deferred Tax Liability | 590,334 | 557,438 | 527,218 | 506,314 | 612,175 | 580,957 |
| Total Non Current Liabilities | 689,959 | 672,456 | 659,412 | 624,694 | 763,437 | 740,227 |
| TOTAL LIABILITIES | 871,251 | 818,681 | 794,925 | 707,801 | 810,611 | 794,955 |
| NET ASSETS | 4,249,083 | 4,172,878 | 4,149,075 | 4,110,296 | 4,400,375 | 4,327,532 |
| Equity | | | | | | |
| Contributed Capital | 2,766,798 | 2,767,353 | 2,814,063 | 2,858,571 | 2,867,722 | 2,867,721 |
| Asset Revaluation Reserve | 1,627,305 | 1,627,305 | 1,627,305 | 1,627,305 | 1,980,805 | 1,980,805 |
| Accumulated Surplus / (Deficit) | (145,020) | (221,800) | (292,293) | (375,580) | (448,152) | (520,994) |
| TOTAL EQUITY | 4,249,083 | 4,172,858 | 4,149,075 | 4,110,296 | 4,400,375 | 4,327,532 |

Key Balance Sheet Highlights

- 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, property plant and equipment is expected in the 2020-21 financial year. Higher values are expected.
- Total borrowing increases, notably 2020-21 and 2021-22 reflect part funding of the large capital program.
- 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 | | | | | | |
|--|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2016/17 Forecast \$'000 | 2017/18 Budget \$'000 | 2018/19 Budget \$'000 | 2019/20 Budget \$'000 | 2020/21 Budget \$'000 | 2021/22 Budget \$'000 |
| Cash flows from Operations | | | | | | |
| Cash Receipts | | | | | | |
| Fixed and Variable Charges | 102,919 | 109,944 | 120,477 | 122,630 | 123,764 | 126,657 |
| Govt Contributions/Grants | 207,002 | 168,588 | 97,587 | 3,302 | 840 | 1,829 |
| GST received from the ATO | 9,529 | 9,108 | 9,143 | 8,615 | 10,088 | 9,909 |
| Other Income | 48,165 | 52,328 | 29,207 | 28,235 | 28,967 | 29,189 |
| Cash flows from Operations | 367,615 | 339,968 | 256,414 | 162,782 | 163,659 | 167,584 |
| Cash Payments | | | | | | |
| Payments to Suppliers & Employees | (245,431) | (318,115) | (232,036) | (205,837) | (142,910) | (126,848) |
| Interest and Other Costs of Finance Paid | (7,480) | (6,962) | (8,018) | (9,773) | (8,666) | (10,692) |
| Environmental Contributions | (1,680) | (1,686) | (2,793) | (2,793) | (2,793) | (2,793) |
| GST paid to the ATO | (2,132) | (2,312) | (2,235) | (2,274) | (2,312) | (2,351) |
| Total Cash Payments for Operations | (256,723) | (329,075) | (245,083) | (220,677) | (156,681) | (142,684) |
| Net Cash Inflow/(Outflow) Operations | 110,892 | 10,893 | 11,331 | (57,895) | 6,978 | 24,900 |
| Cash flows to Investing Activities | | | | | | |
| Payments for Infrastructure Assets | (121,734) | (162,979) | (87,090) | (68,590) | (37,368) | (35,382) |
| Payments for Property, Plant & Equipment | (2,442) | (2,325) | (2,118) | (1,108) | (1,873) | (1,773) |
| Payments for Intangible Assets | (5,871) | (5,437) | (3,753) | (2,495) | (4,312) | (4,083) |
| Proceeds from Sale of Assets | 216 | 912 | 929 | 945 | 962 | 978 |
| Net Cash Inflow/(Outflow) Investment | (129,831) | (169,829) | (92,032) | (71,248) | (42,591) | (40,260) |
| Cash flows from Financing Activities | | | | | | |
| Proceeds from Borrowings (including repayments) | (1,802) | 5,423 | 17,335 | 20,679 | (1,299) | 15,560 |
| Capital Contributions from Victorian Government | 149,725 | 60,553 | 46,711 | 10,000 | 9,147 | - |
| Net Cash Inflow/(Outflow) Financing | 147,923 | 65,976 | 64,046 | 30,679 | 7,848 | 15,560 |
| Net Increase/(Decrease) in Cash | 128,984 | (92,960) | (16,655) | (98,464) | (27,765) | - |
| Opening Cash Balance | 117,258 | 246,242 | 153,280 | 136,627 | 38,163 | 10,400 |
| Closing Cash Balance | 246,242 | 153,280 | 136,627 | 38,163 | 10,399 | 10,600 |

Key Cash Flow Highlights

- Movements in Operating Cash Flows between years largely reflect the timing of funding for the Connections Project and Project expenditure. This is notable in 2019/20 with increase Connections Project outflows and reduced government grant inflows.
- 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 2017-18 to 2021-22 is budgeted at a total of \$557m of which \$336m relates to the Connections Project.

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. In addition a Project Approval Committee (PAC) of senior GMW staff meet and review all significant capital projects prior to final approval being given.

Connections Project - Capital Expenditure

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

| Goulburn- Murray Water Consolidated Capital Expenditure Forecast 2016/17 to 2021/22 Nominal dollars | | | | | | | |
|--|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Project Total \$'000s | Forecast 2016/17 \$'000s | Forecast 2017/18 \$'000s | Forecast 2018/19 \$'000s | Forecast 2019/20 \$'000s | Forecast 2020/21 \$'000s | Forecast 2021/22 \$'000s |
| Wholesale (Water Storage & Delivery) | | | | | | | |
| Buffalo - Dam Improvement Embankment Works* | 16,406 | - | 210 | 533 | 871 | 5,583 | 9,209 |
| Projects Less than \$5M | 41,508 | 5,658 | 5,645 | 8,660 | 6,103 | 9,761 | 5,680 |
| Total Wholesale (Water Storage & Delivery) | 57,914 | 5,658 | 5,855 | 9,193 | 6,974 | 15,344 | 14,889 |
| Retail (Water Storage & Delivery) | | | | | | | |
| Projects Less than \$5M | 162,168 | 34,306 | 33,197 | 21,884 | 18,224 | 28,209 | 26,349 |
| Total Retail (Water Storage & Delivery) | 162,168 | 34,306 | 33,197 | 21,884 | 18,224 | 28,209 | 26,349 |
| Total Water Storage & Delivery | 220,082 | 39,964 | 39,052 | 31,077 | 25,198 | 43,553 | 41,238 |
| Connections Project* | 329,550 | 88,983 | 131,690 | 61,883 | 46,994 | - | - |
| Total G-MW | 549,632 | 128,947 | 170,743 | 92,960 | 72,192 | 43,553 | 41,238 |

*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: \$16.4m (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: \$38.5m (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 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: \$43.3m (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 | 2016/17 \$'000 | 2017/18 \$'000 | 2018/19 \$'000 | 2019/20 \$'000 | 2020/21 \$'000 | 2021/22 \$'000 |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Water Storage & Delivery | 108,859 | 114,281 | 131,616 | 132,835 | 150,996 | 166,557 |
| Connections Project | - | - | - | 19,460 | - | - |
| Total | 108,859 | 114,281 | 131,616 | 152,295 | 150,996 | 166,557 |

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

| Goulburn Murray Water Consolidated Financial Performance Ratios | | | | | | |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016/17 Forecast | 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget |
| Cash Interest Cover (MRD01) | 15.9 | 2.4 | 2.4 | -4.9 | 1.8 | 3.4 |
| <i>Net Operating cash flows before net interest and tax / net interest payments</i> | | | | | | |
| Gearing Ratio (debt to assets) | 2.1% | 2.3% | 2.7% | 3.2% | 2.9% | 3.3% |
| <i>Total Debt (including finance leases) / Total Assets</i> | | | | | | |
| Internal Financing Ratio | 85.4% | 6.4% | 12.2% | -80.2% | 16.0% | 60.4% |
| <i>Net operating cash flow less dividends/ net capital expenditure</i> | | | | | | |
| Current ratio | 3.5 | 2.7 | 2.4 | 0.8 | 0.8 | 0.7 |
| <i>Current assets / current liabilities (excluding revenue in advance)</i> | | | | | | |
| Return on Assets (statutory) | -2.9% | -2.0% | -1.9% | -1.9% | -1.9% | -1.8% |
| <i>Earnings Before net Interest and Tax/Average Assets</i> | | | | | | |
| Return On Equity | -1.4% | -1.8% | -1.7% | -1.8% | -1.7% | -1.7% |
| <i>Net Profit After Tax / Average Total Equity</i> | | | | | | |
| EBITDA Margin | 8.0% | 3.4% | 8.4% | 10.8% | 16.1% | 17.3% |
| <i>Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue</i> | | | | | | |
| Quick Ratio | 1.5 | 1.2 | 1.2 | 0.7 | 0.7 | 0.6 |
| <i>Current Assets less Inventories / Current Liabilities</i> | | | | | | |

Note: GMW's credit rating is assessed externally, and is a lag measure.

9. Water Storage & Delivery Financial Statements

| Water Storage & Delivery Statement of Financial Performance | | | | | | |
|--|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2016/17 Forecast \$'000 | 2017/18 Budget \$'000 | 2018/19 Budget \$'000 | 2019/20 Budget \$'000 | 2020/21 Budget \$'000 | 2021/22 Budget \$'000 |
| Revenue From Operating Activities | | | | | | |
| Tariff | 119,841 | 116,785 | 121,923 | 124,100 | 125,261 | 128,176 |
| Government Grants | 1,932 | 1,584 | 885 | 900 | 916 | 931 |
| Government Services Contract | 1,990 | 3,405 | 2,403 | 2,401 | 1,400 | 898 |
| MDBA Contract | 15,214 | 15,475 | 16,055 | 16,336 | 16,609 | 16,886 |
| Connections Project | 6,418 | 2,673 | 3,091 | 37,657 | - | - |
| Other Revenue | 8,534 | 10,473 | 9,184 | 9,346 | 9,505 | 9,664 |
| Total Revenue | 153,929 | 150,395 | 153,541 | 190,740 | 153,691 | 156,555 |
| Expenditure From Operating Activities | | | | | | |
| Operations | 46,385 | 48,140 | 46,463 | 46,560 | 46,460 | 46,689 |
| Maintenance | 28,022 | 28,449 | 27,773 | 27,557 | 27,288 | 27,288 |
| Management & Administration | 27,423 | 27,209 | 26,198 | 25,976 | 25,723 | 25,723 |
| Government Grants | 1,574 | 1,450 | 780 | 791 | 804 | 818 |
| Government Services Contract | 934 | 890 | 761 | 776 | 847 | 890 |
| MDBA Contract | 14,025 | 14,242 | 14,491 | 14,750 | 15,001 | 15,256 |
| Connections Project | 6,028 | 2,673 | 3,027 | 3,081 | - | - |
| Environmental Contribution | 1,680 | 1,686 | 2,793 | 2,793 | 2,793 | 2,793 |
| Asset Disposals | 10,123 | 15,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Total Expenses | 136,194 | 139,739 | 132,286 | 132,284 | 128,916 | 129,457 |
| % of Revenue | 88% | 93% | 86% | 69% | 84% | 83% |
| EBITDA | 17,735 | 10,656 | 21,255 | 58,456 | 24,775 | 27,098 |
| % of Revenue | 12% | 7% | 14% | 31% | 16% | 17% |
| Depreciation on Regulated Asset Value | 7,264 | 9,125 | 10,938 | 12,265 | 13,552 | 14,877 |
| Interest | 7,530 | 6,962 | 8,018 | 9,254 | 8,666 | 10,692 |
| Net Profit (Loss) Before Tax and Statutory Depreciation | 2,941 | (5,431) | 2,299 | 36,937 | 2,557 | 1,530 |
| Additional Statutory Depreciation | 86,249 | 102,918 | 103,142 | 103,852 | 104,602 | 105,314 |
| Tax (Expense)/Benefit | 24,992 | 32,505 | 30,253 | 20,074 | 30,613 | 31,135 |
| Net Result | (58,315) | (75,844) | (70,590) | (46,840) | (71,431) | (72,649) |

| Water Storage & Delivery Statement of Financial Position | | | | | | |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016/17 Forecast | 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current Assets | | | | | | |
| Cash | 12,755 | 1,000 | 10,000 | 10,200 | 10,400 | 10,600 |
| Accounts Receivable | 26,856 | 23,910 | 24,156 | 24,404 | 24,655 | 24,908 |
| Inventory | 3,123 | 2,623 | 2,623 | 2,623 | 2,623 | 2,623 |
| Total Current Assets | 42,733 | 27,533 | 36,779 | 37,227 | 37,678 | 38,131 |
| Non Current Assets | | | | | | |
| Infrastructure | 4,545,263 | 4,595,779 | 4,559,499 | 4,607,044 | 5,016,259 | 4,921,450 |
| Work in Progress | 52,180 | 52,180 | 52,180 | 52,180 | 52,180 | 52,180 |
| Property, Plant and Equipment | 77,675 | 76,581 | 78,663 | 79,746 | 86,619 | 88,392 |
| Intangibles | 9,615 | 7,870 | 11,444 | 13,938 | 18,250 | 22,333 |
| Total Non Current Assets | 4,684,733 | 4,732,410 | 4,701,786 | 4,752,908 | 5,173,308 | 5,084,355 |
| TOTAL ASSETS | 4,727,466 | 4,759,943 | 4,738,565 | 4,790,135 | 5,210,986 | 5,122,486 |
| Current Liabilities | | | | | | |
| Creditors & Accruals | 26,626 | 25,564 | 24,750 | 23,906 | 23,030 | 22,122 |
| Borrowings - Current | 11,915 | 2,035 | 2,163 | 17,299 | 2,443 | 10,097 |
| Employee Entitlements | 18,751 | 19,449 | 20,172 | 20,923 | 21,701 | 22,508 |
| Total Current Liabilities | 57,292 | 47,048 | 47,085 | 62,128 | 47,174 | 54,727 |
| Non Current Liabilities | | | | | | |
| Borrowings - Long Term | 96,944 | 112,246 | 129,453 | 115,536 | 148,553 | 156,460 |
| Employee Entitlements | 2,341 | 2,428 | 2,518 | 2,612 | 2,709 | 2,810 |
| Deferred Tax Liability | 574,350 | 541,849 | 511,522 | 491,369 | 612,175 | 580,957 |
| Total Non Current Liabilities | 673,635 | 656,523 | 643,493 | 609,517 | 763,437 | 740,227 |
| TOTAL LIABILITIES | 730,927 | 703,571 | 690,578 | 671,645 | 810,611 | 794,954 |
| NET ASSETS | 3,996,539 | 4,056,372 | 4,047,987 | 4,118,490 | 4,400,375 | 4,327,532 |
| Equity | | | | | | |
| Contributed Capital | 2,552,144 | 2,687,811 | 2,750,192 | 2,867,719 | 2,867,722 | 2,867,721 |
| Asset Revaluation Reserve | 1,627,305 | 1,627,305 | 1,627,305 | 1,627,305 | 1,980,805 | 1,980,805 |
| Accumulated Surplus / (Deficit) | (182,910) | (258,744) | (329,510) | (376,534) | (448,152) | (520,994) |
| TOTAL EQUITY | 3,996,539 | 4,056,372 | 4,047,987 | 4,118,490 | 4,400,375 | 4,327,532 |

| Water Storage & Delivery Statement of Cashflows | | | | | | |
|--|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2016/17 Forecast \$'000 | 2017/18 Budget \$'000 | 2018/19 Budget \$'000 | 2019/20 Budget \$'000 | 2020/21 Budget \$'000 | 2021/22 Budget \$'000 |
| Cash flows from Operations | | | | | | |
| Cash Receipts | | | | | | |
| Fixed and Variable Charges | 102,919 | 109,944 | 120,476 | 122,629 | 123,765 | 126,657 |
| Govt Contributions/Grants | 13,471 | 7,139 | 6,379 | 6,447 | 2,315 | 1,829 |
| GST received from the ATO | 9,529 | 9,108 | 9,143 | 8,615 | 10,088 | 9,909 |
| Other Income | 38,774 | 37,378 | 27,747 | 28,235 | 28,708 | 29,189 |
| Cash flows from Operations | 164,693 | 163,569 | 163,745 | 165,926 | 164,876 | 167,584 |
| Cash Payments | | | | | | |
| Payments to Suppliers & Employees | (145,060) | (131,648) | (128,886) | (128,371) | (126,476) | (126,848) |
| Interest and Other Costs of Finance Paid | (7,480) | (6,962) | (8,018) | (9,254) | (8,666) | (10,692) |
| Environmental Contributions | (1,680) | (1,686) | (2,793) | (2,793) | (2,793) | (2,793) |
| GST paid to the ATO | (2,132) | (2,312) | (2,235) | (2,274) | (2,312) | (2,351) |
| Total Cash Payments for Operations | (156,351) | (142,608) | (141,932) | (142,692) | (140,247) | (142,684) |
| Net Cash Inflow/(Outflow) Operations | 8,342 | 20,961 | 21,813 | 23,234 | 24,629 | 24,900 |
| Cash flows to Investing Activities | | | | | | |
| Payments for Infrastructure Assets | (33,960) | (32,295) | (25,422) | (21,620) | (37,368) | (35,382) |
| Payments for Property, Plant & Equipment | (2,382) | (2,265) | (2,082) | (1,084) | (1,873) | (1,773) |
| Payments for Intangible Assets | (4,722) | (4,491) | (3,574) | (2,495) | (4,312) | (4,083) |
| Net Cash Inflow/(Outflow) Investment | (40,848) | (38,139) | (30,149) | (24,253) | (42,591) | (40,260) |
| Cash flows from Financing Activities | | | | | | |
| Proceeds from Borrowings (including repayments) | (1,802) | 5,423 | 17,335 | 1,219 | 18,161 | 15,560 |
| Net Cash Inflow/(Outflow) Financing | (1,802) | 5,423 | 17,335 | 1,219 | 18,161 | 15,560 |
| Net Increase/(Decrease) in Cash | (34,308) | (11,755) | 9,000 | 200 | 200 | 200 |
| Opening Cash Balance | 47,065 | 12,755 | 1,000 | 10,000 | 10,200 | 10,400 |
| Closing Cash Balance | 12,755 | 1,000 | 10,000 | 10,200 | 10,400 | 10,600 |

| Water Storage & Delivery Financial Performance Ratios | | | | | | |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016/17 Forecast | 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget |
| Cash Interest Cover (MRD01) <i>Net Operating cash flows before net interest and tax / net interest payments</i> | 2.2 | 4.1 | 3.8 | 3.6 | 3.9 | 3.4 |
| Gearing Ratio (debt to assets) <i>Total Debt (including finance leases) / Total Assets</i> | 2.3% | 2.4% | 2.8% | 2.8% | 2.9% | 3.3% |
| Internal Financing Ratio <i>Net operating cash flow less dividends/ net capital expenditure</i> | 20.3% | 53.7% | 70.2% | 92.2% | 56.5% | 60.4% |
| Current ratio <i>Current assets / current liabilities (excluding revenue in advance)</i> | 0.7 | 0.6 | 0.8 | 0.6 | 0.8 | 0.7 |
| Return on Assets (statutory) <i>Earnings Before net Interest and Tax/Average Assets</i> | -1.6% | -2.1% | -2.0% | -1.2% | -1.9% | -1.8% |
| Return On Equity <i>Net Profit After Tax / Average Total Equity</i> | -1.5% | -1.9% | -1.7% | -1.1% | -1.7% | -1.7% |
| EBITDA Margin <i>Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue</i> | 11.5% | 7.1% | 13.8% | 30.6% | 16.1% | 17.3% |
| Quick Ratio <i>Current Assets less Inventories / Current Liabilities</i> | 0.7 | 0.5 | 0.7 | 0.5 | 0.7 | 0.6 |

| Water Storage & Delivery Statement of Financial Performance - Quarterly | | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|
| | 2017/18 Quarter 1 Budget | 2017/18 Quarter 2 Budget | 2017/18 Quarter 3 Budget | 2017/18 Quarter 4 Budget | 2017/18 Total Budget |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue From Operating Activities | | | | | |
| Tariff | 27,957 | 30,435 | 30,435 | 27,957 | 116,785 |
| Government Grants | 452 | 438 | 488 | 207 | 1,584 |
| Government Services Contract | - | 1,905 | - | 1,500 | 3,405 |
| MDBA Contract | 3,909 | 3,831 | 3,729 | 4,005 | 15,475 |
| Connections Project | 664 | 668 | 652 | 689 | 2,673 |
| Other Revenue | 2,580 | 1,835 | 1,803 | 4,256 | 10,473 |
| Total Revenue | 35,562 | 39,112 | 37,107 | 38,614 | 150,395 |
| Expenditure From Operating Activities | | | | | |
| Operations | 12,152 | 12,093 | 11,728 | 12,164 | 48,140 |
| Maintenance | 7,316 | 6,826 | 6,544 | 7,763 | 28,449 |
| Management & Administration | 6,615 | 6,750 | 6,884 | 6,960 | 27,209 |
| Government Grants | 403 | 404 | 455 | 188 | 1,450 |
| Government Services Contract | 253 | 255 | 184 | 198 | 890 |
| MDBA Contract | 3,598 | 3,526 | 3,433 | 3,686 | 14,242 |
| Connections Project | 664 | 668 | 652 | 689 | 2,673 |
| Environmental Contribution | 422 | 422 | 422 | 422 | 1,686 |
| Asset Disposals | 3,750 | 3,750 | 3,750 | 3,750 | 15,000 |
| Total Expenses | 35,173 | 34,694 | 34,052 | 35,820 | 139,739 |
| % of Revenue | 99% | 89% | 92% | 93% | 93% |
| EBITDA | 389 | 4,418 | 3,055 | 2,794 | 10,656 |
| % of Revenue | 1% | 11% | 8% | 7% | 7% |
| Depreciation on Regulated Asset Value | 2,247 | 2,275 | 2,290 | 2,313 | 9,125 |
| Interest | 525 | 3,165 | 478 | 2,794 | 6,962 |
| Net Profit (Loss) Before Tax and Statutory Depreciation | (2,382) | (1,022) | 287 | (2,312) | (5,431) |
| Additional Statutory Depreciation | 25,338 | 25,663 | 25,832 | 26,085 | 102,918 |
| Tax (Expense)/Benefit | 8,316 | 8,005 | 7,663 | 8,519 | 32,505 |
| Net Result | (19,405) | (18,679) | (17,881) | (19,878) | (75,844) |

| Water Storage & Delivery Statement of Financial Position - Quarterly | | | | |
|---|--|--|--|--|
| | 2017/18 Quarter 1 Budget \$'000 | 2017/18 Quarter 2 Budget \$'000 | 2017/18 Quarter 3 Budget \$'000 | 2017/18 Quarter 4 Budget \$'000 |
| Current Assets | | | | |
| Cash | 16,535 | 17,056 | 9,026 | 1,000 |
| Accounts Receivable | 19,984 | 7,820 | 17,652 | 23,910 |
| Inventory | 3,123 | 3,123 | 3,123 | 2,623 |
| Total Current Assets | 39,642 | 27,998 | 29,801 | 27,533 |
| Non Current Assets | | | | |
| Infrastructure | 4,525,156 | 4,503,470 | 4,479,546 | 4,595,779 |
| Work in Progress | 52,180 | 52,180 | 52,180 | 52,180 |
| Property, Plant and Equipment | 77,473 | 77,168 | 76,710 | 76,581 |
| Intangibles | 9,588 | 9,109 | 8,211 | 7,870 |
| Total Non Current Assets | 4,664,396 | 4,641,927 | 4,616,647 | 4,732,410 |
| TOTAL ASSETS | 4,704,038 | 4,669,926 | 4,646,448 | 4,759,943 |
| Current Liabilities | | | | |
| Creditors & Accruals | 18,189 | 19,653 | 23,231 | 25,564 |
| Borrowings - Current Portion | 11,484 | 972 | 528 | 2,035 |
| Employee Entitlements | 18,926 | 19,100 | 19,274 | 19,449 |
| Total Current Liabilities | 48,599 | 39,725 | 43,033 | 47,048 |
| Non Current Liabilities | | | | |
| Borrowings - Long Term | 111,111 | 111,111 | 111,111 | 112,246 |
| Employee Entitlements | 2,362 | 2,384 | 2,406 | 2,428 |
| Deferred Tax Liability | 565,673 | 558,095 | 550,053 | 541,849 |
| Total Non Current Liabilities | 679,147 | 671,591 | 663,570 | 656,523 |
| TOTAL LIABILITIES | 727,746 | 711,316 | 706,603 | 703,571 |
| NET ASSETS | 3,976,292 | 3,958,610 | 3,939,845 | 4,056,372 |
| Equity | | | | |
| Contributed Capital | 2,552,144 | 2,552,144 | 2,552,144 | 2,687,811 |
| Asset Revaluation Reserve | 1,627,305 | 1,627,305 | 1,627,305 | 1,627,305 |
| Accumulated Surplus | (203,157) | (220,839) | (239,604) | (258,744) |
| TOTAL EQUITY | 3,976,292 | 3,958,610 | 3,939,845 | 4,056,372 |

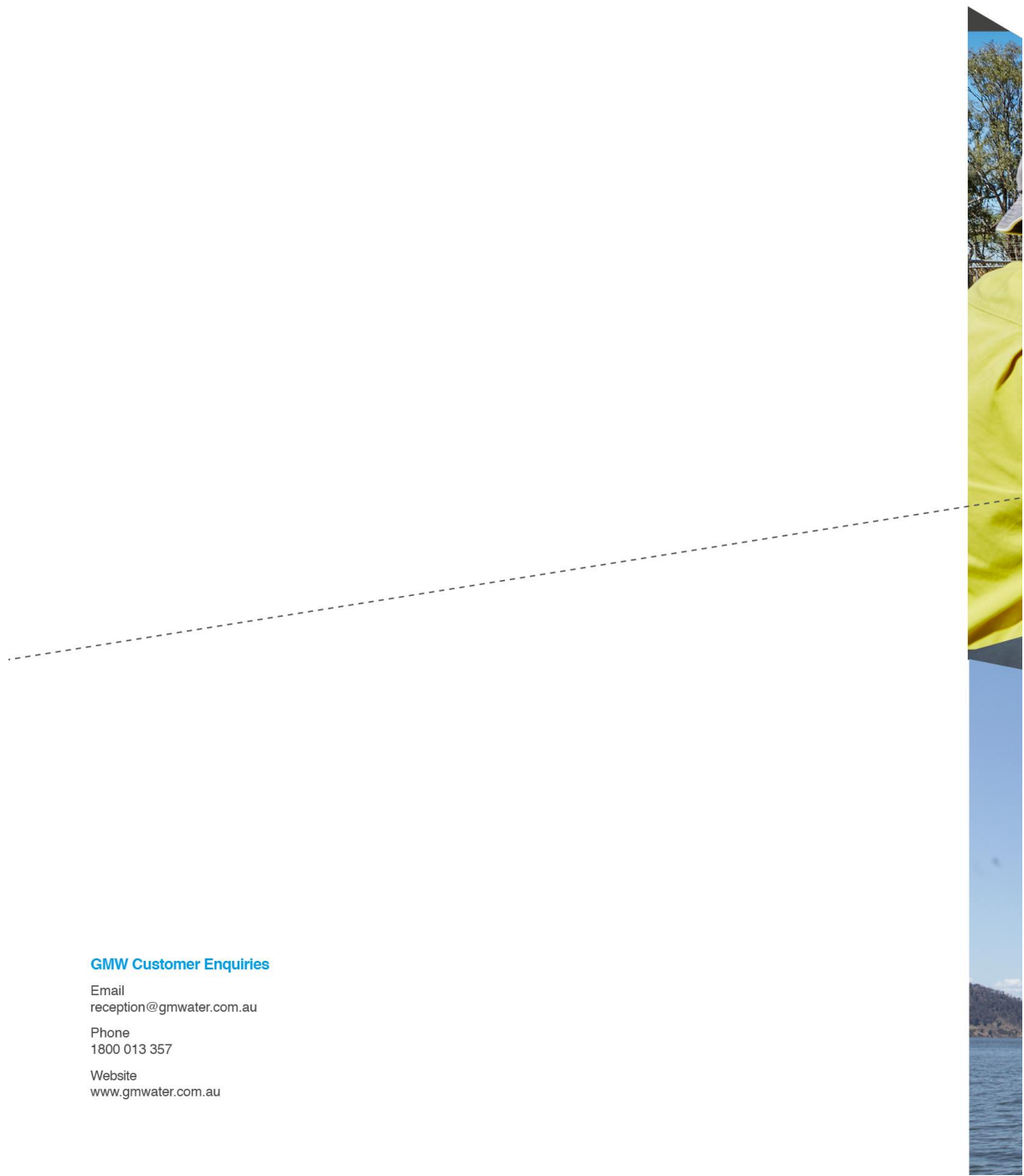
| Water Storage & Delivery Statement of Cashflows - Quarterly | | | | | |
|--|--|--|--|--|--------------------------------------|
| | 2017/18 Quarter 1 Budget \$'000 | 2017/18 Quarter 2 Budget \$'000 | 2017/18 Quarter 3 Budget \$'000 | 2017/18 Quarter 4 Budget \$'000 | 2017/18 Total Budget \$'000 |
| Cash flows from Operations | | | | | |
| Cash Receipts | | | | | |
| Fixed and Variable Charges | 33,481 | 32,954 | 18,819 | 24,690 | 109,944 |
| Govt Contributions/Grants | 1,040 | 1,032 | 3,454 | 1,613 | 7,139 |
| GST received from the ATO | 2,790 | 2,243 | 2,054 | 2,022 | 9,108 |
| Other Income | 8,239 | 17,553 | 5,332 | 6,253 | 37,378 |
| Cash flows from Operations | 45,550 | 53,783 | 29,659 | 34,578 | 163,569 |
| Cash Payments | | | | | |
| Payments to Suppliers & Employees | (31,537) | (29,325) | (28,505) | (42,281) | (131,648) |
| Interest and Other Costs of Finance Paid | (525) | (3,165) | (478) | (2,794) | (6,962) |
| Environmental Contributions | - | (562) | (562) | (562) | (1,686) |
| GST paid to the ATO | (570) | (514) | (505) | (723) | (2,312) |
| Total Cash Payments for Operations | (32,633) | (33,566) | (30,050) | (46,360) | (142,608) |
| Net Cash Inflow/(Outflow) Operations | 12,917 | 20,216 | (390) | (11,782) | 20,961 |
| Cash flows to Investing Activities | | | | | |
| Payments for Infrastructure Assets | (19,118) | (7,697) | (5,969) | 489 | (32,295) |
| Payments for Property, Plant & Equipment | (1,341) | (540) | (419) | 34 | (2,265) |
| Payments for Intangible Assets | (2,658) | (1,070) | (830) | 68 | (4,491) |
| Proceeds from Sale of Assets | 243 | 123 | 23 | 523 | 912 |
| Net Cash Inflow/(Outflow) Investment | (22,874) | (9,184) | (7,195) | 1,114 | (38,139) |
| Cash flows from Financing Activities | | | | | |
| Proceeds from Borrowings (including repayments) | 13,737 | (10,512) | (444) | 2,642 | 5,423 |
| Net Cash Inflow/(Outflow) Financing | 13,737 | (10,512) | (444) | 2,642 | 5,423 |
| Net Increase/(Decrease) in Cash | 3,780 | 521 | (8,030) | (8,026) | (11,755) |
| Opening Cash Balance | 12,755 | 16,535 | 17,055 | 9,026 | 12,755 |
| Closing Cash Balance | 16,535 | 17,055 | 9,026 | 1,000 | 1,000 |

10. Connections Project Financial Statements

| Connections Project - Combined Stage 1 & 2 Statement of Financial Performance | | | | | | |
|--|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2016/17 Forecast \$'000 | 2017/18 Budget \$'000 | 2018/19 Budget \$'000 | 2019/20 Budget \$'000 | 2020/21 Budget \$'000 | 2021/22 Budget \$'000 |
| Revenue From Operating Activities | | | | | | |
| Government Grants | 106,789 | 189,140 | 106,241 | 66,641 | - | - |
| Interest | 555 | 716 | 237 | 241 | - | - |
| Total Revenue | 107,344 | 189,856 | 106,478 | 66,882 | - | - |
| Expenditure From Operating Activities | | | | | | |
| Operations Expenses | 19,350 | 18,165 | 10,588 | 11,188 | - | - |
| Stage 1 Project Costs | 5,895 | 59,749 | 50 | - | - | - |
| Stage 2 Project Costs | 79,541 | 111,231 | 95,451 | 90,496 | (13,990) | - |
| Total Expenses | 104,786 | 189,145 | 106,089 | 101,684 | (13,990) | - |
| EBITDA | 2,558 | 711 | 389 | (34,802) | 13,990 | - |
| Statutory Depreciation | 456 | 2,030 | 31 | 2,212 | - | - |
| Net Profit (Loss) Before Tax | 2,102 | (1,319) | 358 | (37,014) | 13,990 | - |
| Tax (Expense)/Benefit | (630) | 396 | (107) | 751 | (14,945) | - |
| Net Profit (Loss) After Tax | 1,472 | (923) | 251 | (36,263) | (955) | - |

| Connections Project - Combined Stage 1 & 2 | | | | | | |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Statement of Financial Position | | | | | | |
| | 2016/17 Forecast | 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current Assets | | | | | | |
| Cash | 233,486 | 152,280 | 126,627 | 27,963 | - | - |
| Accounts Receivable | 5,777 | 2,776 | 2,776 | - | - | - |
| Total Current Assets | 239,263 | 155,056 | 129,403 | 27,963 | - | - |
| Non Current Assets | | | | | | |
| Work in Progress | 150,576 | 74,555 | 73,844 | - | - | - |
| Property, Plant and Equipment | 379 | 79 | 83 | - | - | - |
| Intangibles | 2,650 | 1,926 | 2,105 | - | - | - |
| Total Non Current Assets | 153,605 | 76,560 | 76,032 | - | - | - |
| TOTAL ASSETS | 392,868 | 231,616 | 205,435 | 27,963 | - | - |
| Current Liabilities | | | | | | |
| Creditors & Accruals (Payables) | 22,679 | 21,145 | 21,145 | - | - | - |
| Borrowings - Current | - | - | - | 19,460 | - | - |
| Employee Entitlements | 85 | 86 | 56 | 58 | - | - |
| Unearned Revenue | 101,236 | 77,946 | 67,227 | 1,461 | - | - |
| Total Current Liabilities | 124,000 | 99,177 | 88,428 | 20,979 | - | - |
| Non Current Liabilities | | | | | | |
| Employee Entitlements | 340 | 344 | 223 | 232 | - | - |
| Deferred Tax Liability | 15,984 | 15,589 | 15,696 | 14,945 | - | - |
| Total Non Current Liabilities | 16,324 | 15,933 | 15,919 | 15,177 | - | - |
| TOTAL LIABILITIES | 140,324 | 115,110 | 104,347 | 36,156 | - | - |
| NET ASSETS | 252,544 | 116,506 | 101,088 | (8,193) | - | - |
| Equity | | | | | | |
| Contributed Capital | 214,655 | 79,541 | 63,871 | (9,147) | - | - |
| Accumulated Surplus / (Deficit) | 37,889 | 36,965 | 37,217 | 954 | - | - |
| TOTAL EQUITY | 252,544 | 116,506 | 101,088 | (8,193) | - | - |

| Connections Project - Combined Stage 1 & 2 | | | | | | |
|---|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Statement of Cashflows | | | | | | |
| | 2016/17 Forecast \$'000 | 2017/18 Budget \$'000 | 2018/19 Budget \$'000 | 2019/20 Budget \$'000 | 2020/21 Budget \$'000 | 2021/22 Budget \$'000 |
| Cash flows from Operations | | | | | | |
| Cash Receipts | | | | | | |
| Govt Contributions/Grants | 199,949 | 164,122 | 94,299 | - | (1,475) | - |
| Other Income | 9,391 | 14,950 | 1,460 | - | 259 | - |
| Cash flows from Operations | 209,340 | 179,072 | 95,759 | - | (1,216) | - |
| Cash Payments | | | | | | |
| Payments to Suppliers & Employees | (106,789) | (189,140) | (106,241) | (80,611) | (16,434) | - |
| Interest and Other Costs of Finance Paid | - | - | - | (519) | - | - |
| Total Cash Payments for Operations | (106,789) | (189,140) | (106,241) | (81,130) | (16,434) | - |
| Net Cash Inflow/(Outflow) Operations | 102,551 | (10,068) | (10,482) | (81,130) | (17,650) | - |
| Cash flows to Investing Activities | | | | | | |
| Payments for Infrastructure Assets | (87,774) | (130,684) | (61,668) | (46,970) | - | - |
| Payments for Property, Plant & Equipment | (60) | (60) | (36) | (24) | - | - |
| Payments for Intangible Assets | (1,149) | (946) | (179) | - | - | - |
| Net Cash Inflow/(Outflow) Investment | (88,983) | (131,690) | (61,883) | (46,994) | - | - |
| Cash flows from Financing Activities | | | | | | |
| Proceeds from Borrowings (including repayments) | - | - | - | 19,460 | (19,460) | - |
| Capital Contributions from Victorian Government | 149,725 | 60,553 | 46,711 | 10,000 | 9,147 | - |
| Net Cash Inflow/(Outflow) Financing | 149,725 | 60,553 | 46,711 | 29,460 | (10,313) | - |
| Net Increase/(Decrease) in Cash | 163,293 | (81,206) | (25,654) | (98,664) | (27,963) | - |
| Opening Cash Balance | 70,193 | 233,486 | 152,280 | 126,627 | 27,963 | - |
| Closing Cash Balance | 233,486 | 152,280 | 126,627 | 27,963 | - | - |



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