



# Corporate Plan

2010/11–2014/15



**Goulburn–Murray Water**  
Statement of Corporate Intent and Business Plan

July 2010

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## Executive Summary

Goulburn-Murray Water aspires to be Australia's leading rural water service provider.

As a statutory water corporation, Goulburn-Murray Water's role is to harvest, store, share and deliver water resources and services in accordance with the functions and powers defined in the Victorian Water Act 1989.

Goulburn-Murray water's key stakeholders are the Victorian Government and its customers.

More than 30,000 agribusinesses depend on Goulburn-Murray Water's irrigation services. Over the next decade this key customer group will undergo significant physical, policy and environmental change as climate change reduces water availability and key initiatives including modernisation of the irrigation supply network through NVIRP, Northern Region Sustainable Water Strategy, the Federal water buy back and the MDBA Basin Plan take effect.

The Northern Victoria Irrigation Renewal Project's modernisation of the irrigation supply network will transform this key area of business. As a result, the irrigation areas with their good soils, excellent water quality, high water reliability and service infrastructure will be well positioned for a profitable, efficient and sustainable future.

Goulburn-Murray Water's operating environment is changing and new business challenges are continuing to emerge and this has highlighted the need for Goulburn-Murray Water to quickly make changes to its strategic direction and business priorities in order to prepare for the future.

In response to these changing business needs, Goulburn-Murray Water has defined four interconnected Key Strategic Change Priorities that will transform Goulburn-Murray Water and best position the business to meet evolving customer needs and climate scenarios, while allowing government policy, market forces and individual choice to shape commercial outcomes.

The four Key Strategic Change Priorities are:

- Modernisation
- Pricing
- People and Technology
- New Business Model

Each of the Key Strategic Change Priorities gives a clear direction and targets for immediate and future actions that will reshape the whole of Goulburn-Murray Water's business, and in particular the modernised irrigation areas.

This Plan assumes 60% water allocations in the Goulburn and Murray Basins and 30% in all other basins. This is consistent with Scenario D of the Northern Region Sustainable Water Strategy and is considered the most appropriate allocation base to use given the current climatic sequence.

After more than a decade of drought Goulburn-Murray Water remains in a strong financial position.

Over the next decade NVIRP will transfer nearly \$600 million of assets to Goulburn-Murray Water. These transfers coupled with asset revaluations will increase depreciation for accounting purposes. As a result, this Plan's projected financial performance shows increasing statutory reporting losses.

However these losses do not flow through to customer pricing because the regulatory asset base mandated by the Essential Services Commission (ESC) excludes these asset groups. The regulatory based results are a much better indicator of Goulburn-Murray Water's performance, and the projected net cash inflows are satisfactory.

Goulburn-Murray Water borrowings are projected to increase to fund the investment in modernisation and the ongoing capital program. Debt funding these programs is the ESC mandated approach.

Over the 5 year period of this Plan, the total capital expenditure proposed is \$182 M, comprising \$61 M for retail works replacing existing channels assets and \$121 M for dam safety upgrades.

This Plan will enable Goulburn-Murray Water to meet its obligations to our stakeholders whilst driving the most significant period of change in the way our water systems provide services to our customers in more than one hundred years.

## Introduction

To reflect the current environment impacting on Northern Victoria, Goulburn-Murray Water has set itself a new vision of being Australia's leading rural water service provider and it has identified four Key Strategic Change Priorities to achieve a new business focus through a significant program of improvement and change.

The four Key Strategic Change Priorities are:

- Modernisation
- Pricing
- People and Technology
- New Business Model

This Plan covers the five year period from July 2010 to June 2015 and includes the remaining three year period of Goulburn-Murray Water's current Water Plan from July 2010 to June 2013. This Plan is consistent with our Water Plan price determination and complies with our Statement of Obligations to Government.

## Section One –Statement of Corporate Intent

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### **Vision, Mission and Values**

In conjunction with the setting of Goulburn-Murray Water's new Key Strategic Change Priorities, a new Vision and Mission have also been set.

#### **Our Vision**

To be Australia's leading rural water service provider

#### **Our Mission**

To provide efficient and effective water services to all customers

#### **Our Values**

Human safety, customer service, sustainability of the environment, business and community, cooperation, openness, integrity, respect and pride

## Section One –Statement of Corporate Intent

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### Overview of Goulburn-Murray Water

Goulburn-Murray Rural Water Corporation, trading as Goulburn-Murray Water, is a statutory corporation constituted under the provisions of the Victorian Water Act 1989, and is responsible to the Minister for Water.

Goulburn-Murray Water's core business is water management and the delivery of water services in support of irrigated agriculture.

Goulburn-Murray Water is responsible for:

- Managing the delivery of water to its irrigation and water districts and maintaining the infrastructure for these districts.
- Implementing Government's regulations and policy for groundwater and surface water resource management in accordance with the delegated powers
- Harvesting, storing and managing water in its reservoirs and dams

Goulburn-Murray Water:

- Manages water-related services in a region of 68,000 square kilometres, bordered by the Great Dividing Range in the south and the River Murray in the north and from Corryong in the east downriver to Nyah.
- Operates salinity mitigation works on the Murray downstream of Nyah, delivers bulk water to supply points outside its region and is the Victorian Constructing Authority for the Murray-Darling Basin Authority.
- Is the Resource Manager for northern Victorian water systems and has the responsibility for making the seasonal allocation determinations for all Victorian Murray entitlement holders.
- Is a partner in the Victorian Water Register, using it to manage more than \$4 billion of water entitlements and trade.

Our key stakeholders are the Victorian Government and our customers, and our objective is to be a valued service provider to our customers, at the same time fulfilling the Victorian Governments expectations by efficiently implementing its priorities.

Section One –Statement of Corporate Intent





## Our Operating Environment

### Regulatory Framework

Goulburn-Murray Water is a statutory water corporation that has its functions and powers defined in the Victorian Water Act 1989.

The Victorian Government's specific requirements of Goulburn-Murray Water are further defined in a Statement of Obligations.

The Government, through Departments such as the Department of Sustainability and Environment (DSE), is responsible for setting overall State water policy.

Key Government water policies that provide Goulburn-Murray Water with direction on water management are:

- *'Our Water Our Future, 2004'*
- *'The Northern Region Sustainable Water Strategy, 2009'*

The Northern Region Sustainable Water Strategy (NRSWS) sets out major water policy changes to address key challenges and risks such as climate change, Commonwealth entitlement purchases and the Murray-Darling Basin Plan. The Strategy contains 17 new policies and 51 actions to implement these policies, all of which affect Goulburn-Murray Water's role in managing water resources, the delivery of services to customers and responsibilities for environmental water management.

The Essential Services Commission (ESC) is the independent economic regulator of the water industry and is responsible for regulating the prices and service standards of water businesses in Victoria. As a State-owned monopoly business, Goulburn-Murray Water comes under the ESC which sets pricing and revenue requirements following review of proposals submitted in Goulburn-Murray Water's Water Plan. Water Plans are for a 5 year period and Goulburn-Murray Water is in the third year of its 2008/09 – 2012/13 Water Plan.

Goulburn-Murray Water's financial performance is monitored by the Department of Treasury and Finance.

The Environment Protection Authority's role is to care for and protect the environment and it is responsible for setting environmental standards and regulating the environmental performance of Goulburn-Murray Water.

The Energy and Water Ombudsman (Victoria) (EWOV) is an industry-based external dispute resolution scheme that investigates and resolves disputes between Goulburn-Murray Water and its customers. EWOV is independent from government.

## Section One - Statement of Corporate Intent

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### Governance Framework

Goulburn-Murray Water has a Board of seven non-executive directors appointed by the Minister and a Managing Director appointed by the Board.

The Board is responsible for setting the strategic direction of Goulburn-Murray Water, establishing business objectives, ensuring compliance with legislation and government policy and presiding over all significant strategic, regulatory, financial and risk elements of the business.

This year, the Board has the following Committees in place: Financial and Management Audit Committee, Risk and Compliance Committee, Remuneration Committee, Modernisation Committee and Pricing Project Steering Committee.

Goulburn-Murray Water has a schedule of delegations based on financial and risk considerations which sets the approval levels required for all business activities.

Each year Goulburn-Murray Water undertakes a range of statutory business and performance reporting to Government.

### Risk Management Framework

Goulburn-Murray Water has in place a Whole of Business Risk Management Framework based on ISO 31000. This provides a methodology for the identification, evaluation, treatment and reporting of key business risks.

The whole of business risk management framework is incorporated into Goulburn-Murray Water's management systems and decision making processes, and is used to identify risks, assign business priorities and manage the risks in order to minimise potential adverse impacts.

### Major Stakeholders

#### **Department of Sustainability and Environment (DSE)**

Goulburn-Murray Water reports to the Minister for Water via the Department of Sustainability and Environment.

The Office of Water within the Department of Sustainability and Environment (DSE) oversees the management of the Victorian water industry. Goulburn-Murray Water maintains strong links to DSE to assist with the framing and implementation of government water policies.

Goulburn-Murray Water also works closely with DSE and the Victorian Water register to facilitate the ongoing development and operation of water trading and markets in northern Victoria.

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### **Northern Victoria Irrigation Renewal Project (NVIRP)**

The Northern Victoria Irrigation Renewal Project (NVIRP) has been established by the Victorian Government to deliver a \$2 billion irrigation upgrade to the Goulburn Murray irrigation system. Irrigation modernisation will improve water delivery management and irrigation services and recover water savings.

NVIRP is working on Goulburn-Murray Water's channel network within the Irrigation Areas and a high degree of coordination is required to ensure assets are able to deliver the required customer services during the irrigation season and optimal modernisation outcomes are achieved.

### **Customer Committees**

Customer Committees such as Water Services Committees and Reference Committees are Goulburn-Murray Water's primary source of customer advice and feedback. Committee representatives are appointed to provide advice and informed discussion in areas such as operations, pricing, service standards and asset management. Committees meet regularly and are comprised of customers chosen through a community nomination procedure and appointed by the Board.

### **Catchment Management Authorities (CMAs)**

Victoria is divided into catchment regions, with a Catchment Management Authority (CMA) established for each region that is responsible for coordinating the catchment management activities in their region. Goulburn-Murray Water has strong links to the North East, Goulburn Broken and North Central CMAs on water quality, river health and natural resource management programs. As well, there are operational interactions on the delivery of environmental entitlements and catchment programs under the management of DSE and the CMAs.

### **Murray-Darling Basin Authority (MDBA)**

The Murray-Darling Basin Authority (MDBA) is responsible for the integrated management of the Murray-Darling Basin and reports to the Federal Minister for Climate Change and Water. Goulburn-Murray Water is the Victorian Constructing Authority for the MDBA, a significant regional role. This role involves the management responsibility for the operation and maintenance of MDBA storages and salt interception works across Northern Victoria.

### **Other Forums**

Local communities across Goulburn-Murray Water's region are also represented by Local Government and there are a number of local and regional co-ordination forums across the region in which Goulburn-Murray Water participates.

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### Challenges and Opportunities

As part of its strategic review process each year, Goulburn-Murray Water undertakes a scan of its operating environment to identify potential future changes.

In preparing this Corporate Plan, a thorough environmental scan and assessment was undertaken and this process identified that the needs of our customers and stakeholders have altered and there are increasing challenges from climate change, water policy reform and economic conditions.

The following provides an overview of the outcomes of the scan.

Irrigation in northern Victoria is on a path of significant physical, policy and environmental change.

Key drivers of the change are modernisation of the irrigation supply network through NVIRP, drought and climate change impacts on water availability, Northern Region Sustainable Water Strategy, world prices for key irrigated commodities, the Federal water buy back and the MDBA Basin Plan.

Climate change projections by CSIRO and the Bureau of Meteorology indicate that Goulburn-Murray Water's region will be warmer and drier.

Customers across virtually all commodities in northern Victoria have been subject to tough conditions over the last 10 years and attempts to predict long-term trends in irrigated agricultural enterprises are problematic.

A contraction of the overall footprint of irrigated agriculture will occur but the irrigation sector is resilient and will continue to be the economic driver of many northern Victorian communities.

Despite recent challenges and difficulties, there is substantial industry confidence in the future of irrigation. Although the impacts of the draft MDBA Basin Plan are not known and will emerge over the course of 2010/11.

The modernised irrigation areas with their good soils, excellent water quality, high water reliability and service infrastructure will be well positioned for profitable, efficient and sustainable irrigated agriculture into the future.

The investment in modernising the irrigation areas will markedly increase both water delivery efficiency and customer service levels needed to support modern irrigation practices. These improvements will remove long standing system barriers to on-farm investment and help to improve productivity and growth of these businesses.

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Within 10 years Goulburn-Murray Water customers within the irrigation areas will be serviced by one of the world's most efficient, cost-competitive and technologically advanced irrigation delivery networks able to support efficient and responsive system management and improved on farm productivity. Goulburn-Murray Water's channel delivery network will be transformed and every customer will be serviced directly from this network or by a connection which is owned by one or more landowners and managed by them.

Goulburn-Murray Water will need to critically re-assess the nature of services it offers to customers in future, particularly in light of the enhanced capabilities of the modernised infrastructure, so that customers can enhance their productivity and ability to operate profitable irrigated enterprises.

The modernisation of the irrigation areas includes new automated channel control and metering technology, and the cost to operate, maintain and replace this technology will change the cost structures of the irrigation areas.

There is customer and stakeholder concern about increasing water prices and there is an associated need for Goulburn-Murray Water to demonstrate that it is operating as efficiently as possible.

The Northern Region Sustainable Water Strategy (NRSWS) rebalances the future needs of all water users and the environment and provides customers with more options than ever before to manage their business risks in future. The NRSWS requires Goulburn-Murray Water to implement a range of new initiatives to improve the management and protection of surface water and groundwater across northern Victoria

Customer and community engagement arrangements may need revisiting and simplifying. The current customer committee model may not be the right model for the modernised future and Goulburn-Murray Water needs to evaluate different and simpler customer consultative models, with more direct customer contact and community engagement in future.

The strength of Goulburn-Murray Water lies in its people. The expertise and experience of staff means that they are in demand and there are significant numbers assisting our stakeholders with modernisation projects and water reform initiatives, and this is placing pressures on our staff resources.

Goulburn-Murray Water will need to undergo change to meet the challenges ahead and be flexible enough to adapt to a range of irrigated agricultural demands and climate scenarios, letting market forces and individual choice shape commercial outcomes.

Goulburn-Murray Water is putting change management processes in place and will need to adjust the future skills mix of its staff through retraining of key Goulburn-Murray Water staff to use new more complex technologies and business systems of a modernised irrigation system. Recruiting, developing and retaining quality staff and ensuring the maximisation of benefits of new technologies will be important to Goulburn-Murray Water's future business success and for its skilled and efficient workforce to deliver the business objectives.

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### Strategic Direction

Goulburn-Murray Water's operating environment is changing and new business challenges are continuing to emerge.

This has highlighted the need for Goulburn-Murray Water to rapidly make changes to its strategic direction and business priorities in order to prepare for the future.

The future Goulburn-Murray Water must;

- modernise its product and service offering
- have the right pricing and tariff structures
- further improve its total customer experience service levels
- strongly focus on core business activities
- strive for greater levels of business efficiency, innovation and performance
- be more nimble, adaptive and technology orientated and
- ensure workplace health and safety remains a critical focus

In response to these changing business needs, Goulburn-Murray Water has developed four specific and inter-related Key Strategic Change Priorities.

The four Key Strategic Change Priorities are:

- Modernisation
- Pricing
- People and Technology
- New Business Model

Each of the Key Strategic Change Priorities gives a clear direction for immediate and future actions that will reshape the whole of Goulburn-Murray Water's business, and in particular the modernised irrigation areas.

These changes represent a significant shift in Goulburn-Murray Water's traditional business operations and thinking and will drive Goulburn-Murray Water to be successful in fulfilling its vision of being Australia's leading rural water service provider.

## Key Strategic Change Priorities

### Modernisation

A focus on modernisation of the irrigation area supply network through NVIRP and delivering the maximum benefits to customers of this modernised network through enhancements to services, business processes and asset management strategies.

### Pricing

A focus on pricing and tariff structures to ensure tariffs meet future business and customer needs and pricing demonstrates value for money.

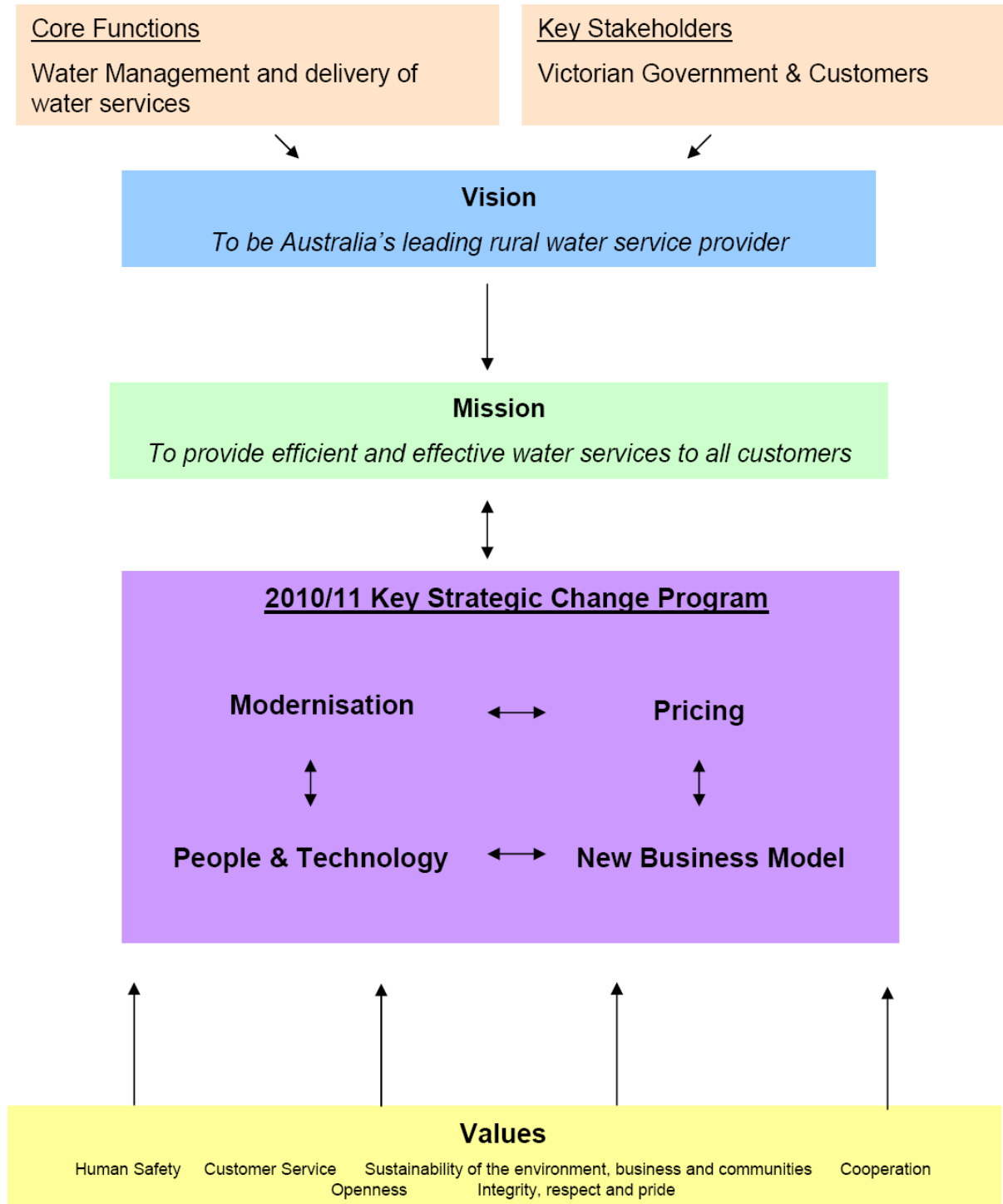
### People and Technology

A focus the organisational capability, business systems and technologies that will be needed to respond to the future.

### New Business Model

A focus on operating a new business model founded on core competencies and simplified customer and community engagement arrangements to drive higher levels of organisational performance.

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## Action Plans to Deliver Key Outcomes

### Modernisation

#### Goal

To modernise the irrigation area supply network through NVIRP and deliver the maximum benefits to customers through enhancements to services, business processes and asset management strategies.

#### Joint Vision for Modernised Irrigation Areas

NVIRP and Goulburn-Murray Water have adopted a joint vision for the future of the modernised irrigation areas as a result of the delivery of the Foodbowl Project. The joint vision is:

*Within ten years, every customer will be connected to a common user system (the backbone) by a connection which is owned by one or more landowners and managed by them.*

Goulburn-Murray Water is on a path of rapid transformation of its business to ensure that the full benefits of the Foodbowl Project are delivered to customers and regional communities as quickly and effectively as possible.

#### Actions

##### NVIRP

Goulburn-Murray Water will continue to work closely with NVIRP in the delivery of its works program and water savings and Goulburn-Murray Water will ensure that its planning is consistent and align with NVIRP's.

##### Backbone

NVIRP has defined an irrigation 'backbone' which will become the public irrigation infrastructure to be owned and operated by Goulburn-Murray Water. In 2010/11, Goulburn-Murray Water will establish the optimal levels of capital investment it will make on the backbone over the next 10 – 20 years.

##### Modernised Service Levels

In 2010/11, Goulburn-Murray Water in consultation with NVIRP and customer groups, will set new customer service standards for the modernised irrigation systems. These new

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service standards will be included in the revision of Goulburn-Murray Water's Customer Charter under the ESC framework and adopted for 2011/12.

### Service Improvement Standards

In 2010/11, Goulburn-Murray Water will set, in consultation with customer groups, service improvement KPIs and targets that will see Goulburn-Murray Water's customer service levels based on best practice from national benchmarking of rural water service providers.

### Faster and Smarter Project

In 2010/11 and 2011/12, Goulburn-Murray Water will scrutinise all its key business processes for ways to do things smarter, faster, in a more customer friendly way and remove 'bureaucracy'. This review will place high emphasis on 'customer first' and focus on simplifying management structures, systems and procedures to streamline and improve workflows.

### Northern Region Sustainable Water Strategy

The Northern Region Sustainable Water Strategy (NRSWS) sets out major water policy changes to address future challenges and risks. The Strategy contains 30 actions that require Goulburn-Murray Water to deliver over the next 3 years. In 2010/11, Goulburn-Murray Water will deliver all of its required 24 outcomes in accordance with DSE's implementation timelines.

### Strategic KPIs

	08/09 Actual	09/10 Target	10/11	11/12	12/13	13/14	14/15
Customer Satisfaction	62%	80%	80%	82%	83%	84%	85%
Customer Complaints (per 1,000 customer)	0.002	0.003	0.003	0.003	0.002	0.002	0.002

Corporate reputation survey (bi-annual – 2010 base year)

Achievement of NRSWS implementation milestones

Optimal 'backbone' investment plan established in 2010/11

Modernised customer service standards adopted for 2011/12

Best practice service improvement targets set in 2010/11 and achieved by 2013/14

Faster and Smarter project implementation completed by 2012/13

## Pricing

### Goal

To have the right pricing and tariff structures in place to ensure tariffs meet future business and customer needs and pricing demonstrates value for money.

### Actions

#### Tariff Reviews

In 2010/11, Goulburn-Murray Water will undertake a comprehensive review of how it recovers costs from customers in the gravity irrigation areas. The objective is to provide clear pricing signals to customers to inform their long term farm and business planning during and after the transition to a modernised irrigation network, to ensure pricing encourages the efficient delivery of the services that customers need and value.

The review will also consider the impacts of the Northern Region Sustainable Water Strategy, completion of NVIRP by 2018, the new Murray Darling Basin Plan that is scheduled to take effect in Victoria from 2019, the ACCC review of termination fees in 2012, the progressive removal of the current 4% limit on the volume of water shares able to be transferred out of irrigation areas, continuation of the Commonwealth water buyback program including its agreement to purchase up to 400,000 ML from the irrigation areas and the roll out of the Commonwealth on farm irrigation efficiency program.

In 2010/11 and 2011/12, Goulburn-Murray Water will also undertake reviews of its Diversions and Water Districts tariffs and the next stage of its Surface Drainage tariff changes.

#### Cost Reduction Target

Starting in 2010/11, Goulburn-Murray Water will introduce a minimum 3.5% per annum cost reduction target across all recurrent expenditure proposed under the Water Plan over the next 3 year period while ensuring service levels are maintained or enhanced.

#### Productivity Plan

Cost containment is a high priority to ensure the prices of Goulburn-Murray Water's services are affordable for profitable irrigated businesses and in 2010/11, Goulburn-Murray Water will develop a five-year productivity plan with clear productivity targets and investment requirements, to ensure Goulburn-Murray Water customer's costs are competitive with that of other comparable rural water providers.

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### Strategic KPIs

	08/09 Actual	09/10 Target	10/11	11/12	12/13	13/14	14/15
Customer Satisfaction	62%	80%	80%	82%	83%	84%	85%

Corporate reputation survey (bi-annual – 2010 base year)

National benchmarking – best practice range for rural service providers

Gravity irrigation tariff review completed in 2010/11

Diversions tariff review completed in 2011/12

Water District tariff review completed in 2011/12

Stage 2 of Surface Drainage tariff review completed in 2010/11

Cost reduction targets met over period to 2012/13

Productivity Plan in place in 2010/11

## People and Technology

### Goal

To develop and grow organisational capability, business systems and technologies to respond to future changes.

### Actions

#### Culture

Goulburn-Murray Water will continue to build a strong Customer driven culture that is responsive, with staff enhancing valued service at every point of contact.

#### People

Goulburn-Murray Water's people related strategies will target development opportunities with a focus on critical roles and knowledge management. These key supported initiatives will strengthen existing skills and develop future capabilities to deliver our vision.

#### Technology

Future technology applications will drive efficiencies for the modernised irrigation system and other irrigated service improvements

#### Business Systems

Goulburn-Murray Water will undertake systematic and ongoing enhancements to its business processes to ensure best practice performance in billing, asset management, OH&S, environmental, risk, delegation framework, knowledge management, business continuity, contract and project management.

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## Strategic KPIs

	08/09 Actual	09/10 Target	10/11	11/12	12/13	13/14	14/15
Customer Satisfaction	62%	80%	80%	82%	83%	84%	85%
Customer Complaints (per 1,000 customer)	0.002	0.003	0.003	0.003	0.002	0.002	0.002
Loss Time Injury Frequency Rate	10	9	8	7	6	5	4
Regretted Staff turnover rate (industry average 9.3%)	10%	8	8	7	6	6	6

Succession planning / critical role analysis in place

Lead indicators for workplace safety – 2010 base year

Staff engagement survey – 2011 base year

Development Programs – return on investment analysis in place

National Benchmarking

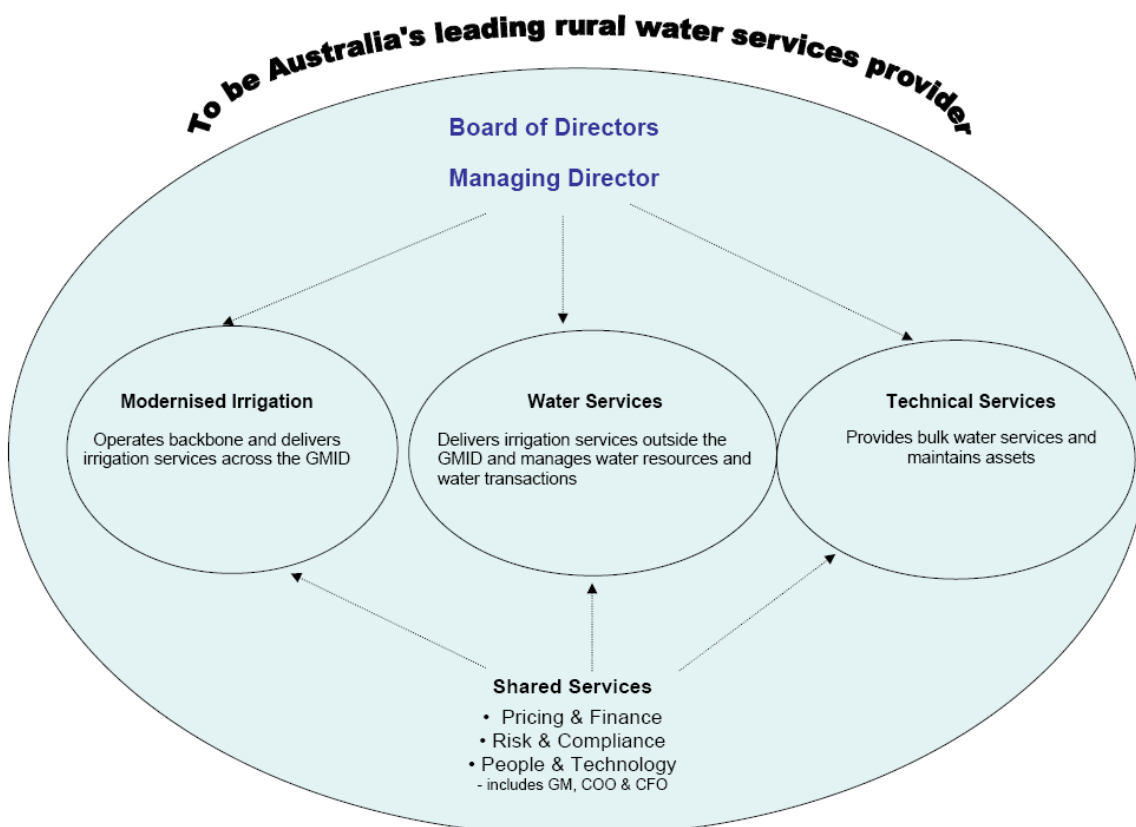
# New Business Model

## Goal

To deliver higher levels of organisational performance through a new business model founded on core competencies and simplified customer and community engagement arrangements.

## Simplified Business Model

To deliver the vision Goulburn-Murray Water will simplify the organisation model to respond to future challenges with agility and innovation. This will sharpen the delivery of modernised irrigation, water delivery and technical services



This model recognises that the rapidly emerging, modernised irrigation system and the opportunities this presents to its customers is so different from the old system that it requires a different approach than it has previously had.

Under this arrangement, customers in our other lines of business will also benefit by having a similarly increased organisational focus.

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### Actions

#### **Functional Separation**

To provide a clear focus on delivering core business outcomes and pursuing new innovative operational solutions and increased levels of efficiency, Goulburn-Murray Water will separate in 2010/11 the management of the gravity irrigation areas being modernised through NVIRP out of the general operations Division and into a new Division, to be known as the “Modernised Irrigation Division”. The Modernised Irrigation Division will operate as a discrete business unit, with separate financial reporting, full recovery of its own direct and corporate costs, and clear business transactions and service provision to and from the central business.

#### **Capital Delivery**

In 2010/11, Goulburn-Murray Water will complete an evaluation of capital project delivery options for a preferred delivery method that will consistently achieve future capital program levels. This will include an assessment of the outsourcing and insourcing options and the benefit/risk relationships; ensuring services are flexible and robust and tested against the market for cost competitiveness and quality.

#### **Corporate Overhead Target**

Goulburn-Murray Water must demonstrate to its customers and stakeholders that it is operating efficiently and starting in 2010/11, Goulburn-Murray Water has a target of having the lowest proportional corporate overhead of Australian rural water providers within a period of 2 years.

#### **Corporate Overhead Allocation**

In 2010/11, Goulburn-Murray Water will review its current corporate overhead allocation methodology, framework and allocation rules to assess their future validity in light of the impacts of modernisation on the business and ensure best practices are in place.

#### **Customer and Community Engagement**

In 2011/12, Goulburn-Murray Water will review its customer and community engagement arrangements to ensure that they are strategic and disciplined and meet the needs of the modernised future.

#### **Northern Rivers Catchment Management Authority**

In 2010/11, Goulburn-Murray Water will work collaboratively with its CMA partners on the transition to the new Northern Rivers Natural Resource and Catchment Authority (NRCA) body to identify possible joint beneficial outcomes, alignment and synergies.

#### **Measuring Performance**

In 2010/11, Goulburn-Murray Water will develop a rigorous new set of corporate wide operating performance indicators and targets to measure the success of the future Goulburn-Murray Water on a monthly and yearly basis and use this information to drive continuous improvement in performance.



## Section Two – Business Plan

### Strategic KPIs

	08/09 Actual	09/10 Target	10/11	11/12	12/13	13/14	14/15
Customer Satisfaction	62%	80%	80%	82%	83%	84%	85%
Customer Complaints (per 1,000 customer)	0.002	0.003	0.003	0.003	0.002	0.002	0.002

New Modernised Irrigation Division established in 2010/11

National benchmarking – best practice range for rural service providers

Corporate reputation survey (bi-annual – 2010 base year)

Future capital delivery model established in 2010/11

Capital delivery performance and benchmark indicators in place in 2010/11

Lowest rural water provider proportional corporate overhead by 2012/13

Review of corporate overhead allocation methodology completed in 2010/11

Customer and community engagement reviewed in 2011/12

New set of corporate Operating performance indicators developed in 2010/11

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### Risk Management

#### Background

Goulburn-Murray Water's Whole of Business Risk Management Framework is based on ISO 31000 and is used to formalise and communicate the Corporation's approach to the oversight and management of risks including:

- Strategic and Corporate Risks;
- Operational and Project Risks including Occupational Health and Safety (SafetyMap accreditation) and Environmental Risk Management (ISO 14001 accreditation); and
- Critical Infrastructure Security including Information Technology and Business Resilience.

Risk management is overseen by Goulburn-Murray Water's Risk and Compliance Committee, which is a subcommittee of the Board; meetings are held on a quarterly basis. Internal audit is also undertaken through Goulburn-Murray Water's Finance Management Audit Committee, another subcommittee of the Board.

#### Corporate Risk Register

Goulburn-Murray Water maintains risk registers via its risk maintenance and reporting package CURA. The key risk register that defines corporate/strategic risks which are presented and discussed by the Risk and Compliance Committee quarterly and annually by the Board and owned by Management is the Corporate Risk Register.

The following table outlines the risk categories from this Register and aligns each of them and their key mitigation programs against the Key Strategic Change Priorities.

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Strategic Change Priorities	Risk Category	Key Mitigation Tasks for 2010/2011
Modernisation	Failure of Dam or Storage Asset	Major projects for dam improvement; Dam safety inspections and compliance with ANCOLD Dam Safety Guidelines;
	Modernisation and Rationalisation Works	Close working relationship and support of NVIRP; Independent audit of water savings;
	Operational Asset Failure	Predictive maintenance program; Enhanced system monitoring and reporting; Fire planning program;
Business Model	Environmental Impacts	ISO 14001:2004 certification and compliance; Northern Region Sustainable Water Strategy(NRSWS) initiatives; Groundwater management plans;
	Relationship Management	Development of stakeholder relationship management system; Greater use of Goulburn-Murray Water's internet to distribute and provide value add information;
	Reputation	Development of stakeholder relationship management system; Strategic management of reputation risks;
	Strategic Planning	Corporate planning process; Board strategic workshops; Information sharing with key stakeholders and regulators;
	Compliance	Compliance with new standards (eg ATS 4747 for national metering standards); Compliance with Statement of Obligations and Water Act; Internal and external audits;

## Section Two – Business Plan

Strategic Change Priorities	Risk Category	Key Mitigation Tasks for 2010/2011
People and Technology	Organisational Capability	Balanced scorecard performance system; Cultural change program;
	IT Infrastructure and Communications	Review of strategic IT business plan; Development of external disaster recovery centre;
	Health Safety and Wellbeing	AS/NZ 4801:2001 certification and compliance; OHS Lead KPI program; Safety Culture initiative;
	Security and Emergency Response	Formalising IT security protocols; Review of critical infrastructure security assessments; Continued support and participation in TISN and Water SCN; Compliance with Terrorism (Community Protection) Act 2003;
	Public Liability	Education campaigns - targeting schools; Infrastructure security;
Pricing	Federal/State Water Policy	Northern Region Sustainable Water Strategy(NRSWS) initiatives; Close working relationship and support of NVIRP; Participation on industry body and regulation committees;
	Reduced Water use/demand	Flexible business model to meet times of change; Customer support services;

## Section Two – Business Plan

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### Capital Program

#### 2009/10 Program

Goulburn-Murray Water's capital works program for 2009/10 is \$141 million and the forecasted spend is \$135 million.

The variations are:

- Murray System capital works \$3.2m under budget. The major component, the William Hovell Dam Safety Project will come in under budget by \$1.5 million due to cost reductions associated with tendered spillway works and savings due to reduced earthworks requirements.
- Lake Mokoan works \$3.1m under budget due to Water Entitlement purchase / buy-back on the Broken River and Broken Creek in July to December resulting in the scope of works for Remote Control Monitoring (RC) sites and Rain Rejection Storage sites being reduced.

In 2010/11 Goulburn-Murray Water will complete an evaluation of capital project delivery options for a delivery method that will ensure consistent delivery of future program levels.

#### Capital Plan

Goulburn-Murray Water operates, manages and maintains assets with current replacement value in excess of \$5 Billion. A structured approach to asset management is used to ensure consistency of service provision to customers at an efficient cost.

The overall asset management plan and subsequent management framework which is used to develop, review and monitor the capital program involves the consideration of legal and regulatory requirements, lifecycle management plans and review and monitoring of capital plan implementation.

The lifecycle management plan adopted by Goulburn-Murray Water includes the following key components:

- Assess the condition of all our assets, by site investigations and inspections.
- Plan all future assets works programs by collating and comparing all asset information and assessing relevant risks.
- Repair assets by undertaking routine and preventative maintenance (including the Advanced Maintenance Program).
- Replace or upgrade assets as necessary to deliver service needs or to meet compliance requirements through Capital Works Programs.
- Remove any assets that are no longer required.
- Operate and maintain, including undertaking routine operations, surveillance, and maintenance of all assets.

## Section Two – Business Plan

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Utilising these key components, the capital plan is compiled using a range of data sources and inputs and then through an extensive consultation process, involving both internal and external stakeholders, the program is reviewed and modified to meet the need of the assets, expected future demands and where necessary the relevant legal and regulatory requirements.

The current modernisation program (NVIRP) underway in the irrigation areas is significantly changing the extent of future demands on the system. This has led to a number of modifications to our existing capital planning to provide assurance that works are not undertaken on assets that may be subject to modernisation activities.

Goulburn-Murray Water is in the process of updating its existing asset management system, which was suitable for an asset base that contained mostly passive civil assets, to a system that is able to meet demands placed on it by the modernised system which includes tens of thousands of electrical/mechanical installations.

Goulburn-Murray Water manages its dams in accordance with ANCOLD Guidelines as required by the Statement of Obligations. This includes a program of dam safety upgrades to address major design deficiencies and is fully funded by customers. This program is developed within the Corporation's Whole-of-Business-Risk framework.

Upgrades at each dam are staged to ensure that risks across the whole portfolio are addressed in priority order and that the most cost effective risk reduction is achieved. Refer to the Table of Capital Expenditure Forecast which shows the proposed 10 year investment program. Over the 5 year period of this Corporate Plan, the total capital expenditure proposed is \$182 M, comprising \$61 M for retail works (replacement of existing channels, syphons, subways and road bridges and \$121 M for dam safety upgrades.

Now that NVIRP's Business Case has been fully developed, G-MW has aligned its capital works planning with NVIRP's program. We are confident of delivering our program.

### Performance Targets

Strategic KPIs are set out in each of the Action Plans. Operational KPIs are set out in G-MW's 2008 Water Plan.

## Section Two – Business Plan

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### **Material Changes from Previous Corporate Plan**

Each year Goulburn-Murray Water undertakes a strategic review process which determines the adjustments that it needs to make to its strategies and business priorities. The current changes in the operating environment and the new challenges facing the business mean that this year Goulburn-Murray Water needs to make more than incremental change to its strategic direction and priorities.

In previous years, Goulburn-Murray Water's Corporate Plan has addressed each of its major lines of business but to prepare for the future, this year's strategic review process has identified four Key Strategic Change Priorities for Goulburn-Murray Water in order to provide it with a clear focus on its critical change needs.

The four Key Strategic Change Priorities represent a significant shift in Goulburn-Murray Water's traditional business operations and thinking but this does not mean that any of its lines of business are less important. Goulburn-Murray Water is committed to delivering high quality 'business as usual' programs, as well as enhancing these programs through the successful delivery of the four Key Strategic Change Priorities.

## Section Three - Financial Statements

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### Financial Statements

#### Assumptions

The supporting financial statement projections are delivered within the 2008/09 to 2012/13 water plan price determination.

Delivery of the supporting tariffs has a recently reviewed base allocation assumption of 60% in the Goulburn and Murray basins and 30% in all other basins. This is consistent with scenario D of the NRSWS, which is considered the most appropriate allocation base for Goulburn-Murray Water to use, given the current climatic sequence.

The DSE 2010/11 Corporate Plan Guidelines required sensitivity analysis based on:

Scenario 1 – allocations based on average conditions since July 1997 up to June 2009

Scenario 2 – allocations based on rolling average of worst consecutive three years since 97'

The scenario testing of the impact of changed water allocations has been expanded by Goulburn-Murray Water to include two additional scenarios:

Scenario 3 - 30% less allocation in all systems

Scenario 4 - 30% more allocation in all systems

These were included because the differences between the base assumption and scenarios 1 and 2 were not large. The results of the scenario testing are attached, and in summary are:

Scenario 1 - \$990k more revenue

Scenario 2 - \$689k less revenue

Scenario 3 - \$3,984k less revenue

Scenario 4 - \$3,984k more revenue and \$1,800k more expense

This movement of consumptive revenue is still based on the given assumption of full usage of allocation, but as detailed below the expanded carryover and spillwater provisions applicable from 2010/11 mean this assumption will be reviewed into the future.

#### Impacts

It would be expected that movement in allocation assumption would have a lesser impact on Goulburn-Murray Water because the 2010/11 one year tariff and pricing proposal currently before the ESC includes changing the structure to collect 10% of total revenue from variable charges (down from 20%) and changing the rate calculation from a base (denominator) of 100% to 60% allocation.



## Section Three - Financial Statements

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A further significant impact on Goulburn-Murray Water performance results is caused by changes to the rules governing the saving of water allocation for future years through the carryover provisions and the introduction for the first time of a spillable water account (SWA). This means a customer can now carryover more than 100% of allocation for future years. The impact of this is that the actual allocation is not necessarily a good indicator of water usage and therefore consumptive revenue charges. In the current financial year allocation reached 100% on the Murray basin but our current forecast is for only 48% to actually be used. In the Goulburn basin the final allocation is 71%, with usage forecast to be only 47%.

Factors influencing this considerable difference are:

- the changes to the carryover rules and introduction of the spillable water account
- the fact that there were significant increases in allocation from February 2010, by which time customers had budgeted their water use based on a lower allocation and were more inclined to carry over larger volumes of water.

It is probable that the impact of these changes over time will be to reduce usage in higher allocation years, and increase usage above allocation in lower allocation years as customers conserve water for those tougher years. Goulburn-Murray Water will be monitoring changes to customer usage patterns closely to improve predictive forecasting.

### Cost Reduction

Goulburn-Murray Water is on track to achieve a reduction of 23% (\$3.8m p.a.) in labour and vehicles costs at completion of NVIRP stage I in 2012/13 and a 38% (\$6.1m p.a.) reduction in labour and vehicles costs under full modernisation in 2017/18.

The productivity dividend over the next 3 years will be used to fund the range of change initiatives and actions set out in this Plan. Consequently these new initiatives will be accommodated within existing Water Plan expenditure levels and will not impact on price.

## Section Three - Financial Statements

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### Statement of Financial Performance

#### Tariff Review

Goulburn-Murray Water and the ESC have agreed to treat 2010/11 as a continued annual price approval under the 5 year price determination. As priority Goulburn-Murray Water will conduct a thorough review of the tariff structure for future years which may include the remaining periods within the 2008/09 to 2012/13 price period. This will be focussed on what may need to be changed to be appropriate to the different infrastructure base Goulburn-Murray Water will operate and maintain for gravity irrigation once the major asset modernisation works are completed by NVIRP. This corporate plan reflects the revenue projected for 2011/12 and 2012/13 in the original ESC submission based on the costs modelled for those years. After 2012/13 a flat price path is assumed, pending clarification of costs for the next five year water plan.

#### Charges

The consumptive charges for 2009/10 reflect the forecast final usage and are below the assumptions used in the 2009/10 corporate plan. In subsequent years usage charges are based on the three principles agreed by the Board for pricing from 2010:

- usage charges to make up only 10% of total revenue,
- usage charges to be based on 60% of the entitlement in the Murray and Goulburn basins and 30% in the other basins, and
- the allocation assumption to be 60% in the Murray and Goulburn basins and 30% in the smaller basins.

The impact of the changes to the carryover rules referred to above cannot be predicted with any confidence at this stage, but the 60% base is considered to be more probable now whether allocations are low or high.

#### MDBA Program

The increase in the MDBA program for 2010/11 is based on MDBA assumptions, with additional works under the Living Murray program scheduled. This program is set by the MDBA, for Goulburn-Murray Water to carry out as their appointed Victorian Constructing Authority. It is common for the program to be changed throughout the year, but the impacts on Goulburn-Murray Water's result are negligible because any reductions are in both revenue and expense.

#### Depreciation

Depreciation is increasing significantly across the corporate plan period. This is caused by a significant increase in asset values due to a revaluation of infrastructure assets during 2010/11, and the transfer of completed works from NVIRP as the modernisation program progresses. These NVIRP transfers will affect accounting and taxation asset values, and the revaluation will only affect accounting values. Neither will have any affect on the regulatory asset values or prices.

## Section Three - Financial Statements

### Accounting Losses

This confirms that accounting losses will increase over time as the accounting depreciation increases but revenue from customers only includes regulatory depreciation. This likelihood is not an indicator of financial failure or of impending cash management issues.

The table below indicates the impact of depreciation with the major increases in asset values over the period of the corporate plan, and highlights the difference in treatment for the different reporting requirements.

*Treatment of depreciation for:*

	Revaluation	NVIRP transfers	G-MW capital
Statutory reporting	included	included	included
Taxation	excluded	included	included
ESC pricing	excluded	excluded	included

## Section Three - Financial Statements

**Goulburn-Murray Water**  
**Statement of Financial Performance**

Recurrent Activity	2009/10 Revised \$'000s	2010/11 Budget \$'000s	2011/12 Budget \$'000s	2012/13 Budget \$'000s	2013/14 Budget \$'000s	2014/15 Budget \$'000s
<b>Revenues</b>						
Service Charges	78,895	87,653	97,194	107,646	107,653	107,653
Usage Charges	6,058	7,927	9,128	9,790	9,791	9,791
Developer Contributions						
Developer Contributions - Gifted Assets						
Government Contributions / Grants						
Government Services Contract	2,538	4,295	4,295	4,295	4,295	4,295
Water Savings	5,523	550	-	-	-	-
NVIRP	12,161	2,862				
Alliance/Futureflow	3,230	500				
Other	354	-	-	-	-	-
Investment Interest	113	14	45	67	60	47
Profit (Loss) from Disposal of Assets	400	111	111	111	111	111
MDBA	16,139	47,802	21,363	12,716	12,692	12,692
Other Revenue	11,075	9,019	9,119	9,181	9,087	9,112
<b>Total Revenues</b>	<b>136,486</b>	<b>160,733</b>	<b>141,255</b>	<b>143,806</b>	<b>143,689</b>	<b>143,701</b>
<b>Expenses</b>						
Operations and Maintenance Expenses	68,845	69,677	71,912	71,011	70,972	70,972
Government Services Contract	2,372	4,052	4,052	4,052	4,052	4,052
Water Savings	5,523	521				
NVIRP	11,472	2,172				
Alliance/Futureflow	313	196				
Administration Expenses	25,788	25,793	25,494	25,099	25,099	25,099
Environmental Contributions	1,485	1,443	1,402	1,363	1,363	1,363
MDBA	15,945	45,881	20,357	11,833	11,833	11,833
Borrowing Costs / Interest Expense	2,560	3,950	6,767	10,974	13,309	14,451
Depreciation and Amortisation	36,013	51,497	55,807	63,379	69,227	74,504
Other Expenses						
<b>Total Expenses</b>	<b>170,316</b>	<b>205,182</b>	<b>185,791</b>	<b>187,711</b>	<b>195,855</b>	<b>202,274</b>
<b>PROFIT (LOSS)</b>	<b>(33,830)</b>	<b>(44,449)</b>	<b>(44,536)</b>	<b>(43,905)</b>	<b>(52,166)</b>	<b>(58,573)</b>
Transfers to/from Reserves						
Other adjustments						
Retained Profit (Loss) carried forward	141,350	107,520	63,071	18,535	(25,370)	(77,536)
<b>Closing Retained Profit (Loss)</b>	<b>107,520</b>	<b>63,071</b>	<b>18,535</b>	<b>(25,370)</b>	<b>(77,536)</b>	<b>(136,109)</b>
<b>ASSET VALUATION RESERVE</b>						
Revaluation of Assets Inc (+) or Dec (-)	-	1,115,000	-	-	-	-

**Reconciliation of Accounting Based Result to Regulatory Based Result**

	2009/10 Revised \$'000s	2010/11 Budget \$'000s	2011/12 Budget \$'000s	2012/13 Budget \$'000s	2013/14 Budget \$'000s	2014/15 Budget \$'000s
Profit/(Loss)	(33,830)	(44,449)	(44,536)	(43,905)	(52,166)	(58,573)
As shown on Statement of Financial Performance above						
Add back Depreciation	36,013	51,497	55,807	63,379	69,227	74,504
Deduct Regulatory Depreciation	(5,860)	(6,527)	(5,988)	(5,956)	(6,527)	(6,608)
<b>Profit / (Loss) achieved using pricing policy</b>	<b>(3,677)</b>	<b>521</b>	<b>5,283</b>	<b>13,518</b>	<b>10,534</b>	<b>9,323</b>

## Section Three - Financial Statements

### Statement of Financial Position

The asset values in non-current assets for infrastructure, land and buildings include increases for a revaluation due to be completed in that year. The procedures for completing the fair value valuations are currently under discussion with the Valuer General of Victoria, and the expected increases have been estimated based on recent valuation estimates used for Victorian whole of Government reporting.

The increase in borrowings is a result of Goulburn-Murray Water's investment in modernisation and our ongoing capital program. Under the ESC framework capital is expected to be debt funded.

The increase in Government Equity Contributions is a result of the asset transfers from NVIRP and the ongoing contributions direct from Government via DSE to fund specific capital works. The rate of transfer of assets from NVIRP has been reassessed by them and the numbers included reflect advice received on 20 April 2010.

*The asset transfer schedule set by NVIRP and included in these statements is:*

Asset transfers from NVIRP (\$000's)	2009/10	90,113
	2010/11	180,489
	2011/12	197,186
	2012/13	93,491

## Section Three - Financial Statements

<b>Goulburn-Murray Water</b>						
<b>Statement of Financial Position</b>						
	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>Revised</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>Current Assets</b>						
Cash and Cash Equivalents	518	910	3,569	3,122	2,901	1,806
Receivables	45,362	36,323	36,323	36,324	36,327	36,331
Less Doubtful Debts	(111)	(111)	(111)	(111)	(111)	(111)
Inventories	1,809	1,809	1,809	1,809	1,809	1,809
Prepayments	314	314	314	314	314	314
Other Current Assets						
<b>Total current assets</b>	<b>47,892</b>	<b>39,245</b>	<b>41,904</b>	<b>41,458</b>	<b>41,240</b>	<b>40,149</b>
<b>Non Current Assets</b>						
Infrastructure	3,384,556	5,285,893	5,518,185	5,637,279	5,667,785	5,704,589
less Accumulated Depreciation (-)	(1,210,918)	(1,808,047)	(1,859,639)	(1,918,626)	(1,983,221)	(2,052,785)
Infrastructure (written down value)	2,173,638	3,477,846	3,658,546	3,718,653	3,684,564	3,651,804
Capital Works in Progress	50,000	12,302	6,096	6,096	6,096	6,096
Land and Buildings	74,801	90,138	90,291	90,143	91,629	91,822
Plant, Equipment and Motor Vehicles	2,281	1,018	1,481	983	1,135	923
Deferred Tax Assets						
Non Current Investments						
Intangible Assets	13,050	13,360	11,000	9,500	8,000	7,000
Other Non-Current Assets	3,588	3,588	3,588	3,588	3,588	3,588
<b>Total non-current assets</b>	<b>2,317,358</b>	<b>3,598,252</b>	<b>3,771,002</b>	<b>3,828,963</b>	<b>3,795,012</b>	<b>3,761,233</b>
<b>TOTAL ASSETS</b>	<b>2,365,250</b>	<b>3,637,497</b>	<b>3,812,906</b>	<b>3,870,421</b>	<b>3,836,252</b>	<b>3,801,382</b>
<b>Current Liabilities</b>						
Bank Overdraft						
Payables	26,192	26,192	26,192	26,192	26,192	26,192
Borrowings	566	602	641	682	726	773
Other Lease Liabilities						
Employee Benefit Provision	14,646	14,646	14,646	14,646	14,646	14,646
Other Provisions						
Other Current Liabilities						
<b>Total current liabilities</b>	<b>41,404</b>	<b>41,440</b>	<b>41,479</b>	<b>41,520</b>	<b>41,564</b>	<b>41,611</b>
<b>Non Current Liabilities</b>						
Borrowings	49,692	63,090	132,449	186,767	201,041	220,268
Other Lease Liabilities						
Employee Benefit Provision	1,278	1,278	1,278	1,278	1,278	1,278
Deferred Tax Liabilities						
Other Non-Current Liabilities						
<b>Total non-current liabilities</b>	<b>50,970</b>	<b>64,368</b>	<b>133,727</b>	<b>188,045</b>	<b>202,319</b>	<b>221,546</b>
<b>TOTAL LIABILITIES</b>	<b>92,374</b>	<b>105,808</b>	<b>175,206</b>	<b>229,565</b>	<b>243,883</b>	<b>263,157</b>
<b>NET ASSETS</b>	<b>2,272,876</b>	<b>3,531,689</b>	<b>3,637,700</b>	<b>3,640,856</b>	<b>3,592,369</b>	<b>3,538,225</b>
<b>EQUITY</b>						
Government Equity Contributions	2,138,446	2,326,708	2,477,255	2,524,316	2,527,995	2,532,424
Asset Revaluation Reserve	26,910	1,141,910	1,141,910	1,141,910	1,141,910	1,141,910
Accumulated Funds (Losses)	107,520	63,071	18,535	(25,370)	(77,536)	(136,109)
<b>TOTAL EQUITY</b>	<b>2,272,876</b>	<b>3,531,689</b>	<b>3,637,700</b>	<b>3,640,856</b>	<b>3,592,369</b>	<b>3,538,225</b>

## Section Three - Financial Statements

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### Statement of Cash Flows

G-MW predict a reduction in Net Cash Inflow for 2009/10 due to an expected delay in collecting a portion of the 2009/10 rates. For the previous three years customers have been a beneficiary of a Government funded rates rebate which has reduced the amount they must pay by at least 50%. Due to increased water availability this year on the Murray and Goulburn systems, the eligibility for rebate was available to a lesser number of customers. Some of G-MW's customers are still experiencing hardship conditions and therefore the full collection of rates is not expected. The present estimate of the year end impact is that overdue rates may be \$8m higher than originally forecast. It is expected that this will all be recovered in 2010/11. This situation is being closely monitored.

The main cash flow risk will be in collections again, or where less than 60% allocation is announced which means that consumptive charges will again be effected, however this is much less material due to the manner in which G-MW has structured its revenue mix (90:10 as explained in the document)

The majority of customers were not eligible for the rebate this year, so they had to fund their entire bill themselves. The difference of \$37m has not all translated into overdue rates, but it could be an additional \$8m by year end. We are applying all of our normal debt collection processes, including encouraging instalments and arranging for customers who are in hardship to enter into specific payment arrangements

The payments for infrastructure assets and proceeds from equity contributions from Government are both higher in 2009/10 as the FutureFlow Alliance works are in their final year.

## Section Three - Financial Statements

## Goulburn-Murray Water

## Statement of Cashflows

	2009/10 Revised \$'000s	2010/11 Budget \$'000s	2011/12 Budget \$'000s	2012/13 Budget \$'000s	2013/14 Budget \$'000s	2014/15 Budget \$'000s
<b>CASH FLOWS FROM OPERATIONS</b>						
<b>Receipts</b>						
Service and Usage Charges	86,342	110,232	111,137	121,221	121,128	121,140
Other Customer Revenue ★	22,977	55,222	29,711	22,178	22,154	22,154
Receipts from Government	23,806	8,207	4,295	4,295	4,295	4,295
Developer Contributions						
GST Refunds from ATO	11,000	11,000	11,000	11,000	11,000	11,000
Investment Income	-	-	-	-	-	-
Other cash receipts						
<b>Total Cash Receipts from Operations</b>	<b>144,125</b>	<b>184,661</b>	<b>156,143</b>	<b>158,694</b>	<b>158,577</b>	<b>158,589</b>
<b>Payments</b>						
Payments to suppliers and employees	(138,859)	(157,181)	(130,703)	(120,886)	(120,846)	(120,846)
Interest and other costs of finance paid	(2,560)	(3,950)	(6,767)	(10,974)	(13,309)	(14,451)
GST Paid to ATO	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Income Tax Payments						
Environmental Contributions	(1,485)	(1,443)	(1,402)	(1,363)	(1,363)	(1,363)
Other Payments						
<b>Total Cash Payments for Operations</b>	<b>(146,904)</b>	<b>(166,574)</b>	<b>(142,872)</b>	<b>(137,223)</b>	<b>(139,518)</b>	<b>(140,660)</b>
<b>Net Cash Inflow (Outflow) from Operating Activities:</b>	<b>(2,779)</b>	<b>18,087</b>	<b>13,271</b>	<b>21,471</b>	<b>19,059</b>	<b>17,929</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from Redemption of Investments						
Payments for Infrastructure Assets	(133,957)	(27,879)	(29,730)	(27,487)	(35,142)	(38,068)
Payments for Property, Plant & Equipment	(4,808)	(10,824)	(3,342)	(2,049)	(1,906)	(4,370)
Payments for Intangible Assets	(2,500)	(310)	(410)	(422)	(340)	(400)
Proceeds from Sale of Assets	400	111	111	111	111	111
<b>Net Cash Inflow (Outflow) for Investing Activities:</b>	<b>(140,865)</b>	<b>(38,902)</b>	<b>(33,371)</b>	<b>(29,847)</b>	<b>(37,277)</b>	<b>(42,727)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from Borrowings	28,000	14,000	70,000	55,000	15,000	20,000
Proceeds from Equity Contributions from Government	81,731	7,773	3,361	3,570	3,679	4,429
Payment of Equity Contribution to Government			(50,000)	(50,000)		
Repayment of Borrowing / Overdraft	(531)	(566)	(602)	(641)	(682)	(726)
Payment of Dividends						
<b>Net Cash Inflow (Outflow) from Financing Activities:</b>	<b>109,200</b>	<b>21,207</b>	<b>22,759</b>	<b>7,929</b>	<b>17,997</b>	<b>23,703</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(34,444)</b>	<b>392</b>	<b>2,659</b>	<b>(447)</b>	<b>(221)</b>	<b>(1,095)</b>
Cash held at the beginning of the year	34,962	518	910	3,569	3,122	2,901
Cash held at the end of the year	518	910	3,569	3,122	2,901	1,806
Cash per balance sheet	518	910	3,569	3,122	2,901	1,806
Difference	-	-	-	-	-	-

★MDBA and Bulk Water





## Capital Expenditure Forecast

### Goulburn- Murray Water Capital Expenditure Forecast

	Project Total \$'000s	Expend to 30/06/2010 \$'000s	2010/11 Forecast \$'000s	2011/12 Forecast \$'000s	2012/13 Forecast \$'000s	2013/14 Forecast \$'000s	2014/15 Forecast \$'000s	2015/16 Forecast \$'000s	2016/17 Forecast \$'000s	2017/18 Forecast \$'000s	2018/19 Forecast \$'000s	2019/20 Forecast \$'000s
<b>Wholesale</b>												
<b>Projects Greater than \$5M</b>												
<b>Mokoan - Return to Wetland</b>	24,221	24,221										
<b>Dam Safety Upgrade</b>												
Buffalo - Operations/Bulk Dam Safety Upgrade	11,050		1,350	6,000	3,700							
Tullaroop Operations Bulk Dam Safety Upgrade	7,700		3,400			1,000	3,300					
Nillahcootie - Operations/Bulk Dam Safety Upgrade	14,400				300	2,200	1,500		10,400			
Eildon - Operations/Bulk Dam Safety Upgrade	21,000										21,000	
Projects less than \$5M	11,559	11,259			300							
<b>Total Dam Safety Upgrade Projects</b>	65,709	11,259	4,750	6,000	4,300	3,200	4,800	0	10,400	0	21,000	0
<b>Projects Less than \$5M ★</b>	64,891		12,229	7,617	6,568	5,961	5,808	10,678	4,618	6,802	2,350	2,260
<b>Total Wholesale</b>	154,821	35,480	16,979	13,617	10,868	9,161	10,608	10,678	15,018	6,802	23,350	2,260
<b>Retail</b>												
<b>Total Channel Control System (CG1234)</b>	38,316	38,316										
<b>Shepparton Modernisation</b>	144,158	144,158										
<b>Foodbowl Early Works</b>	110,759	110,759										
<b>Projects Less than \$5M ★</b>	266,837		22,034	19,865	19,091	28,227	32,230	30,666	29,381	30,259	29,281	25,803
<b>Total Retail</b>	560,070	293,233	22,034	19,865	19,091	28,227	32,230	30,666	29,381	30,259	29,281	25,803
<b>Total G-MW</b>	714,891	328,713	39,013	33,482	29,959	37,388	42,838	41,344	44,399	37,061	52,631	28,063

★ The great majority of these projects are rehabilitation/remodelling of our existing infrastructure assets

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### Financial Performance Indicators

#### **Based on Statutory Reporting Requirements**

All of the indicators that use statutory accounting formula result in accounting losses. The accounting losses are not a reflection of the underlying performance results of Goulburn-Murray Water when adjusted for the difference between accounting depreciation and regulatory depreciation.

The immediate liquidity and debt servicing indicator for 2009/10 is below the desired level of 1.5 as a direct result of an anticipated one off increase in overdue debt for that year. That amount will be recovered in 2010/11 when the indicator is significantly higher. The average of the two years is the similar to the ongoing indicator. The long term viability indicator is increasing in line with increases in the level of borrowings, and is well within acceptable boundaries.

#### **Based on Regulatory Reporting Requirements**

Goulburn-Murray Water has included equivalent indicators which use the ESC RAB related capital charges instead of accounting depreciation in calculating result, as shown on Reconciliation of Accounting Based Result to Regulatory Based Result, for those indicators that use result in their calculation. This gives a better indication of Goulburn-Murray Water's performance based on the pricing principles.

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## Goulburn-Murray Water

## Performance Indicators - Based on Statutory Reporting Requirements

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Earnings before net interest and tax over average total assets	(32,022) 2,301,784	(40,865) 3,001,374	(38,166) 3,725,202	(33,351) 3,841,664	(39,270) 3,853,337	(44,522) 3,818,817
<b>Long term profitability</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>-1.0%</b>	<b>-0.9%</b>	<b>-1.0%</b>	<b>-1.2%</b>
Net profit after tax over average total equity	(33,830) 2,203,870	(44,449) 2,902,283	(44,536) 3,584,695	(43,905) 3,639,278	(52,166) 3,616,613	(58,573) 3,565,297
<b>Owners investment</b>	<b>-1.5%</b>	<b>-1.5%</b>	<b>-1.2%</b>	<b>-1.2%</b>	<b>-1.4%</b>	<b>-1.6%</b>
Total debt over total assets	50,258 2,365,250	63,692 3,637,497	133,090 3,812,906	187,449 3,870,421	201,767 3,836,252	221,041 3,801,382
<b>Long term financial viability</b>	<b>2.1%</b>	<b>1.8%</b>	<b>3.5%</b>	<b>4.8%</b>	<b>5.3%</b>	<b>5.8%</b>
Earnings before net interest and tax over net interest	(32,022) 2,208	(40,865) 3,695	(38,166) 6,481	(33,351) 10,665	(39,270) 13,007	(44,522) 14,162
<b>Liquidity and debt servicing</b>	<b>(14.5)</b>	<b>(11.1)</b>	<b>(5.9)</b>	<b>(3.1)</b>	<b>(3.0)</b>	<b>(3.1)</b>
Cash flow from operations before net interest and tax over net interest	(571) 2,208	21,782 3,695	19,752 6,481	32,136 10,665	32,066 13,007	32,091 14,162
<b>Immediate liquidity and debt servicing</b>	<b>(0.3)</b>	<b>5.9</b>	<b>3.0</b>	<b>3.0</b>	<b>2.5</b>	<b>2.3</b>

## Performance Indicators - Based on Regulatory Reporting Requirements

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Earnings before net interest and tax over average total assets	(1,869) 2,301,784	4,105 3,001,374	11,653 3,725,202	24,072 3,841,664	23,430 3,853,337	23,374 3,818,817
<b>Long term profitability*</b>	<b>-0.1%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.6%</b>
Net profit after tax over average total equity	(4,077) 2,203,870	410 2,902,283	5,172 3,584,695	13,407 3,639,278	10,423 3,616,613	9,212 3,565,297
<b>Owners investment*</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.4%</b>	<b>0.3%</b>	<b>0.3%</b>
Earnings before net interest and tax over net interest	(1,869) 2,208	4,105 3,695	11,653 6,481	24,072 10,665	23,430 13,007	23,374 14,162
<b>Liquidity and debt servicing*</b>	<b>(0.8)</b>	<b>1.1</b>	<b>1.8</b>	<b>2.3</b>	<b>1.8</b>	<b>1.7</b>

\* Indicators affected by the difference in the Statutory and Regulatory Reporting Requirements

## Sensitivity Analysis for Baseline Water Allocations

## Section Three - Financial Statements

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### **Background**

The DSE 2010-11 Corporate Plan Guidelines required sensitivity analysis around two scenarios:

1. Allocations based on average conditions since July 1997 to June 2009
2. Allocations based on rolling average of worst consecutive three years since 1997

Goulburn-Murray Water's current Water Plan includes estimates for deliveries based on the requirements of DSE at the time of the development of the Water Plan in 2009. These requirements were that Goulburn-Murray Water use allocation projections consistent with a step change climate change scenario. This resulted in forward allocations for the Goulburn and Murray systems of 60% for each year and allocations for the other regulated systems of 30% for each year.

Analysis of the current conditions and taking into account improvements in water availability in the Murray system due to floods on the Darling River, current levels of unused allocation and the introduction of a new reserve policy in the Goulburn system in 2010/11 confirms that the delivery estimates should be retained in accordance with the Water Plan for all systems except for the Murray.

For the Murray system the estimated delivery should be increased to 80% of HRWS for 2010/11. These estimates are consistent with the Scenario labelled Scenario 1 in the DSE 2010-11 Corporate Plan Guidelines.

The DSE 2010/11 Corporate Plan Guidelines indicate a requirement to provide a sensitivity analysis for deliveries under a Scenario 2. For this scenario deliveries should be as follows, Murray 80% (that is, no change relative to Scenario 1), Goulburn 40%, Broken 10% and Campaspe and Loddon both 0%.

### **Base Scenario**

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### Allocations as per Water Plan

<u>System</u>	<u>Allocation</u>
Murray	60%
Goulburn	60%
Broken/Campaspe/Loddon	30%

### Scenario 1 (DSE Scenario 1)

Allocations based on average conditions since July 1997 up to June 2009.

<u>System</u>	<u>Allocation</u>
Murray	80%
Goulburn	60%
Broken/Campaspe/Loddon	30%

Change in expenditure	nil	
Change in revenue	\$990.4 k	
Net change	\$990.4 k	increase in profit

### Scenario 2 (DSE Scenario 2)

Allocations based on rolling average of worst consecutive three years since 1997.

<u>System</u>	<u>Allocation</u>
Murray	80%
Goulburn	40%
Broken	10%
Campaspe/Loddon	0%

Change in expenditure	nil	
Change in revenue	(\$689.0) k	
Net change	(\$689.0) k	decrease in profit

### Scenario 3

<u>System</u>	<u>Allocation</u>
Murray	30%
Goulburn	30%
Broken/Campaspe/Loddon	0%

Change in expenditure	nil	
Change in revenue	(\$3,984.2) k	
Net change	(\$3,894.2) k	decrease in profit

### Scenario 4

<u>System</u>	<u>Allocation</u>
Murray	90%
Goulburn	90%
Broken/Campaspe/Loddon	60%

Change in expenditure	(\$1,800.0) k	increase in costs
Change in revenue	\$3,984.2 k	increase in revenue
Net change	\$1,184.2 k	increase in profit

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