

Statement of Corporate Intent

2018-19



Document Information

This document is copyright. With the exception of use permitted by the *Copyright Act 1968*, no part may be reproduced without the permission of the Water Corporation. Further enquiries: Head of Strategy, Policy and Analytics, Water Corporation.

ISSN Number:	1433 – 1947
Document Owner:	Head of Strategy, Policy and Analytics
Document File Name:	Aqua Doc # 18151911
Document Review:	Annually
Security Level:	Not restricted once approved
FOI:	Public Document - Not restricted once approved
Information Timing:	Information as at 30 July 2018



Contents

1. Chairman's introduction	4
2. Summary of strategic intent	5
3. About us	6
4. Strategic intent	8
4.1 Customer and community	8
4.2 Delivery excellence	8
4.3 Water wise Perth and WA	10
4.4 Digital future	11
5. Financial objectives	12
6. Performance measures	13
7. Notes: Financial account	14

1. Chairman's introduction



The Board is pleased to put forward its Statement of Corporate Intent (SCI) for the Water Corporation (Corporation).

This SCI represents the agreement between the Board, Corporation and the Minister for Water on our expected level of performance for the 2018-19 financial year and meets the requirements of the *Water Corporations Act 1995*.

The Board has worked extensively over the past year to consider the key drivers for change shaping the Corporation's strategic direction.

The impact of climate change continues to be a significant challenge. Replicating traditional new water sources is expensive and has an environmental impact that compels us to instead increase our focus on closing the loop on both the drinking and non-drinking water components of the water cycle.

This work was initially triggered 15 years ago by the aspirational targets in the State Water Strategy. This direction demanded game changing responses that have ultimately delivered the recently commissioned groundwater replenishment infrastructure, which by 2020 will see us recycling 26% of our wastewater in Perth.

Adoption of the globally recognised Water Sensitive Cities framework will continue this approach of asking 'what more can we do with the water that we have at any point in the water cycle?' rather than having a predominantly 'deliver and dispose' approach.

This will lead to new decentralised systems delivering more fit-for-purpose water use and reducing the demand for our precious drinking water supply.

This shift will require us to also rethink how we deliver for our customers and stakeholders, which will be informed by the work of the Board to evolve our business model and operating model.

The Corporation's thinking in this area has been guided by the significant contributions of an external Expert Water Panel and the findings of the community and customer feedback through our 'Tap In' market research over the past 18 months.

Additionally, it has been important for the Corporation to understand the areas of our business that may be impacted by digital and business model disruptors already active in the global market.

As a Board we are excited about the work ahead, guiding the Corporation's executive team to deliver on our strategy.

Mr Michael Hollett
Chairman

2. Summary of strategic intent



Our strategic focus for 2018-19 is to continue to ensure WA is a great place to live and invest, by delivering on our four corporate imperatives.

1. Customer and community

We will maintain a strong commitment to customers and the community, by actively seeking their feedback and ensuring the services we deliver are aligned with customer preferences.

We exist to provide water services to our customers, so it is fitting that we listen to them to understand what they value most and incorporate these insights into decision making. This will involve adapting the way we deliver services and deploy infrastructure.

Our research program, 'Tap In', has generated a large body of customer insights. This research is helping us to determine how best to implement our customers' preferences across the business.

We are also focussed on supporting customers facing financial hardship, to ensure they are proactively supported.

2. Delivery excellence

We continue to focus on maintaining the current high level of operational performance for safe and reliable services, while continuously finding new ways to be efficient.

Our owner and our customers entrust us to manage water supply and demand, and other essential water services, so that WA can continue to have water forever.

Key drivers of change, such as customer preferences, digital platforms, or new planning paradigms like water wise cities, are modifying the way we operate as a business.

As we respond and adapt to these changes, we will continue to maintain a high level of operational performance and target opportunities for improvement. Cultivating our delivery excellence culture will lead to outcomes that are leaner, adaptive and more nimble in the way we operate.

3. Water wise Perth and WA

In partnership with the Government and industry, the Water Corporation's objective is to help make Perth a leading Water Sensitive City¹ in Australia by 2023.

We are committed to embedding water wise thinking into every aspect of our business and partnering with a range of organisations to ensure our cities are liveable, resilient, sustainable and productive.

A key focus will continue to be our collaboration with government agencies to ensure water wise design and liveability principles are incorporated into the design of METRONET precincts.

We are also embarking on the next wave of change to drive water wise outcomes. This will lead to new decentralised systems delivering more fit-for-purpose water use and reducing the demand for our precious drinking water supply.

4. Digital future

The Water Corporation is looking at ways to improve its digital capabilities; defining a 15-year vision and starting work on the building blocks for a digital future.

The digital era presents new opportunities to make our business smarter and more efficient. This will require us to adapt our processes, people and systems to ensure we consistently leverage data and new information technologies and practices.

We are working on incorporating digital technology into all areas of the business to fundamentally change how we operate and deliver value to customers and the community. This will ensure we deliver even smarter plans and more targeted investment based on more innovative data analytics and greater confidence in our asset performance, to ensure we have the right people, in the right place, at the right time, using the right tools.

¹ Benchmarked according to the Water Sensitive Cities (WSC) Index developed by the Cooperative Research Centre for Water Sensitive Cities (CRCWSC)

3. About us



Our Purpose

To provide sustainable management of water services to make Western Australia a great place to live and invest.

Our Strategic Imperatives

- Customer and community;
- Delivery excellence;
- Water wise Perth and WA; and
- Digital future.

Our Values

Guided by our values, it is our people who enable us to deliver on our purpose and strategic intent.

- One Team;
- Think Safe, Act Safe;
- Customer Focussed;
- Value Every Dollar;
- Future Thinking; and
- Take Personal Ownership.

Our Act

We were established on 1 January 1996 as a statutory corporation by the *Water Corporation Act 1995*, which was revised in 2012, and is now known as the *Water Corporations Act 1995*. As a body corporate with perpetual succession, proceedings may be taken by us or against us. We are referred to as a Government Trading Enterprise (GTE).

We are required to act commercially and, as we are not an agent of the Crown, we explicitly do not have the status, immunities and privileges of the Crown. The Act also states that we are not a part of the Public Service.

Our Owner

We are owned by the State Government and accountable to the Minister for Water for delivery of water services in accordance with our Act.

The State Government determines the price for our regulated services each year during the State Budget process. We pay a dividend to the State Government and receive operating subsidies as payment for community service obligations that are not otherwise commercially viable. The balance of dividends, operating subsidies and taxes paid to Government is the Net Accrual to Government.

Our Regulators

We deliver our services within the conditions required by relevant regulatory bodies governing water resource management, land planning, environment, heritage, and safety, among others.

Our Water Services Licence obligates us to deliver the high service standards for which we strive. The Economic Regulation Authority (ERA) conducts periodic reviews and audits of our Asset Management System, the efficiency of our operating and capital costs, and the extent to which we meet the requirements of our Licence.

Our Board of Directors

- Mr Michael Hollett (Chairman);
- Mr David Lock (Deputy Chairman);
- Ms Sue Murphy (Chief Executive Officer);
- Dr Jemma Green;
- Mr Ross Holt;
- Ms Nicole Lockwood; and
- Mr David Rowe.

Our Executive Team

- Ms Sue Murphy, Chief Executive Officer;
- Dr Steve Capewell, General Manager Operations Services;
- Mr Evan Hambleton, General Manager Assets Delivery (acting);
- Ms Catherine Ferrari, General Manager Customer and Community;
- Mr Ross Hughes, Chief Financial Officer;
- Mr Don Johnston, General Manager Strategy and Stakeholders;
- Mr Mark Leathersich, General Manager Operations (acting);
- Ms Deanne McDonald, General Manager Digital Transformation; and
- Mr Ashley Vincent, General Manager Assets Planning.

3. About us



Our Services

We are the principal supplier of water, wastewater, drainage, and bulk irrigation services in WA.

Our core business is delivering safe, reliable and sustainable water to customers throughout WA, for households, communities and industry.

We proactively engage with our customers and the wider community to ensure we understand their needs and deliver great service. We also work in partnership with community organisations, schools, local governments, business and industry to promote water wise behaviours.

We deliver our water services sustainably to ensure the environment is protected and our communities are healthy and liveable.

Our Operations

To service our customers we own an asset base currently worth \$36 billion (replacement value as at June 2017). These assets extend across the 2.6 million square kilometre expanse of the State.

We contract with the private sector to construct our infrastructure, and manage and operate our assets through a combination of private sector alliances and in-house.

We aim to work with other industry participants where appropriate, to deliver the best value for the people of WA over many generations.

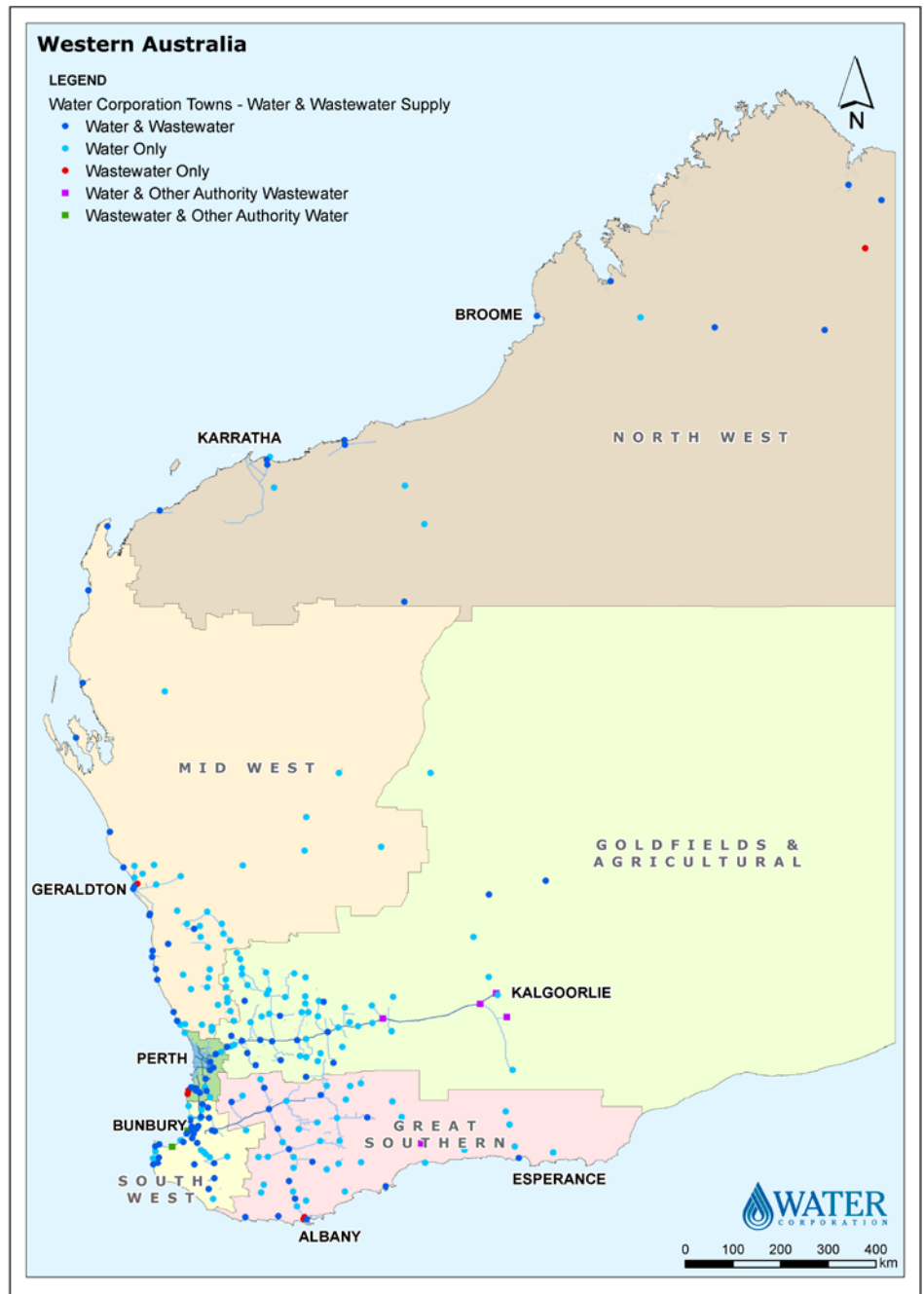


Figure 1: Map of Water Corporation Water and Wastewater Schemes

4. Strategic intent



As a State Government-owned enterprise, with the Minister for Water as our shareholder, we endeavour to support the Government in delivering its strategic objectives. We also recognise the importance of partnering with other agencies and community organisations to ensure our water services meet the expectations of the community.

Under the *Water Corporations Act 1995*, we are required to act on commercial principles. We are also committed to being a socially responsible business. We recognise that our long-term financial outcomes depend on our ability to address customer needs and other social, environmental and technological factors such as climate change, advances in information technology, local employment, transparent decision-making and genuine collaborative partnerships.

Our focus for 2018-19 will be characterised by the balanced delivery of our four strategic imperatives: customer and community, delivery excellence, water wise Perth and WA, and digital future.

We will drive progress in each of these four areas to ensure we continue to deliver on our Purpose:

“To provide sustainable management of water services to make WA a great place to live and invest.”

4.1 Customer and community

We will maintain a strong commitment to customers and the community, by actively seeking feedback and ensuring the services we deliver are aligned with customer preferences.

Beyond the delivery of our standard obligations under our Water Services Licence, it is important to listen to our customers and understand what the community expects from us as the primary water service provider in the State, and adapt to those expectations to drive service improvements.

Our research program, ‘Tap In’ has been actively engaging customers from all segments throughout the State to identify their needs and expectations to drive overall product and service improvements and guide our strategic direction. This has been delivered through a mixture of customer engagement mechanisms; including focus groups, quantitative surveys and choice modelling.

‘Tap In’, alongside our existing Customer Performance Index and Voice of Customer programs, is one of the many ways we are actively seeking feedback from customers to guide key decisions across all areas of our business.

We are committed to our social responsibilities and have invested in programs to support vulnerable customers. We have completed a full review of the support programs available to customers and we are now delivering a range of solutions that proactively support customers.

Through these programs, we aim to ensure that the services we deliver are aligned with customer expectations, and place customers and the community at the heart of our planning decisions.

4.2 Delivery excellence

We continue to focus on maintaining the current high level of operational performance for safe, sustainable and reliable services, while continuously finding new ways to be efficient.

Delivery excellence is about ensuring that we do the right things at the right time, consistently and safely. This is underpinned by our strong commitment to continuous improvement to drive tangible benefits.

We must continue to deliver and strengthen these elements of the business to meet customer expectations, drive improvements across the business, and provide a solid foundation for achieving our strategic imperatives.

Water services

The Water Corporation has a long history of providing customers and the community with drinking water services that are safe, secure, and of high quality.

Declining rainfall as a result of climate change has significantly reduced surface water dam inflows and constrained groundwater availability, particularly in the South West corner of the state. This has impacted the capacity of our city and town water supplies, increasing the need for augmentation with climate-independent sources such as seawater desalination and groundwater replenishment to grow and maintain liveability.

4. Strategic intent



Our focus for Perth over the next five years will be to continue to secure the water supply for customers of the Integrated Water Supply Scheme (IWSS) by delivering the second stage of the Groundwater Replenishment Scheme in Craigie (an additional 14 billion litres (GL) by 2020), optimising production from existing desalination plants, and reducing water losses from our network.

In regional areas, the emphasis will be on increasing source capacity to meet projected growth, especially in the South West, and undertaking renewals work on older water mains.

To address the reality of climate change we are continuing to deliver on our commitment to increase water recycling and water wise initiatives that encourage customers to keep up their water saving efforts. The 28GL Groundwater Replenishment Scheme has made a significant contribution towards our target of 30% recycling of all treated wastewater by 2030.

Ensuring the supply of safe drinking water to customers is a key part of our core business. We comply with national guidelines and have rigorous processes and monitoring programs in place, which will ensure we can maintain our excellent record.

Wastewater services

Our objective is to ensure that our wastewater treatment, disposal and reuse schemes are reliable and protect public health and the environment.

In Perth, our key focus will be catering for the anticipated growth in wastewater volumes. This includes completion of the Woodman Point Wastewater Treatment Plant upgrade, which will increase the plant's capacity to 180 million litres per day, and cater for a population of 900,000 people.

In the regions, investment will continue to be distributed across a large number of wastewater schemes to address future capacity requirements.

Drainage services

We will continue to work in collaboration with the Department of Water and Environmental Regulation to achieve better social and environmental amenity of our drains for the

community, through the Drainage for Liveability program. We are working with interested community groups, local authorities and the development industry to transform unused land in or around our drainage channels and basins. Some of our drains have already been converted to living streams, and other proposals include the creation of parks and installation of public art.

As one of the providers of main drain services in the metropolitan, South West and Great Southern regions, our focus for the next five years will be continuing to upgrade drainage bridges to WA standards.

Irrigation services

Agricultural production in irrigation districts is a significant contributor to WA's economy. We supply bulk water services to four irrigation districts across the State. Most of these are via surface water dams (Ord, Harvey, Preston Valley), with the Gascoyne serviced by groundwater.

Ongoing exposure to a drying climate in the South West will result in reduced reliability in these irrigation sources and it is anticipated that cooperative water trading will adapt to these reductions. In addition, we are continuing to work with irrigators and other proponents on measures to improve source availability and/or reduce losses in irrigation systems.

Ongoing renewal investment to maintain the service capacity of these schemes is planned, in particular, investments to reduce risks and maintain operability of the Ord River dams. This follows investments in South West irrigation dams over recent years to reduce risks in those dams.

Environment

Our ability to draw water from the environment, and return drainage water, treated wastewater and its by-products is dependent on the discharge of our environmental responsibilities and commitments.

We maintain environmental compliance licences across the State, and consistently look for ways to improve our environmental performance and protect the natural environment for future generations of Western Australians.

4. Strategic intent



A key pillar of our environmental program is the expansion of the Groundwater Replenishment Scheme, which will reduce reliance on ocean outfalls for treated wastewater disposal.

We also recycle around 5GL of wastewater every year to irrigated tree farms in the South West and Great Southern.

In addition to the focus on wastewater recycling, we have other strategies for reducing our environmental footprint:

- 100% recycling of Perth's wastewater treatment plant bio-solids for agricultural purposes;
- investigating opportunities to offset our carbon footprint;
- increasing the number of solar powered bores; and
- overall improvements in the energy efficiency of our assets.

Safety and wellbeing

The safety and wellbeing of our people, contractors, and the community is our first priority. Our objective is to achieve Zero Harm, where no injury is considered acceptable and all activities are undertaken without compromising health and safety.

Health and safety is at the heart of our core business values, 'Think Safe, Act Safe', which actively encourages our people to question all operations and whether the risks we create are being effectively controlled and managed.

Our primary goal is to grow the competence of our workforce in managing high risk work. The Initiatives that underpin this goal include:

- the "Safety Essentials" program, setting the minimum standard for high risk activities;
- the field-based competency verification program, providing assurance on staff capability to perform high risk tasks; and
- the introduction of mobile data and information platforms to ensure field staff have timely access to the information they need to undertake work safely.

We set a high standard when it comes to safety and wellbeing, and we demand this same level of commitment from our partners and alliance partners.

People

We cannot deliver our core business without our people. We have launched a five-year strategy (2017-2021) to help us deliver a connected, safe and efficient, and customer-centric workforce for the future.

We will focus on four key pillars going forward: great leaders, capable employees, an inclusive environment and a results-oriented performance culture.

Our focus on inclusivity, in particular, is supported by five-year targets that we have set for ourselves. Our aim is to ensure we are building a diverse workforce that reflects the community in which we operate.

To this end:

- we have set ourselves a stretch target to achieve 6% Aboriginal Australian employment by 2021;
- we have been working to develop female leaders who can step up for future management roles;
- we have set targets for women in management and Aboriginal Australian employment at Group levels to give our senior managers and leaders more accountability at the local level; and
- we are developing strategies to support a renewed focus on enabling employment of people with disabilities and young people (15-24 year olds).

4.3 Water wise Perth and WA

The Water Corporation is embarking on the next wave of change to drive water wise outcomes. This includes an increased focus on decentralised systems that can deliver fit-for-purpose water use and reduce the demand for our precious drinking water supply.

4. Strategic intent



In partnership with the State Government and industry, our objective is to help make Perth a leading Water Sensitive City² in Australia by 2023.

As a large water service provider with involvement across the entire water cycle, we have an important role supporting water wise outcomes beyond the provision of essential water and wastewater services. It is vital that we embrace water wise thinking to create cities that are liveable, resilient, sustainable, and productive.

Becoming a water wise city will require the support and action of state and local government, industry, and the community, to address how we use and manage all aspects of water in our cities.

Work is under way to support Perth's transition to a water wise city. We are involved in a broad range of projects that are leading the way in integrated policy and practice, delivering insights that will translate into future planning and development across Perth and regional centres.

We are working in collaboration with a number of government agencies to ensure the new METRONET precincts incorporate water wise design and liveability principles.

We are also working with State Government and other industry partners on leading edge water and energy-saving residential infill developments. These projects offer an important opportunity to test and showcase the latest innovations in water wise urban design.

In partnership with the Department of Water and Environmental Regulation, the Drainage for Liveability program is continuing to work with interested community groups, local authorities and the development industry to make better use of the green spaces around stormwater drains and basins, such as the Russell Street 'pop up park' and living stream conversion in Morley, and Wellington Parade drainage park in Yokine.

Local government plays a critical role in achieving water wise outcomes. Through our expanded Waterwise Council Program we are supporting water wise design in public spaces, and providing support for investigations of managed aquifer recharge options.

To successfully transition towards being a water wise city, we need a community that is engaged and actively involved. We will continue to promote and support water wise actions in the home, and raise awareness through our existing communication channels.

4.4 Digital future

The Water Corporation is looking at ways to improve its digital capabilities; defining a 15-year vision and starting work on the building blocks for a digital future.

We recognise that the digital era presents new opportunities to make our business smarter and more efficient. We are focussed on incorporating digital technology into all areas of the business to fundamentally change how we operate and deliver value to customers and the community. This will deliver smarter plans and investment based on quality data, increase confidence in our asset performance, and ensure we operate using the right people, in the right place, at the right time, and using the right tools.

We are continuing to build and nurture our digital capabilities to deliver what our customers need today and create a strong platform for the future. This will see us adapt our processes, people and systems to ensure we consistently leverage data, and new information technologies, practices and skills. We also recognise that cloud-based services, and a more connected and mobile workforce, require us to maintain a strong focus on cyber security.

We are progressing a prototype project called "Scheme of the Future" to test a step change in the way we engage our workforce of the future, and deliver services to customers.

Our objective is to use technology to help place downward pressure on our capital and operating expenditure. The measure of our success will be minimising the impact of change, to ensure our ability to continue to deliver core business is maintained.

² Benchmarked according to the Water Sensitive Cities (WSC) Index developed by the Cooperative Research Centre for Water Sensitive Cities (CRCWSC)

5. Financial objectives



In delivering our strategic objectives, our Act requires us to perform our functions in accordance with prudent commercial principles. This underpins our continued focus on operating efficiently and is reflected in the financial forecasts.

Prudent commercial practice is an important part of providing a value for money service that the State Government and community expects of us. It extends to our capital and operating expenditure objectives and pricing policies.

Capital investment

As a government-owned organisation, our Asset Investment Program is underpinned by our Strategic Asset Plan, developed in accordance with Department of Treasury parameters.

Our Asset Investment Program is focussed on our asset management objectives to ensure the delivery of safe, reliable and cost effective water services to customers. Performance outcomes are subject to external review through a highly regulated environment, including national benchmarking. At the same time, we meet the State Government's expectations for financial returns, social and environment amenity, and long-term stewardship of our asset base.

Our asset investment planning aligns with State growth forecasts and land planning projections. Most recently we have seen a reduction in growth driven investment as a reflection of the broader economic outlook for Western Australia.

At the same time, we are continuing to adapt to climate change and its impact on our supply balance in Perth and the South West. An ongoing, successful water efficiency program is an essential and cost effective component of the investment strategy to address this challenge.

Other key investment areas include meeting regulatory standards and asset renewals.

Operating expenditure

The Corporation's operating expenditure forecasts are summarised in Table 2. It is our intention to deliver services as efficiently as possible, within the budget parameters and efficiency targets approved by Government.

Delivering our services efficiently is the goal that drives our cycle of continuous improvement; internal processes which continually challenge managers to find efficiencies within their business units coupled with corporate wide initiatives targeting particular performance outcomes.

6. Performance measures



Table 1: Community targets

	2017-18	2018-19 Target
Customer Performance Index (out of 10)	7.07	7.3
Water supplied per capita for Perth metro (kL)	126	125
Safety Index (%)	90	92.5

Table 2: Financial outcomes (\$m)

	2017-18 Projected	2018-19 Projected
Operating revenue	2,458	2,660
Direct operating expenses	939	957
Depreciation / amortisation	493	510
Earnings before interest, tax & developer contributions (EBIT)	1,026	1,193
Net interest expense	252	259
Developers' contribution	177	242
Operating surplus before income tax	951	1,176
Income tax expense	285	352
Operating surplus after income tax	667	824
Capital expenditure (including Capitalised Interest) ¹	767	738
Borrowings taken (repaid)	310	50
Accruals to Government		
Indirect tax equivalents	7	7
Income tax equivalents	296	361
Dividends provided	528	618
Total	831	986
Payments from Government		
Operating subsidies		
Non-commercial country services	260	312
Revenue concessions	148	149
Metropolitan operations	2	3
Total operating subsidies	409	464
Net Accrual to Government	422	522

Table 3: Financial performance indicators

	2017-18 Projected	2018-19 Projected
Return on equity (%)	6.3	7.7
Return on assets (%)	6.1	7.0
Debt to total assets ratio (%)	35.3	34.9
Total cost per property (\$) ²	1,971	1,981

¹ The reporting of capital expenditure may differ between the Budget Papers and Statement of Corporate Intent due to a difference in accounting approach. The Statement of Corporate Intent presents an accrual view of the investment program, while the Budget Papers present a cash view.

² Total cost per property represents total cost (operating costs, depreciation and a return on assets) divided by number of water properties connected.

7. Notes: Financial account



a) Reporting to the Minister

Reports which monitor performance against the targets outlined under the SCI are provided to the Minister quarterly.

In addition, the Board and Chief Executive Officer advise the Minister of any significant variations in our performance. Reporting of operational performance to various authorities and departments of Government occurs in addition to this. The Corporation's Annual Report is provided to the Minister within the timeframe specified by the *Water Corporations Act 1995*.

Copies of our major public documents, including the Annual Report, Quarterly Performance Reports and SCI, can be accessed through our website at: watercorporation.com.au

b) Accounting policies

Details of our significant accounting policies can be found in the notes accompanying the Financial Report in our Annual Report.

Our annual financial report is a General Purpose Financial Report which has been prepared in accordance with AASB Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Water Corporations Act 1995*.

The financial report is prepared on the accrual accounting basis and in accordance with the historical cost convention, except for certain financial assets and liabilities which are stated at their fair value.

c) Borrowings

Our Asset Investment Program is funded from operational cash flows, borrowings and a financial arrangement under a Public Private Partnership for the Mundaring Water Treatment Plant.

d) Dividend policy

85% of after-tax surplus (excluding developers' hand-over assets, State Government grants and grants received from Government for Capital Expenditure purposes) is distributed to the State Government as a dividend and is dependent on continued access to borrowings.

e) Approvals

State Government approval will be obtained prior to any change in commitments and / or actions outside of approved parameters. This approval also extends to new projects not included within the State Government's approved financial parameters.

f) Supply assumption

This SCI has been prepared based on the assumption of adequate surface water storage at the end of the 2018 winter. Should storage be below this, it may have a material impact on our ability to supply water as projected and deliver the financial outcomes presented.

g) Operating subsidies

Operating subsidies are payments for services that are not otherwise commercially viable. They reflect the State Government's commitment to meet the community's broader economic, environmental and social needs.

Remoteness, diseconomies of scale, topographical considerations, and climatic conditions all contribute to the high cost of providing water and wastewater services in the country regions.

Under an agreement with the State Government, we provide these services and are compensated for the shortfall between customer revenue and the cost of providing the services.

The operating subsidies provided are:

- Non-commercial country services - losses we incur in providing services to customers in non-profitable country schemes;
- Revenue concessions - concessions to pensioners, seniors and other customers, provided at the request of the State Government; and
- Metropolitan Operations – subsidy for Woodman Point Receiving facility.

h) Efficiency dividends

The 2011-12 State Budget sought Efficiency Dividends from GTEs. These continue to be delivered over the course of this SCI.

7. Notes: Financial account



i) GTE efficiency measures

As part of the 2017-18 State Budget process, the State Government approved a range of efficiency measures applicable to GTEs. The Corporation was requested to implement a State Net Debt reduction of \$128.6 million over 2017-18 to 2020-21 to be met through revenue, operating or capital measures. We will deliver \$17.9 million of the target in 2017-18 through savings in the operating budget. The remaining \$110.7 million of the target net debt reductions will be delivered through the Asset Investment Program in 2018-19 to 2020-21.

j) Machinery of Government budget repair strategies

In April 2017, the Corporation was requested by the State Government to adopt its Machinery of Government budget repair strategies comprising:

- freezing Chief Executive Officer salaries for four years;
- capping non-executive annual salary increases to \$1,000 per employee; and
- reviewing all attraction and retention incentives, and report outcomes to the Public Sector Commission by 31 August 2017.

The financial implications of these efficiency and budget repair measures (where applicable) was included in the 2018-19 Budget Submission.

k) Further government approved reductions to expenditure

In addition to the GTE efficiency and budget repair measures mentioned above, Government has approved a further \$18.9 million reduction to the 2018-19 operating budget.

l) Assumptions

These assumptions have been used to determine Our Measures.

	2017-18 Projected	2018-19 Projected
Growth in services (%)	1.6	1.6
Operating efficiency excluding Efficiency Dividends (%) ¹	2.1	2.1
Operating efficiency including Efficiency Dividends (%) ²	2.6	2.6
CPI annual change (%)	1.0	1.5
Dividend payout rate (%)	85.0	85.0

¹Average annual expected performance against the 2% efficiency target, including impact of the State Net Debt reduction target in 2017-18 of \$18 million. Excludes savings from the 2011-12 State Budget Efficiency Dividend.

²Average annual expected performance against the 2% efficiency target, including impact of the State Net Debt reduction target in 2017-18 of \$18 million, and savings from the 2011-12 State Budget Efficiency Dividend.