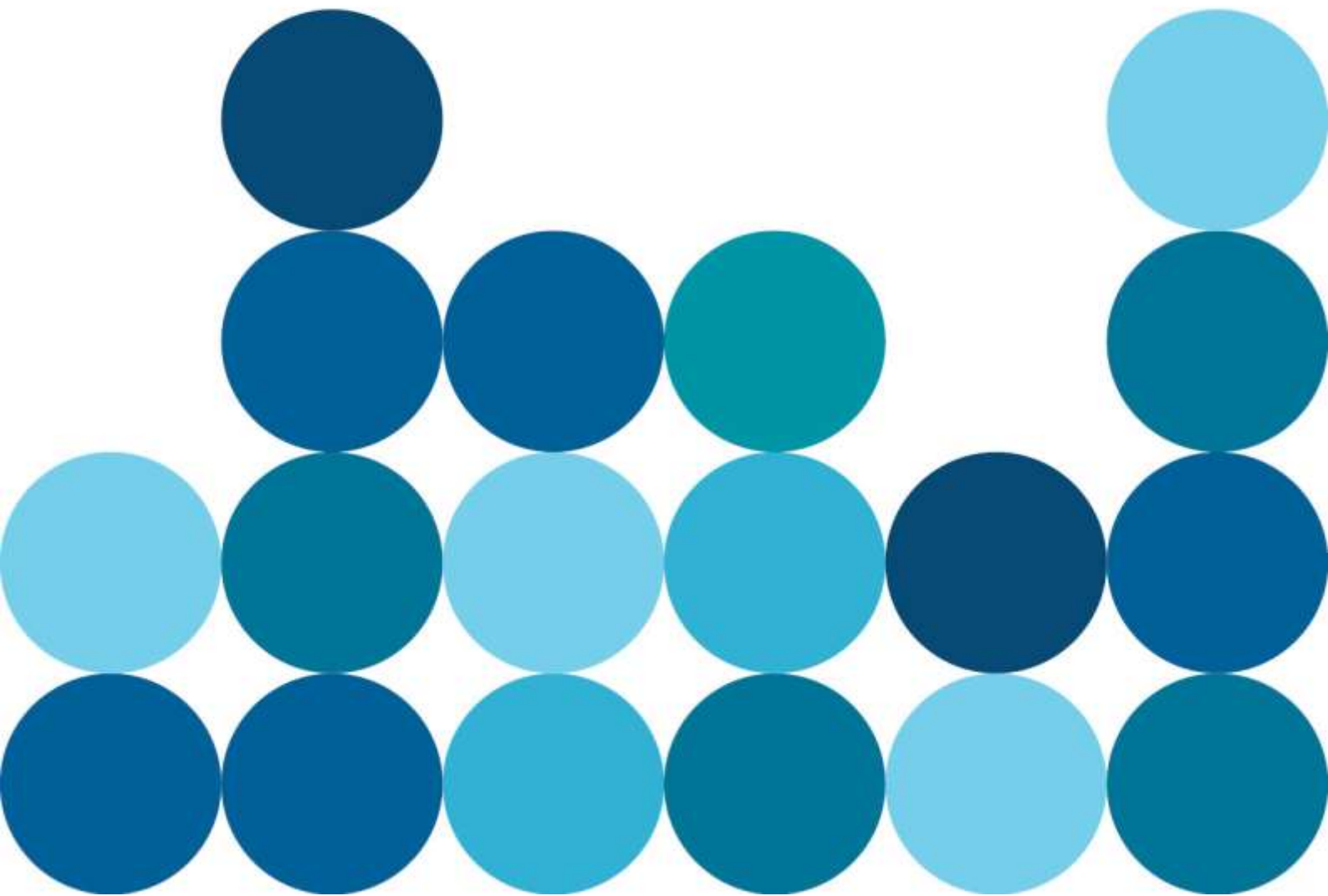


Statement of Corporate Intent

2019-20





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1. Chairperson's Introduction



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

This SCI represents an agreement between the Board and the Minister for Water on the Corporation's expected level of performance for the period 2019-20 financial year and meets the requirements of the *Water Corporations Act 1995*.

Over the past year the Board has completed an extensive process to shape a new vision and strategic direction for Water Corporation with the support of the Minister for Water. It was a wide ranging review initially encompassing the formation of a digital transformation strategy and a fresh look at opportunities in the water cycle with a particular emphasis on fit for purpose water use.

The new vision for Water Corporation - safe for all, lowest total cost, lowest environmental impact - challenges us to further seek investment decisions that balance capital versus operating solutions against environmental impact considerations.

In the coming year, establishing our Innovation Hubs will be essential in ensuring we are open to new ways of delivering service solutions to our customers and the community in line with our new vision.

On behalf of the Board I acknowledge the significant contribution and commitment of Sue Murphy as CEO to Water Corporation and the State over the past 10 years. Sue's legacy of building climate resilient water supply infrastructure with our second desalination plant and our first groundwater replenishment plant places us in a strong position to withstand the challenges of climate change.

In January this year the Board was very pleased to welcome Pat Donovan as only the third CEO in this, Water Corporation's 23rd, year. Pat's strong operational and commercial expertise stands him in good stead as he leads the establishment of the new operating model to deliver on the vision.

Looking forward we will continue to investigate opportunities where provision of water services can be an economic enabler for growth. This is a shift away from being conveyance focussed with disposal often the primary objective, to intervention within the network to provide fit for purpose water for new customers with scalable asset based technologies.

Water Corporation's collaboration across agencies to assist in the delivery of the Government's key priorities remains an important focus particularly for those objectives that align well with our core business.

Finally, I would like to thank my fellow directors for their commitment during this period of setting the new vision and strategic direction for the Corporation. Together we look forward to guiding Pat and the Executive Team to deliver on our strategy.

Mike Hollett
Chair

2. CEO's Introduction



I am humbled to have been appointed to the role of CEO and look forward to the opportunity to lead Water Corporation in the delivery of sustainable water services to the people of Western Australia.

I believe Water Corporation is uniquely positioned to support the social and economic development of our state by working in partnership with government, industry and of course the communities we serve.

One of my first tasks in the role has been to engage our people in our new vision for Water Corporation. Our vision is intentionally bold to challenge us to stretch beyond our current thinking to drive greater value for our customers and community.

Our highest priority is safety. In our services and in our operations, our commitment is to be 'safe for all' which includes our customers, community, contractors and of course our own people.

'Lowest total cost' is about finding the most effective, efficient and economical path to make our services affordable and accessible to all while ensuring the long-term sustainability of our asset base.

Our commitment to 'lowest environmental impact' means we must stretch ourselves to reduce the impact of our operations including factors associated with climate change.

To successfully deliver on our vision we must optimise our core business by retaining what works well, but we must also refine our culture and realign our processes to drive performance in the areas most valued by our customers and community.

By revising our operating model and building organisational capability in key areas we will improve our effectiveness and efficiency in the long-term.

While we make these improvements we remain focussed on maintaining our high standard of delivery to our customers. We will rise to the challenge of delivering our new vision through embracing innovation in how we operate today and seeking new and innovative solutions through integrated water cycle planning for the future that delivers more value for our customers, community and owner.

Pat Donovan
Chief Executive Officer

3. Executive Summary



Water Corporation continues to build on the success of the past as it pursues its purpose,

“the sustainable management of water services to make Western Australia a great place to live and invest”.

This does not mean we can stand still; there are drivers for change that will provide both challenges and opportunities to meet the needs of customers, the community and owner.

Trends like climate change and population growth will continue to drive investment, and we must refocus our attention on ensuring existing assets are driving greater value for customers before we trigger new investments.

A new vision has been set to take Water Corporation forward. Our vision is to be safe for all, deliver the lowest total cost, and lowest environmental impact, whilst driving great value for our customers, community and owner.

Our vision puts what customers and the community value at the heart of our efforts to stretch performance. Its aim is to force more creative thinking to solve challenges around safety, cost and environment, not in isolation but holistically.

Achieving these aspirations will not be at the expense of base levels of performance our customers have been experiencing. We will seek innovation and cost efficiencies as we maintain and grow our services.

Through the substantial work of the Board and Executive, the business has reviewed its operating model and capabilities. This will see action in the next five years to make the business more effective in the delivery of its services.

The strength of this plan reflects the value it will contribute to the State. We are committed to aligning with Government priorities like local jobs, diversity, Aboriginal participation and the reform of the public sector and Government Trading Enterprises (GTEs). We have implemented the WA Government’s wage freeze and will proactively continue to explore ways to support customers in financial stress.

Beyond policy, we see working across government as essential to a well-functioning public sector and we will continue to be active participants in projects like METRONET, Waterwise Perth, and the regularisation of remote communities.

4. Drivers of Change



As the first water utility in Australia to establish large-scale desalination and groundwater replenishment, we have a proven track record in anticipating and responding to challenges.

The following seven drivers have been major considerations in our plan.

a. Customer expectations and preferences

Our recent Tap In customer research program results confirmed that their highest preference was for us to maintain safe and secure water services for many generations. It also highlighted a desire to keep the cost of services low in the long-term, and deliver them in a socially and environmentally responsible manner.

b. Impact of climate change on sources

After more than a decade responding to the impact of climate change on our water sources and on customers' water use, rainfall forecasts indicate the continued importance of our strategy to maintain source diversity and adapt to constraints in Perth's groundwater availability. Yearly variations in the location and volume of rainfall will continue to need active management approaches when planning and operating our assets.

c. State growth and demographic change

In order to deliver services to current and future customers, the Corporation must adapt and respond to a growing population and changes in economic activity whilst recognising the differences in our regions. Demand forecasting takes into consideration a range of factors such as population size, land sales, geographic location (metropolitan vs regional), densification and per capita water use, all of which can alter the magnitude of service demand.

d. Digital disruption

Advancements in information systems and new technologies are creating new opportunities for driving operational performance, customer satisfaction and safety. Intuitive and smart digital systems are enhancing our ability to process large volumes of data, creating new information

connections, and enabling tighter integration across operating systems.

e. Government policy and regulation

The Government has sent a clear message to drive public sector reform, including across GTEs like Water Corporation. This will involve us continuing to align the business with the WA Government's expectations.

Changes to the regulatory landscape for environment, health, and safety are expected but difficult to forecast. This includes continued adaptation to constrained water resources. In the next five years, emerging chemicals will become more pronounced, and is likely to see the conversion to health-based targets (HBTs), as well as future environmental reforms that may impact the water sector.

f. Structural shifts in the energy sector

The increasing accessibility of renewable sources is creating new opportunities for businesses and driving major structural change in the energy industry. We are cognisant of our role as a major purchaser of the State's energy providers, and we will work with Government to ensure the best outcome for the State can be achieved across both industries.

g. Waterwise Perth

There has been an ongoing collaboration of people across government and industry to assist and support Perth to be a Waterwise city by 2030. A Waterwise city means that it is a place where people want to live and work but is also liveable, resilient, sustainable and productive for years to come.

5. Our Purpose and Vision



Our purpose

Our purpose is the sustainable management of water services to make Western Australia a great place to live and invest. Our purpose reminds us of why we exist, to whom we deliver value, and how we deliver that value.

We recognise the role our customers play in defining the services they value, the role of communities in giving us a social licence to operate, and the Government’s role as our owner to drive outcomes for the State.

As a business, we were established on 1 January 1996 as a statutory corporation controlled by the *Water Corporations Act 1995*. This governs us as a GTE, requiring us to act commercially by recovering costs for delivering services to our customers. We choose to service the community by being the primary supplier of water services including potable, non-potable, bulk water irrigation and arterial drainage.

Owned by the State Government, we are accountable to the Minister for Water for the delivery of our services and we make dividend payments to the Government that fund essential services such as health, education, justice and transport.

Where we are required to deliver services that are not commercially viable, the Government provides an operating subsidy.

Our vision

Our vision focusses on what customers, the community and our owner value most. The natural tension that occurs between the three elements will drive innovation. Our ambition is to stretch to achieve lowest total cost and environmental impact together, whilst always ensuring our operations are safe for all.



Figure 1: Our vision

 SAFE FOR ALL	 LOWEST TOTAL COST	 LOWEST ENVIRONMENTAL IMPACT
All Western Australians will have access to safe water , delivered safely by our people	Our customers will receive the services they value delivered at the lowest whole of life cost	Our operations will have the lowest environmental footprint and Perth will be a leading Waterwise City

Figure 2: Detailed description of our vision for Water Corporation

6. Corporate Objectives



Having set a new vision, the Water Corporation is now on a journey to improve the performance metrics of the business. The vision enables us to build stretch targets that we hope to spark our people's push for innovation in the way we operate. Embedded within our water security target are the critical assumptions we make around reducing water demand and increasing water recycling.

Table 1: Our Corporate Objectives

SAFE FOR ALL	<i>Our people and the community want our products, assets and operations to be safe for all, as no one should suffer harm from our business. Therefore we will:</i>
Customers	Accept zero public health advisories relating to drinking water quality
People and Public	Accept zero fatalities or permanent disabling injuries to employees, contractors and public Drive down total injuries per million hours worked by employees and contractors
LOWEST TOTAL COST	<i>Our customers and Government want us to deliver services they value, at the lowest total whole of life cost, whilst keeping bills affordable and contributing back to the State. Therefore we will:</i>
Total Cost	Stretch to contain cost per service for our customers
Government Financials	Operate within the agreed net debt profile over five years Reliably deliver commercial outcomes for the state
LOWEST ENVIRONMENTAL IMPACT	<i>Our community and Government want our operations to protect and enhance ecosystems because they want them to be secure for future generations. Therefore we will :</i>
Air	Stretch to achieve zero net greenhouse gas emissions by 2030
Water and Land	Reduce our net land clearing profile Accept zero extreme or high risk wastewater overflows to the environment
DELIVER VALUE FOR CUSTOMER	<i>Our customers want services and products that sustain their lifestyle or business without fuss. Therefore we will:</i>
Water Security	Avoid imposing temporary water restrictions
Interactions	Maintain customer satisfaction with our service interactions.
Service interruptions	Avoid increases to customer interruptions during peak periods Avoid increases in the duration of customer outages Reduce the number of properties experiencing a wastewater overflow
SUPPORT THE COMMUNITY AND STATE	<i>Our community and the government want us to help improve West Australian communities and businesses. Therefore we will:</i>
Social investment	Increase the participation of Aboriginal & Torres Strait Islander people in our workforce Upgrade a number of our assets to provide improved community amenity
Engagement	Increase our community's water knowledge Deliver our major projects with minimal public inconvenience Maintain the trust of our community
Policy and Partnerships	Meet Government's expectations and those of our key stakeholders influencing state development

7. Our Governance and Structure



a. Our Owner

Water Corporation is owned by the Western Australian Government and is accountable to the Minister for Water; Fisheries; Forestry; Innovation and ICT; Science the Hon David Kelly MLA, for the delivery of our services in accordance with the *Water Corporations Act 1995*.

b. Performance

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

Our Water Services Licence outlines our service standards. The Economic Regulation Authority (ERA) conducts periodic reviews and audits of our licence, Asset Management System, and the efficiency of our operating and capital costs. This is governed internally by our Investment Governance Committee.

We are continuing to improve and evolve our Asset Management System to align with the International Standard for Asset Management, ISO 55001.

c. Risk

Risk is governed by the Audit and Risk Committee of the Board. We have an integrated Risk Management Framework consistent with International Standard AS/NZ ISO 31000. This framework manages a considerable schedule of internal and external risks, which may be strategic or operational in nature. Using this approach, we will continue to ensure our decision-making and investment is risk based as it moves us towards achieving our corporate objectives.

d. Safety and Wellbeing

Through the Safety and Wellbeing Committee, the Board leads and provides oversight for organisational health and safety matters. We set a high standard when it comes to safety and wellbeing. We have certified management systems in place, accredited to AS/NZ 4801:2001 Occupational Health and Safety and ISO 14001 Environmental Management Standard.

e. Our Board

Our Board is the governing body of the Corporation, with the authority to perform the functions, determine the policies and control the affairs of the Corporation. Directors are appointed by the Governor, on the nomination of the Minister, for a term of up to three years. As a Director, they do not have the protection of the Crown in respect of their duties and liabilities under the *Water Corporations Act 1995*.

f. Our Directors and Executive

The Chief Executive Officer and the Executive Team leads the Corporation to achieve our purpose and vision. Subject to the control of the Board, the Chief Executive Officer is responsible for, and has the necessary powers to administer the day-to-day operations of the business.

Board of Directors:

- Mr Michael Hollett – Chair
- Mr David Lock – Deputy Chair
- Mr Pat Donovan
- Dr Jemma Green
- Mr Ross Holt
- Ms Nicole Lockwood
- Mr David Rowe

Executive Team:

- Mr Pat Donovan – Chief Executive Officer
- Dr Steve Capewell – Operations Services
- Mr Evan Hambleton – Assets Planning (Acting)
- Mr Nathan Hardwick – Assets Delivery (Acting)
- Mr Ross Hughes – Finance & Corporate Services
- Mr Don Johnston – Strategy & Stakeholders
- Mr Mark Leathersich – Operations (Acting)
- Mr Ed Riley – Digital Transformation (Acting)
- Ms Karen Willis – Customer & Community (Acting)

8. Our Services



a. Safe for all

Safe water remains a high priority, and this includes protecting the high water quality standards delivered by our assets. Over the next five years, our actions and investment will continue our achievement of 100% compliance with health related requirements, and seek to address aesthetic water quality issues in regional areas including in the Murchison. We are also taking a new role in some remote Aboriginal communities to improve water service delivery, previously the role of other government agencies.

Further work includes catchment management, and bushfire preparedness, and ongoing diligence to keep up with emerging contaminants.

b. Lowest total cost

The Tap In results made it clear that customers expect us to help them keep their costs down, whilst seeking greater efficiencies. We are committed to delivering services at the lowest total cost over the long-term by delivering services as efficiently as possible.

Our customers are price conscious and believe the price of water should reflect the volumes used to send stronger price signals to excessive water users. The State Government sets the price for our regulated services, and in 2018 approved an increase in charges for high water users.

We will continue to deliver programs to assist our most financially vulnerable customers placing more emphasis on early intervention, home visits and flexible payment options.

c. Lowest environmental impact

Concern for the environment was one of the top three issues identified by our customers, particularly the health of our waterways, recycling, waste management and the production of greenhouse gases. However, customers did not want environmental programs that add substantially to their bills. This sentiment is reflected in our Vision to improve environmental and cost outcomes together.

In the next five years we will:

- continue to find better ways to recycle 100% of Perth's wastewater treatment plant bio-solids;
- pursue initiatives which reduce our greenhouse gas emissions, such as:
 - increase the number of solar-powered bores and solar panels on our buildings; and
 - pursue onsite renewable energy opportunities at major water and wastewater facilities where it makes commercial sense;
- explore new resource recovery initiatives, such as phosphorus from wastewater concentrate and magnesium from seawater desalination brine.

d. Customer and community value

Service levels

Maintaining a secure supply of water was the number one issue for our customers, with a strong preference for climate-independent sources such as desalination and recycling. The high value customers place on reliability reflects their strong preference to maintain their current lifestyle for future generations.

Water Corporation is delivering on our commitment to reliability by continuing to invest in climate-independent sources, such as desalination and groundwater replenishment, maximising recycling and the use of fit-for-purpose water, and maintaining our focus on demand management.

This service dimension also recognises our continued work to maintain the reliable provision of water to customers' taps 24/7, minimise disruptions during outages, reduce sewer overflows in homes, and manage the odour, noise and aesthetic water quality of all our schemes.

Our customer research revealed that 84% believe Water Corporation is doing a good job and that customer experience associated with the frequency of water outages and faults, and their experience during these occurrences is not their most pressing priority. We are responding to this feedback by using current performance and regulatory obligations as the basis for

8. Our Services



maintaining the quality of customer experience, and focussing our improvement efforts on what customers value most: safe, reliable, low cost and socially responsible water services.

Under our Water Services Licence, and in accordance with the *Water Services Act 2012*, operating subsidies ensure a level of service across the State where it is not commercially viable. These services are funded by the Government in the form of an operating subsidy which compensates for the shortfall between customer revenue and the cost of providing the regulated service levels.

Remoteness, population density, topographical considerations, and climatic conditions all contribute to the higher cost of providing water and wastewater services in the country regions.

Customer demand

The Corporation's signature Waterwise programs will continue to help us communicate with, and educate the wider community on water efficiency in homes and businesses.

Interestingly, almost 90% of Perth households believe Water Corporation should encourage water saving behaviour change, but 66% said they could only make small reductions to their own consumption. We are currently updating our Residential Water Use Study, so that we can better understand how our residential customers are using water and identify where the greatest water efficiency gains can be achieved.

New services

We intend to continue to expand our strong service standard to the WA community by remaining the primary supplier of water services in Western Australia.

Water Corporation's customer base is expected to grow by around 2% per annum in the metropolitan area, and 1.2% per annum in the regions over the next five years. Although growth in regional WA has slowed, major regional centres may drive greater demand should activity from the mining industry increase. In addition, we plan to be responsive to the needs of developers.

This growth, combined with the effective management of cost, will underpin our productivity going forward, to allow more customer connections to be serviced without adding to our operating costs wherever possible.

9. Asset Management



Asset management is at the core of our ability to deliver more value to customers and the community. It is supported by an Asset Management System that includes activities around planning, delivery, operations, maintenance and renewals of the asset base which has a total replacement value of \$37 billion.

a. Asset base

Our uniqueness lies in our extensive network of water, wastewater and drainage assets. Our assets encompass the whole water cycle, extend from source to tap, house to land and water, have a large geographical footprint, and are highly diverse across schemes.

Our asset base includes 52,000 km of pipes and 1,600 pump stations which provide services to 2 million customers across the State, and over 110 wastewater treatment facilities that treat wastewater before returning it to the environment or recycling it for a range of uses.

We monitor the condition and performance of critical assets, ageing assets and asset classes to extend their lifespan where cost effective, and replace them at the optimal time.

We are continuing to optimise our existing asset base through targeted maintenance and investment programs that considers cost, risk and performance.

Although a large proportion of our asset base is less than 60% through its economic asset life, infrastructure maintenance and renewals are essential to ensuring services are safe for all, and drive value for customers and the community.

b. Planning approach

The Corporation undertakes planning at a range of scales to inform future investment decisions, both capital and operating. Planning takes into consideration demand forecasting, as well as supply considerations such as rainfall and groundwater availability.

We are adapting to climate change by pursuing a combination of climate-independent sources such as seawater desalination and groundwater replenishment, and ongoing demand management.

c. Planning for Perth

We plan our investment in water and wastewater services to support the growth of the Perth and Peel region to a population of 3.5 million. We also monitor actual growth rates against the forecast and adjust the delivery plan accordingly.

Perth customers are serviced by the Integrated Water Supply Scheme (IWSS). We are securing supply to the IWSS over the next five years by delivering the second stage of the Groundwater Replenishment Scheme in Craigie, matching any supply gap with existing desalination plants, and continuing our demand management programs.

d. Planning for regional WA

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

In terms of water services, the emphasis will be on increasing source capacity to mitigate climate change, undertaking renewals work on older water mains, and continuing to address water quality issues in specific localities.

10. Key Enablers



Our enabling functions underpin our core business and propel us forward in terms of organisational performance and capability.

a. Operating model

Our future operating model has been agreed, and work has commenced to deliver on the Vision and corporate objectives.

Our future operating model will help to create aligned corporate objectives for our customers, community and State. It shall have processes, governance and tools that give us greater visibility of performance to support more effective and efficient decision-making, and enable more Agile Innovation in the ways we work.

b. Innovation

We have an ongoing research and development program which funds over 50 projects each year. Many of these leverage third party funding or research providers to maximise our investment and project outcomes. Over the next few years we will be placing more emphasis on projects that will support our aspiration to make Perth a leading Waterwise city.

One step towards this goal is the Water Research and Innovation Precinct at the Subiaco Wastewater Treatment Plant, which is bringing together researchers, local government, industries and business to test, trial and collaborate on solutions for improving the efficiency of our wastewater processes. This collaborative research space enables new treatment technologies to be trialled and connects directly to wastewater streams to capture live data. We have already established a pioneer project which is investigating a new aerated biofilm reactor which could double wastewater treatment within the existing footprint.

c. People

Our People Strategy (2017-2021) is based on leadership, development, inclusivity and performance while keeping customers at front of mind.

To ensure we are building a diverse workforce, we have set the following employment targets to achieve by 2021:

- Aboriginal Australians 6%;
- Women in management (tier 1-4) 34.5%;
- People with disabilities 3%;
- Culturally diverse backgrounds 17%; and
- Youth 5%.

We are implementing a more strategic approach to workforce planning, which will allow us to identify gaps between labour supply and demand, and act appropriately to match skills sets across the business.

d. Digital

Digital technology is a fundamental enabler, underpinning our ability to deliver our Vision.

We are taking a modular approach to how we deliver our digital programs and projects to manage risks, deliver progressive value, and build internal capability. For example, our “Scheme of the Future” project in the Warren-Blackwood district is developing a blueprint that can be replicated across our operating districts throughout the State and progressively implemented to help minimise investment risks and change impact on the workforce and the delivery of our services.

We have developed a five-year strategy to ensure our business, assets and employees are resilient and stay protected against the growing number and complexity of cyber security threats.

11. Finances



a. 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.

b. Accounting policies

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

With effect from 1 July 2019 the Corporation will account for leasing arrangements in accordance with the new Australian Accounting standard AASB16 Leases.

c. 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.

d. 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.

e. Efficiency dividends and measures

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

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 have met this commitment through reductions in both operating and capital expenditure. The remaining target net debt reductions will be delivered through the Asset Investment Program in 2018-19 to 2020-21.

f. Machinery of Government budget repair strategies

In April 2017, the Corporation engaged with 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) are included in the 2019-20 Budget Submission.

g. Further government approved reductions to expenditure

In addition to the GTE efficiency and budget repair measures mentioned above, in the 2018-19 Budget Government approved a \$18.9 million and \$12 million reduction to the respective 2018-19 and 2019-20 operating budgets. These reductions were coupled with a deferral of expenditure from the Asset Investment Program.

As part of the 2019-20 Budget, Government has approved additional reductions in the Asset Investment Program and operating expenditure totalling \$30 million in 2018-19.

11. Finances



h. Assumptions

These assumptions have been used to determine Our Measures.

	2018-19 Projected	2019-20 Projected
Growth in services (%)	1.7%	1.7%
Operating efficiency excluding Efficiency Dividends (%) ¹	2.8%	2.1%
Operating efficiency including Efficiency Dividends (%) ²	3.3%	2.5%
CPI annual change (%)	1.5%	2.0%
OCI annual change (%)	1.8%	2.1%
Dividend payout rate (%)	85%	85%

¹Average annual expected performance against the 2% efficiency target, excluding savings from the 2011-12 State Budget Efficiency Dividend.

²Average annual expected performance against the 2% efficiency target, including savings from the 2011-12 State Budget Efficiency Dividend.

i. Supply assumption

This SCI has been prepared based on the assumption of adequate surface water storage at the end of the 2019 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.

11. Finances



Table 2: Financial forecast (\$m)

	2018-19 Projected	2019-20 Projected
Operating revenue	2,608	2,742
Direct operating expenses	905	985
Depreciation / amortisation	510	530
Earnings before interest, tax & developer contributions (EBIT)	1,194	1,227
Net interest expense	252	255
Developers' contribution	212	223
Operating surplus before income tax	1,154	1,195
Income tax expense	346	358
Operating surplus after income tax	808	837
Capital expenditure (including Capitalised Interest) ¹	728	720
Borrowings taken (repaid)	70	110
Accruals to Government		
Indirect tax equivalents	7	7
Income tax equivalents	366	354
Dividends provided	594	620
Total	966	981
Payments from Government		
Operating subsidies		
Country Water Pricing Subsidy	255	281
Revenue concessions	166	171
Metropolitan operations	(1)	1
Total operating subsidies	420	453
Net Accrual to Government	546	528

¹ The reporting of the AIP 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