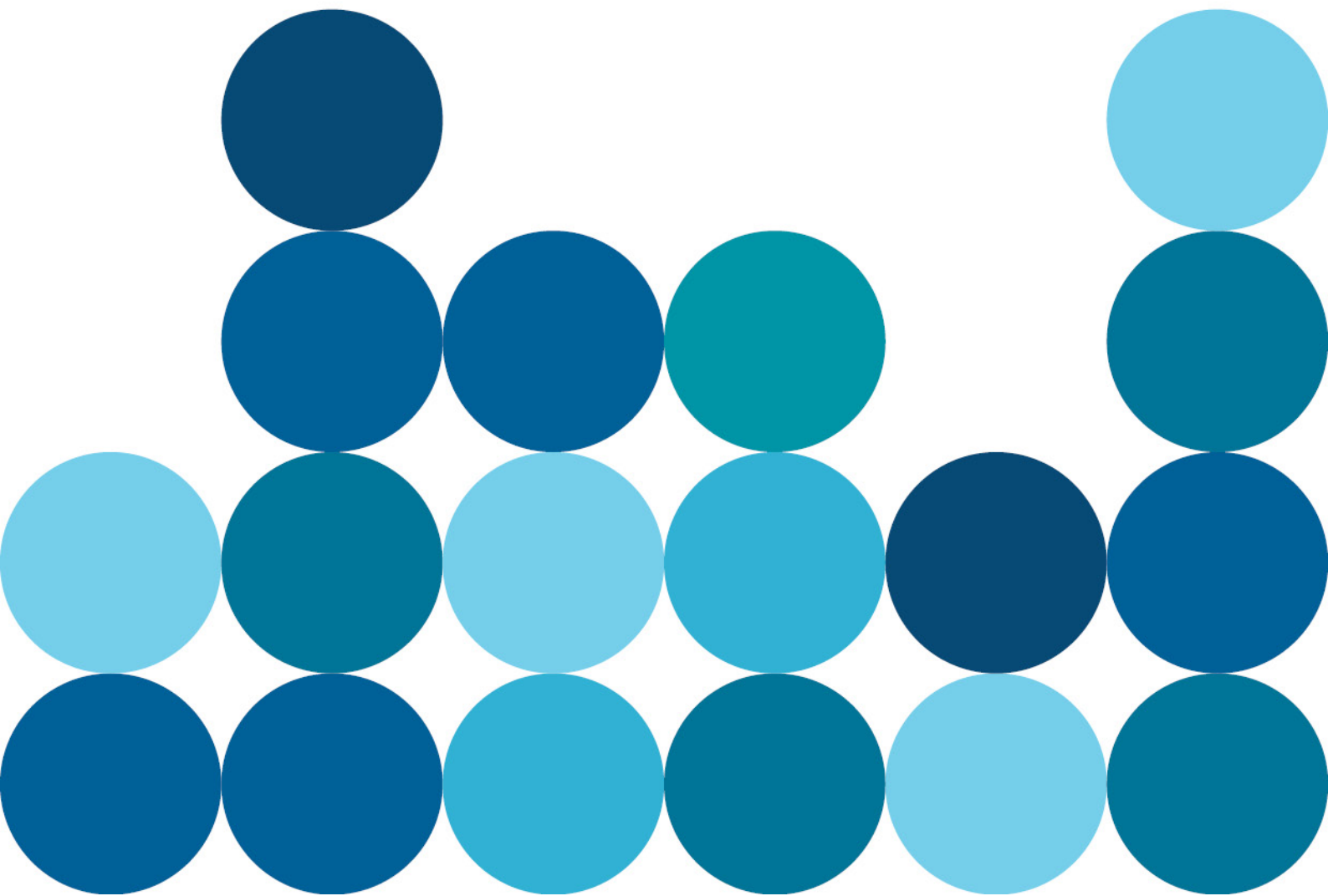
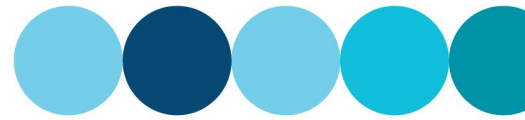


# Statement of Corporate Intent

2021-22





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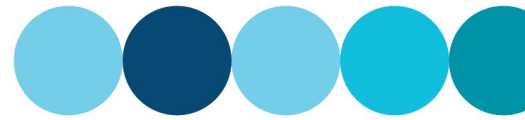
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## CONTENTS

	Page
<b>1. Chairperson's Introduction</b>	<b>3</b>
<b>2. CEO's Introduction</b>	<b>4</b>
<b>3. Drivers of Change</b>	<b>5</b>
<b>4. Our purpose and vision</b>	<b>6</b>
<b>5. Business Objectives</b>	<b>6</b>
<b>6. Governance and Structure</b>	<b>7</b>
<b>7. Our Services</b>	<b>8</b>
<b>8. Asset Management</b>	<b>11</b>
<b>9. Finances and KPIs</b>	<b>12</b>
<b>Appendix 1 – Integrated Water Supply Scheme (IWSS)</b>	<b>16</b>

**We acknowledge the Traditional Owners throughout Western Australia and their continuing connection to the land, water and community. We pay our respects to all members of the Aboriginal communities, their cultures and Elders past, present and emerging.**



## 1. Chairperson's Introduction

The Board is pleased to present Water Corporation's Statement of Corporate Intent (SCI) 2021-22.

This SCI represents an agreement between the Board and Minister for Water on Water Corporation's expected level of performance for the 2021-22 financial year, and meets the requirements of the *Water Corporations Act 1995*.

Since becoming Water Corporation Chairperson in September 2020, I continue to be impressed by how the organisation and its people rise to the challenge of providing safe, sustainable water and wastewater services to communities across our state.

As we know, these challenges have been amplified in recent times by the COVID-19 pandemic. Despite this, Water Corporation, led by Chief Executive Officer Pat Donovan and his executive team, continues to do a tremendous job adapting to a changing environment and ensuring service continuity for our customers. It has also been very encouraging to see their efforts supported by strong collaboration with WA Government departments, in particular the Department of Water and Environmental Regulation and the Department of Health.

In 2021-22, we will renew our support to Western Australia's economic recovery from COVID-19 through our Asset Investment Program. Under this program, Water Corporation is progressing many key projects that will create jobs, support local businesses and deliver better outcomes for customers and communities alike.

As always, we remain committed to our vision of delivering greater value to Western Australians by ensuring our operations are safe for all, have the lowest environmental impact and are delivered at the lowest total cost.

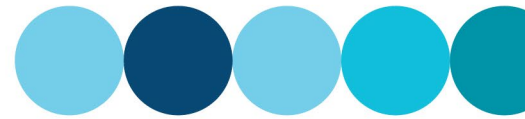
To help achieve this, Water Corporation will transition to a new internal operating model grounded in greater collaboration. This subtle yet important process shift will help drive efficiency gains and position Water Corporation for success and stability into the future.

Climate change continues to be the biggest single challenge facing Water Corporation. In response, we have a clear plan to invest in climate-resilient water sources, innovate through reuse and sustainability initiatives and save water with efficiency programs and community education. In 2021-22, we will continue to invest in each of these priority areas and in the overall sustainable management of our state's most precious resource.

In my time as Chairperson, I have seen the great passion with which Water Corporation's people approach their work. To ensure we continue to attract highly skilled, driven employees, Water Corporation will retain a strong focus on the health, safety and development of our people.

Finally, I thank my fellow directors for their ongoing support and commitment. I look forward to working alongside you, together with Pat and the executive team, to deliver on our vision for the future of water supply in Western Australia.

Ross Love  
Chairperson



## 2. CEO's Introduction

As WA's principal supplier of water services, Water Corporation has a unique opportunity to support the social and economic development of our state. We have long held this commitment to our community, while ably managing the operational challenges posed by cyclones, flood, bushfire and more recently COVID-19.

We anticipate an escalation of these and other challenges, so in the coming year we will continue to improve our core business while we finalise work to refresh our risk and governance frameworks and approach to program delivery. The clarity and transparency provided by this work will ensure that Water Corporation is able to quickly reprioritise our asset investment program and business as usual activities to adapt to changes in our operating environment in the future.

To enable this agility and responsiveness we are also moving to a process-led operating model, focussed on creating clear accountabilities and outcomes agreed with our stakeholders and community, delivered collaboratively.

While this foundational work continues in 2021-22, we continue planning for the future, conscious of all the challenges and opportunities posed by climate change, emerging technologies and the evolution of new industries in Western Australia.

In the year ahead we continue to adapt to the impacts of climate change by closing the loop on the water cycle and extracting as much value as possible through integrated water cycle management. This includes finding new and innovative ways to reuse treated wastewater and thinking differently about drainage by creating 'living streams' that provide amenity and improve liveability outcomes for communities.

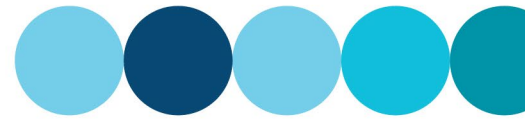
Our forward planning reflects the need to move beyond simply adapting to climate change to further mitigate our impacts on the environment by moving to green energy sources like renewables and exploring a range of innovative opportunities to collaborate with others on resource recovery from waste streams, such as hydrogen cracked from methane. Through these actions we will align with the Western Australian Climate Policy and support a more climate-resilient community.

As the current stewards of Western Australia's precious water resources, we are humbled by the knowledge that the state's Aboriginal people have been custodians of the natural environment, including its waterways, for sixty thousand years or more. We have an incredible opportunity to create a sustainable future by integrating the wisdom of the Traditional Owners, together with the innovation of today to preserve our water and waterways for future generations.

In 2021-22 we will develop our sixth Reconciliation Action Plan which will continue our ongoing engagement with Aboriginal communities, suppliers and employees to enable positive health and wellbeing outcomes and support the self determination of Aboriginal people in Western Australia.

These are challenging but exciting times for the water industry globally, and particularly for our state. In this context, collaboration with other agencies within WA Government and other key stakeholders is going to be more critical than ever. The Water Corporation Executive team and I look forward to working in partnership with the WA Government, and our Board to deliver on our commitment to the state of Western Australia in 2021-22.

Pat Donovan  
Chief Executive Officer



### 3. Drivers of Change

Based on our scenario planning work, key trends and assumptions associated with our operating environment over the next year will mostly relate to increasing social environmental expectations; scale of supply and demand stress and degree of post-COVID and geopolitical impact.

#### Increasing social and environmental expectations

We know that our customers want us to continue to maintain safe, secure, fit-for-purpose water services, while keeping the cost of services as low as possible in the long-term. We also expect the community and customers' understanding of water-related issues to become more sophisticated.

#### Impact of Climate Change

Climate change will continue to impact the availability of our water sources, our customers' demand for water, our need to address greenhouse gas emissions, the options available for energy consumption, and the need for infrastructure adaptation. In this context, the implementation of the Western Australian Climate Policy will be one of the key drivers which will help us align our actions with those of the rest of the state.

Reduced rainfall, particularly in the South West areas of the state, has significantly reduced surface water dam inflows and is likely to constrain groundwater availability. This will continue to impact 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.

We anticipate that a range of potential new developments in regional areas will have meaningful impacts on demand for water, and that existing users who self-supply via groundwater abstraction will increasingly invest in efficiency and become more vocal and competitive about access to natural resources as overall availability declines.

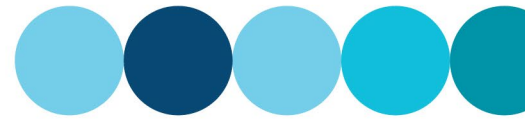
#### Degree of post-COVID and geopolitical impact

The pandemic has affected our operating environment, as well as that of our suppliers, customers, regulators and other stakeholders. In this context, response and recovery from the pandemic, as well as building future resilience, will be one of the focus areas over the next five years.

Community sentiment and Government policy will elevate the importance of building local industry and manufacturing capability, while growing reliance on desalination and complex plant will drive closer links between Water Corporation and energy utilities. Co-optimising water and power will be a key theme in our economics and sourcing strategy.

In the current economic climate in WA which is rebounding strongly after the initial COVID-19 lockdown impacts, this is resulting in the acceleration in some expenditure as part of the stimulus program funding received via the State Government's WA Recovery Plan and Plan for WA Jobs.

We expect there to be shifting demographics in regional towns to urban centres and for greater infill. This increases the importance of the State Government's Waterwise Perth Action Plan, to support more modern urban designs, practices and behaviours.



## 4. Our purpose and vision

Our purpose is the sustainable management of water services to make Western Australia a great place to live and invest. Our business was established on 1 January 1996 as a statutory corporation controlled by the *Water Corporations Act 1995*. This governs us as a Government Trading Enterprise (GTE) and requires us to act commercially by recovering costs for delivering services to our customers. We primarily supply water and wastewater services, with some arterial drainage and irrigation services, and will explore greater resource recovery opportunities in the next five years.

We are owned by the Western Australian Government and accountable to the Minister for Water for delivery of our services in a commercial manner. Where we are required to deliver services that are not commercially viable, the Government provides an operating subsidy, such as the provision of concessions for seniors and coverage of losses in country towns. Our vision (Figure 1) is to drive greater value for Western Australia through our customers and the community. We will do this by delivering our operations in a way that is 'safe for all', at the 'lowest total cost' and 'lowest environmental impact'.



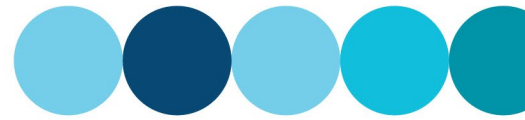
Figure 1: Our Vision

## 5. Business Objectives

Our strategic priorities (Table 1) are reflected in our strategic objectives which align with State Government goals, and associated performance outcomes. These priorities are supported by respective KPIs and one-year targets (Section 9k).

Government Goals	Strategic Objectives	Desired Outcomes
Strong and sustainable finances:  responsible, achievable, affordable service delivery	Our customers expect convenient and reliable services to support their lifestyle and businesses.	<ol style="list-style-type: none"> <li>1. Continue to satisfy customers when we interact with them achieving a high performing score when surveyed.</li> <li>2. Keep total cost per property as low as possible over six years.</li> </ol>
WA Jobs Plan:  local manufacturing and production, creating WA jobs and training for the jobs of the future	Our people are at the core of our business, and everyone should feel valued, empowered, engaged, safe and respected.	<ol style="list-style-type: none"> <li>3. Create a workplace that reflects the diversity in Western Australia (including women in leadership) and continuously strengthen our commitment to reconciliation, equity and Aboriginal engagement in the ways in which we operate.</li> </ol>
Safe, strong and fair communities:  developing healthy and resilient communities	All Western Australians have the right to safe drinking water and we must not harm our people or public.	<ol style="list-style-type: none"> <li>4. Demonstrate advanced health and safety practices by 2024-25.</li> </ol>
Growing our communities:  protecting our environment with thriving suburbs and regions	We are uniquely positioned to leverage our assets, operations and talent to improve Western Australia's liveability and to be an economic enabler for the state.	<ol style="list-style-type: none"> <li>5. Support the Government to deliver Waterwise Perth Action Plan.</li> </ol>
	The environment underpins our lifestyle and prosperity, so we should operate with the lowest environmental impact.	<ol style="list-style-type: none"> <li>6. Achieve net zero carbon emissions by or before 2050.</li> <li>7. Increase the percentage of materials recovered from solid waste over six years.</li> </ol>

Table 1: Our strategic priorities



## 6. Governance and Structure

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 conducts periodic reviews and audits of our licence, Asset Management System, and the efficiency of our operating and capital costs.

### Risk

We have an integrated Risk Management Framework consistent with AS ISO 31000:2018 Risk Management Guidelines. 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. At the Corporate level, risk is governed by the Audit and Risk Committee of the Board.

### Safety, wellbeing and environment

Through the Safety and People Committee, the Board leads and provides oversight for organisational safety and wellbeing matters. Overall, we set a high standard when it comes to safety, wellbeing and environment. We have certified management systems in place, accredited to AS/NZS ISO 14001 Environmental Management, AS/NZS 4801:2001 Occupational Health and Safety, and the newly accredited AS/NZS ISO 45001:2018 Occupational Health and Safety Management Systems.

### Our Board and Executive

Our Board is our governing body, with the authority to perform the functions, determine the policies and control the affairs of Water 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*.

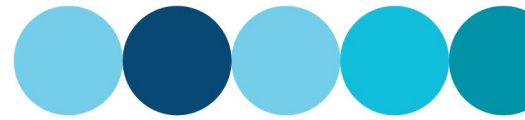
#### Board of Directors:

- Mr Ross Love – Chairperson
- Mr David Lock – Deputy Chairperson
- Mr Pat Donovan
- Mrs Gningala Yarran-Mark
- Mr Ross Holt
- Dr Carla Boehl
- Ms Helen Creed

#### Executive team:

- Mr Pat Donovan – Chief Executive Officer
- Ms Fiona Smith – People and Safety
- Mr Matthew Cronin – Strategic Performance
- Mr Dean Page – Chief Financial Officer
- Mr Barry Ford – Operations
- Mr Evan Hambleton – Assets Planning and Delivery
- Ms Elise Vervetjes – Information and Technology
- Ms Karen Willis – Customer and Community

We will continue to improve and realign key processes around the business, as we continue to evolve our operating model to optimise our core business. We will be looking to retain what works well, refine our culture to drive performance in the areas most valued by our customers and community.



## 7. Our Services

### Safe for all

Safety is paramount, and we will be putting greater focus on maturing our culture, uplifting performance (including that of contractors), supporting staff wellbeing and mental health, and reviewing public safety. This will culminate in our Safety Strategy to guide the long-term maturity of our safety system.

Safe water remains a high priority. Our actions and investment will seek to maintain 100 per cent compliance with health-related requirements.

We will also continue to work with the Department of Communities and other stakeholders on selected remote Aboriginal communities to improve water service delivery, as part of helping the state to ensure water is safe for everyone.

### Lowest total cost

We are committed to delivering services as efficiently as possible. This includes focussing on optimising capital and operating expenditure to minimise total costs. 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.

We are continuing to look for ways to get the most value from our assets, which includes water demand management. We will also continue to deliver programs to assist our most financially vulnerable customers, placing more emphasis on early intervention, support programs, home visits and flexible payment options.

### Lowest environmental impact

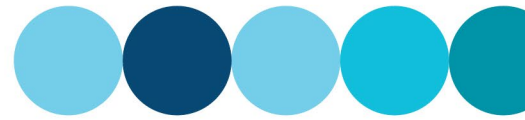
Concern for the environment was one of the top three issues identified by our customers, including health of our waterways, recycling, waste management and the production of greenhouse gases. This sentiment is reflected in our vision to improve environmental and cost outcomes together.

Over the next year and beyond we will:

- continue to communicate and engage with the community on climate change, in line with our Board-endorsed Climate Change Communications and Engagement Policy,
- continue to explore opportunities to increase water recycling,
- continue to minimise and offset the clearing of native vegetation for water infrastructure,
- continue to sustainably recycle Perth's wastewater treatment plant bio-solids,
- pursue initiatives which reduce our greenhouse gas emissions,
- explore new resource recovery initiatives, such as phosphorus, hydrogen and CO<sub>2</sub>, and
- explore new ways to better manage waste, which includes support of the Container Deposit Scheme and the Waste Avoidance and Resource Recovery Strategy 2030.

Support and implementation of the State Government's Western Australian Climate Policy will also be among our key priorities, which will include the development of a transition plan to support the aspiration of net zero greenhouse gas emissions by 2050.





## Satisfied customers

- **Service levels** – We will continue work to maintain the reliable and continuous provision of water to customers’ taps, minimise disruptions during outages, control sewer overflows in homes, and manage the odour, noise and aesthetic water quality. To support our customers’ desire for long-term water security given climate change, we will continue to invest in climate-independent sources, seek to maximise recycling and the use of fit-for-purpose water and support ongoing demand management. We will also continue to support the Department of Primary Industries and Regional Development, Department of Water and Environmental Regulation (DWER) and other stakeholders to manage water supply arrangements in areas declared as water deficient.
- **Customer usage** – Perth-Peel customers account for about 80 per cent of our customers and are serviced by the Integrated Water Supply Scheme (IWSS, Appendix 1). Over the next 10 years, Perth’s (including Mandurah-Murray) total demand for our water is expected to increase by seven percent, from 263 billion litres in 2018-19 to approximately 281 billion litres by 2029, consistent with projected population and economic growth.
- Working with our customers to use less water per capita in the Perth-Peel area will continue to be one of the key mechanisms to optimise the next new source development in the IWSS. The Corporation’s demand management programs and advertising campaigns will continue to help us communicate with and educate the wider WA community on water efficiency in residential and non-residential sectors. We will also continue to do our part to manage water leakages in our networks.
- **Customer growth:** Under the *Water Services Act 2012*, no water service provider has exclusive rights to supply particular markets. Competition for water customers is based on winning the market during land development, not competing in the market once assets have been sunk. Since the growth of our business is dependent on new customer connections, we will continue to plan competitive water service offerings for new developments and will be more active in exploring and aligning innovative alternative water solutions to customer needs.
- The Corporation will continue to explore markets adjacent to the functions outlined in the *Water Corporations Act 1995*, including services associated with fit-for-purpose water, stormwater, irrigation, resource recovery and excess renewable energy not required for our industrial processing.

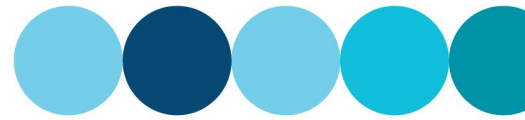
## Value for WA communities

We will continue to explore collaborative opportunities across Government, the private sector and other relevant stakeholders to contribute to the Government’s priorities, including a strong economy, regional prosperity, a liveable environment, a bright future and Aboriginal wellbeing. For example, we will continue to be an active supporter and enabler for the Waterwise Perth Action Plan. This includes relevant actions to enhance community education and engagement; create more urban green spaces in urban environments; implement an urban forest tree canopy program to reduce the urban heat island effect in high-risk areas; and enhance the community value of stormwater drains and basins through the Drainage for Liveability program.

We are also engaging with primary and secondary schools via our Waterwise Schools Program to educate on the water cycle, and to encourage students to consider careers in science, technology, engineering or math (STEM).

We will continue to leverage partnerships to increase community access to green spaces around drains and basins, which can deliver multiple benefits to the community, such as better health outcomes, aesthetics, habitat, greening and urban cooling. This is a cost-effective way for Water Corporation to contribute to the liveability of our towns and cities in a changing climate.

We will continue to evolve our procurement practices and promote increased opportunities for local industry to support the diversification and growth of the Western Australian economy.



We worked with DWER to develop the *Water Services Code of Practice (Family Violence) 2020* to support customers experiencing family violence beyond financial hardship. We are currently in the process of developing and implementing a family violence policy and training of staff to align with the Code of Practice.

## Supportive workplace

Our Diversity and Inclusion Strategy 2020 – 2025 articulates our commitment to diversity and inclusion and the actions we are taking to achieve them. Initiatives include career entry programs (apprenticeships and traineeships), Aboriginal employment and development, disability employment and engagement, female representation in our apprentice, trades, and leadership cohorts, and the celebration of all aspects of diversity within the Corporation.

Our programs aim to educate and support employees to manage their life and their work with programs to support financial literacy, fitness, domestic violence, mental health and flexible work arrangements. We will ensure Water Corporation offers a supportive workplace. We will also continue our positive working relationships with relevant unions, provide equal employment opportunities and adhere to a strict Code of Conduct with our employees.

We have a proactive Reconciliation Action Plan Working Group within Water Corporation. The Working Group is leading the Reconciliation Action Plan to address the inequality in economic opportunities, life expectancy and education between Aboriginal and non-Aboriginal Australians.

## Innovation

We have ongoing research and innovation programs that fund approximately 70 projects each year, many of which engage the local start-up ecosystem, leverage third party funding or research providers. The Water Research and Innovation Precinct at the Subiaco Water Resource Recovery Facility will continue to be a collaborative workspace to deliver these new and innovative wastewater treatment and resource recovery technologies in collaboration with other water utilities, research institutions and local industry. We also continue to build on our long history of fostering both innovation and innovators with over half of the organisation engaged in our online ideas platform.

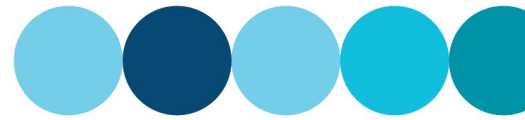
## COVID-19 response, recovery and adjustment

During the response to COVID-19, we will continue to provide safe drinking water and the management of wastewater for the state, community and our customers. This will be achieved by maintaining the safety and wellbeing of our people, ensuring the delivery of our obligations under the *Emergency Management Act 2005*, and working collaboratively with State Government and industry on the response. We will also work with Government to provide any tracking or information required to assist with pandemic response.

In the context of COVID-19, the safety and wellbeing of our people will continue to be our top priority. Our response has included a review of our flexible working arrangements available to employees. We are now able to maximise the personal and professional benefits learned from remote working and will continue to focus on productivity and performance outcomes.

In this context, we will also continue to evolve our incident response and management approaches, including scenario planning and the way we engage and collaborate with our stakeholders during a State of Emergency and simultaneous disasters. We have learned a lot about this in the past year and will be working on embedding our learnings to ensure the long-term resilience of the business.

We will also continue to evolve our technology, which was instrumental during COVID-19 when the whole Water Corporation team really pulled together with essential support for core business delivered remotely, thanks to new technology fast-tracked by our IT team.



When it comes to affordability, we need to remain customer-focussed, as was demonstrated recently during our response to the COVID-19 pandemic. Our customer support team moved quickly and redoubled their efforts to support customers, many of whom were experiencing financial hardship for the first time in their working lives. We will continue to listen to our customers and look for more ways to support them as the state continues its economic recovery.

One of the significant contributions we can make to assist with the state's economic recovery is to protect WA jobs and create new job opportunities through our capital investment program and operating activities. The program will continue to deliver projects with investment certainty and allow the many local businesses who are awarded contracts to grow and prosper.

To assist with the economic recovery of the state, we will work collaboratively with our Minister, State Government and industry to ensure our capital projects are engaging with local businesses and contractors to keep Western Australians in jobs during and after COVID-19 guided by the Government's Buy Local Policy and Industry Participation Strategy.

## 8. Asset Management

### Strategic asset planning

Our Asset Management System sets out our approach and processes for directing, integrating, coordinating and controlling asset management activities to realise value from the asset portfolio to achieve corporate objectives.

To focus investment and monitor performance the corporate objectives, combined with risk, demand and other information, is utilised to plan and prioritise the five-year Asset Investment Program.

### Asset base

We have an extensive network of water, wastewater, irrigation and drainage assets. Our assets encompass the whole water cycle, have a large geographical footprint, and are highly diverse across schemes.

Our asset base includes 52,000km of pipes and 1,600 pump stations which provide services to 2 million customers across the state, and over 100 wastewater treatment facilities that treat wastewater before returning it to the environment or recycling it for a range of uses.

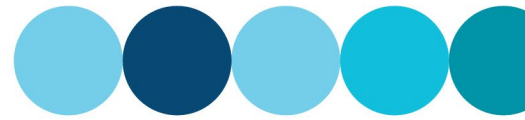
We are continuing to optimise our existing asset base through targeted maintenance and investment programs that consider cost, risk and performance. Although a large proportion of our infrastructure asset base is less than 60 per cent through its economic asset life, infrastructure maintenance and renewals is essential to ensuring our services are safe for all, and drive value for customers and the community.

### Future infrastructure assets

In the Perth area, long-term demand and supply forecasts continue to predict the need for a major new source for the IWSS in the next five to ten years. We have undertaken advanced planning for a number of water sources, and the timing and capacity of any new source will be dependent on the availability of groundwater, streamflow, and any significant change from recent mild weather conditions to hotter, drier conditions, adversely driving an increase in customers' water consumption.

Maximising production of all sources is a key component of the IWSS operating strategy to defer the need for additional capacity provided by a new source. The recommended production level will be reviewed and adjusted annually based on streamflow and storage levels.

Lower forecast population growth across regional areas in recent years, together with reviews of sizing and non-capital solutions, has resulted in the cancellation, staging and deferral of some planned asset investments while maintaining the capacity to service forecast growth.



## Asset investment program

Based on current assumptions and drivers of change, our one-year proposed Asset Investment Program of \$712 million has been allocated as follows<sup>1</sup>:

- metropolitan water, wastewater and drainage services \$396 million (56%);
- regional water, wastewater, irrigation and drainage services \$304 million (43%); and
- capitalised interest \$13 million (2%).

<sup>1</sup> Dollar figures are rounded to the nearest \$1 million. Percentages are not rounded

Our major infrastructure projects next year include:

- construction of new water storage tanks in Merredin, Dedari and Karratha;
- Broome North Wastewater Treatment Plant & treated wastewater management system upgrades;
- Sepia Depression Ocean Outlet Landline (SDOOL) transition tower upgrade;
- Perth CBD cast iron pipe renewal; and
- Gnangara branch sewer extension.

## 9. Finances and KPIs

### 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](http://watercorporation.com.au).

### b. Borrowings

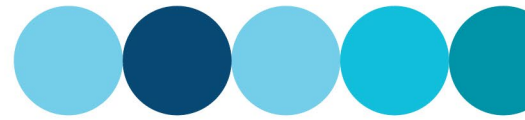
Our Asset Investment Program is funded from operational cash flows, borrowings and a financial arrangement under a Public Private Partnership for the Mundaring Water Treatment Plant.

### c. 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 Water Corporation will account for leasing arrangements in accordance with the Australian Accounting standard AASB16 Leases.

### d. Dividend policy

The current calculated dividend payout ratio is 85% of after-tax surplus (excluding developers' hand-over assets, State Government grants and grants received from Government for Capital Expenditure purposes). The actual amount of dividend paid each financial year to the State Government is dependent on decisions made by the Expenditure Review Committee (ERC) and approval by Cabinet.



## 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. Efficiency dividends and measures

The State Government has approved a range of budget repair and efficiency measures over several budget cycles that have impacted the Corporation's Asset Investment Program and operating and maintenance expenditure in the forward estimates.

## g. Assumptions

These assumptions have been used to determine Our Measures.

	2020-21 Projected	2021-22 Projected
Growth in services (%)	1.1%	1.1%
New Operating Efficiency Target <sup>1</sup> (%)	1.5%	1.5%
CPI annual change (%)	1.50%	1.75%
Dividend payout rate <sup>2</sup> (%)	85%	85%

<sup>1</sup> New operating efficiency target approved by the ERC in November 2019 as part of the 2019-20 Mid-Year Review process. The new efficiency target is applied from 2020-21 onwards.

<sup>2</sup> The current dividend payout ratio is 85% of after-tax profits. The actual amount of dividend paid each financial year is dependent on decisions made by the ERC and approved by Cabinet.

## h. Supply assumption

This SCI has been prepared based on the assumption of adequate surface water storage at the end of the 2021 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.

## i. Operating subsidy

Operating subsidies are State Government payments for services that are not otherwise commercially viable. We calculate the operating subsidy based on the efficient costs of providing both metropolitan and country services. Operating subsidies are funded from the Consolidated Account and the Royalties for Regions program.

Operating subsidies provided to the Water Corporation fall under three categories:

- Country Water Pricing Subsidy – the net loss in country schemes from providing services below cost;
- Revenue concessions – concessions to pensioners, seniors and concessional land customers (e.g. charities), provided at the request of the State Government; and
- Metropolitan Operations – subsidy for Woodman Point Reveal facility.



## j. Financial forecast for 2021-22

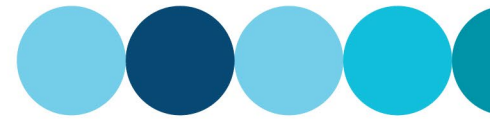
2021-22 Projected  
(\$m)

Operating revenue	2,814
Direct operating expenses	987
Depreciation / amortisation	562
Earnings before interest, tax & developer contributions (EBIT)	1,264
Net interest expense	175
Developers' contribution	134
Operating surplus before income tax	1,223
Income tax expense	367
Operating surplus after income tax	856
Capital expenditure (including Capitalised Interest) <sup>1</sup>	712
Borrowings taken (repaid)	375
<b>Accruals to Government</b>	
Indirect tax equivalents	8
Income tax equivalents	371
Dividends provided <sup>2</sup>	0
Total	379
<b>Payments from Government</b>	
<b>Operating subsidies</b>	
Country Water Pricing Subsidy	318
Revenue concessions	171
Metropolitan operations	2
Total operating subsidies	491
<b>Net Accrual to Government<sup>3</sup></b>	<b>-112.1</b>

<sup>1</sup> The reporting of the Asset Investment Program 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.

<sup>2</sup> Consistent with the 2021-22 Budget, the Corporation is retaining the 2020-21 interim and final dividend and 2021-22 interim dividend payable of \$1,354.9 million to fund future infrastructure investment.

<sup>3</sup> The Corporation is expected to make a negative contribution to the government's Net Operating Balance of \$112.1 million in 2021-22 due to retention of the 2020-21 interim and final dividend and 2021-22 interim dividend totalling \$1,354.9 million.

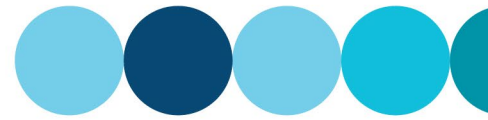


## k. KPIs and one-year targets

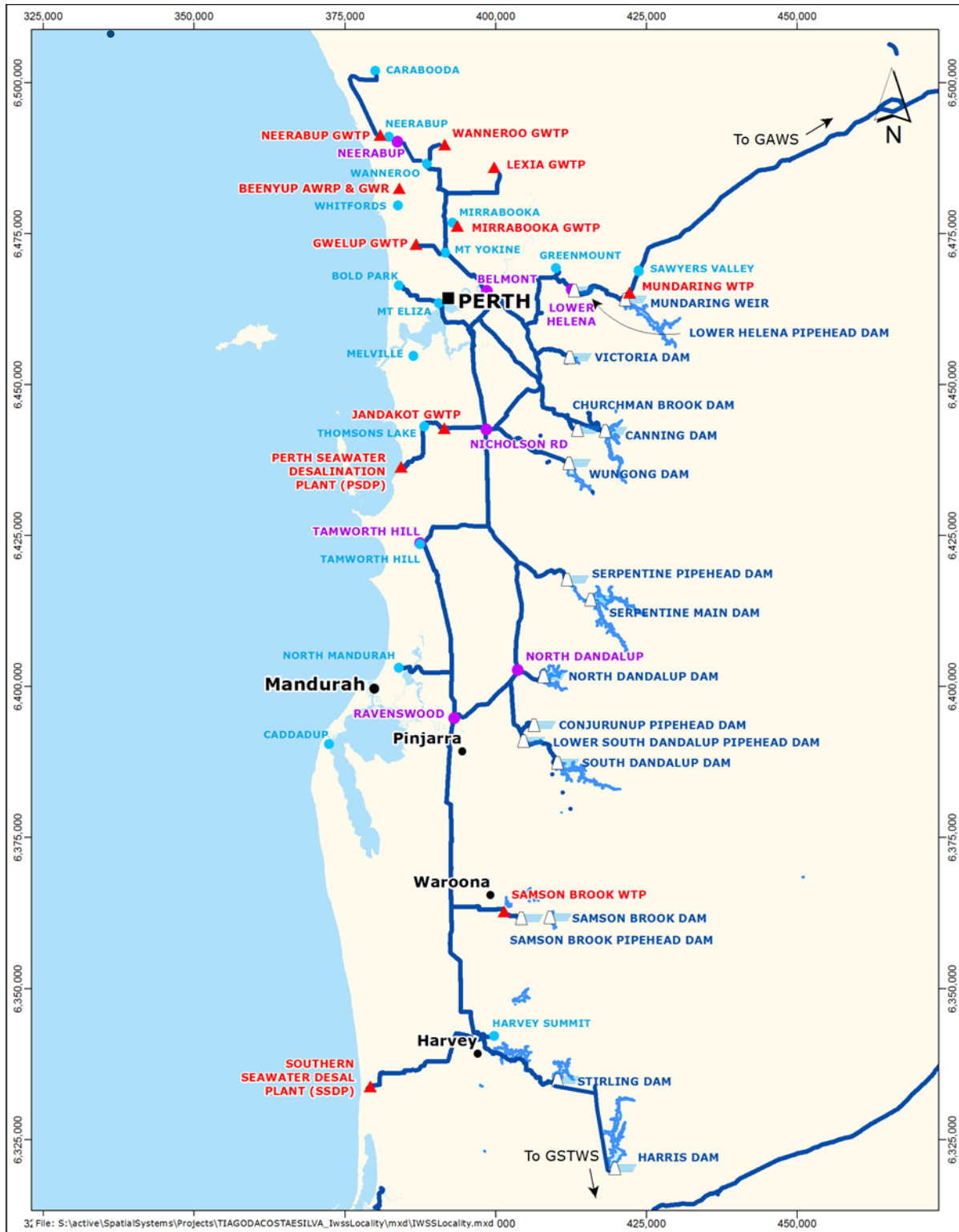
	2020-21 Estimated Actual	2021-22 Target	Note
<b>Outcome 1: Continue to satisfy customers when we interact with them achieving a high performing score when surveyed</b>			
VOC customer experience (score) .....	8.29	8.00	
<b>Outcome 2: Keep total cost per property as low as possible over six years</b>			
Total cost per property (\$) .....	1,987	2,012	
<b>Outcome 3: Create a workplace that reflects the diversity in Western Australia (including women in leadership) and continuously strengthen our commitment to reconciliation, equity and Aboriginal engagement in the ways in which we operate</b>			
Workplace diversity targets achieved - women in leadership (% and number of) .....	36.3%, 65	36.0%, 64	
Aboriginal and Torres Strait Islander employment (% and number of) .....	4.8%, 179	6.0%, 220	
Contracts >\$50K awarded to Aboriginal suppliers (%) .....	3.1%	3.2%	
<b>Outcome 4: Demonstrate advanced health and safety practices by 2024-25</b>			
Public drinking water advisories (number of) .....	nil	nil	
Total Recordable Injury Frequency Rate (rate) .....	4.5	2.2	
<b>Outcome 5: Support the Government to deliver Waterwise Perth Action Plan</b>			
Support the Government to deliver Waterwise Perth Action Plan (number of Water Corporation's actions completed on time) .....	9	10	
<b>Outcome 6: Achieve net zero carbon emissions by or before 2050</b>			
Reported greenhouse gas emissions (kilotonnes CO2 equivalent) .....	760	N/A	1
<b>Outcome 7: Increase the percentage of materials recovered from solid waste over six years</b>			
Material recovered - solid waste (%) .....	80%	73%	

### (Notes)

1. Long-term target of net zero greenhouse gas emissions by or before 2050. Current measure is consistent with NGERs (Scope 1 and Scope 2, does not include offsets).



# Appendix 1 – Integrated Water Supply Scheme (IWSS)



- LEGEND**
- Dam
  - Water Treatment Plant
  - Water Reservoir
  - Water Pump Station
  - Trunk Main



1:850,000 at A4  
 0 10 20  
 Kilometres  
 Coordinate System: GDA 1994 MGA Zone 50  
 Vertical Datum: AHD  
 AUTHOR: CHONGV1 DATE: 13/11/2017  
 BRANCH: APG - MAPPING & GEOSPATIAL

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IWSS  
 Locality

