

Statement of Corporate Intent

2023-24





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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.



Chairperson Introduction

The Board is pleased to present Water Corporation's Statement of Corporate Intent (SCI) 2023-2024. This SCI represents an agreement between the Board and Minister for Water, on Water Corporation's expected level of performance for the 2023-24 financial year and meets the requirements of the *Water Corporations Act 1995*.

Millions of Western Australians interact with Water Corporation's services on a daily basis. These interactions sit in the background of our daily lives. Toilets flush and taps turn – water services are delivered safely and reliably. This seemingly effortless delivery has been achieved through smart asset management, meticulous planning and a coordinated approach to managing the high expectations of our valued customers.

I am proud to report that Water Corporation remains loyal to prioritising its customers by providing safe, reliable and affordable services to all. This is despite a backdrop of declining water sources, unpredictable weather events, high costs, labour shortages, population growth and increasing industrial demand.

The past year saw Water Corporation, under the direction of CEO Pat Donovan, commit to ambitious but clear objectives through its Thrive2035 corporate strategy. Thrive2035 addresses priorities for the next decade and beyond. Environmental, social and economic sustainability are key focus areas of the strategy, as Water Corporation looks to adapt to the current and emerging needs of its customers, workforce, government and business.

Thrive2035 positions Water Corporation as the State's leading water services provider and seeks to make progress on its environmental and social impact, by continuing to invest in renewable energy projects, such as Flat Rocks Wind Farm Stage Two.

With the support of the Western Australian government, Water Corporation will actively pursue investment in alternative rainfall independent water sources to meet forecast changes to climate and water demand. And in collaborating with both public and private sectors as a partner of choice where water is a critical enabler, we will help to position the State as a frontrunner in the creation and exportation of important renewable fuel sources, such as green hydrogen.

Water Corporation will also work towards ensuring all Western Australian communities have access to safe drinking water. Responsibility has been assumed for water service provision to 141 Aboriginal communities previously serviced by Department of Communities. Standardising this experience for families in these communities over time can help to build a stronger bridge toward transparency, advocacy and equity.

In terms of managing demand for our precious resource, Water Corporation continues to play an essential role in educating customers and communities on the value of water, including shared responsibilities through sustainable practices. However, significant investment is still required to meet the challenges of climate variability and growing cities as well as ongoing upgrades, risk reduction and the delivery of a safe and reliable service to all.

As Board Chair, I feel fortunate to help set the strategic direction of an organisation that places safety at the forefront of all it does – whether for its people, the environment or the communities it serves.



Finally, I would like to thank my fellow directors for their continued support and commitment. I am confident that in the coming year, working in step with the executive team, we will have a clear focus and an ambitious vision to lead Water Corporation toward a thriving future State.

A handwritten signature in blue ink that reads "Ross Love".

Ross Love
Chairperson



CEO Introduction

Water Corporation's purpose is to manage water services sustainably, making Western Australia a great place to live and invest.

Fresh water is critical to human survival, health outcomes and economic prosperity. But our traditional sources of water are being increasingly threatened by climate change. At the same time, demand for water in Western Australia is growing – in part due to population growth, but also through emerging industrial and commercial requirements, especially in the mining and resources sector.

Water Corporation continues to meet this demand through new desalination plants and other infrastructure investments. But these large-scale investments are becoming increasingly expensive to build and operate, especially in terms of energy. In fact, our current energy use means we emit more greenhouse gases than any other water utility in Australia.

Some of our greatest challenges are common among all Government agencies and industries in Western Australia. We are not alone in having to manage the risks associated with skills and capability shortages and rising labour costs. We also face risks via disruptive technology and increased regulation.

Concern for the environment is one of the top three issues identified by our Western Australian community, including health of our waterways, recycling and the production of greenhouse gases.

Our customers and stakeholders also expect an affordable and sustainable service, representing value for money. In the context of rising cost of living, it is imperative we keep water charges for essential household requirements at close to current levels.

This has resulted in a revised corporate vision demanding much more from us than securing a water supply. Thrive2035 sets us on a bold path to enabling our people, communities, and State to thrive.

The year ahead will see us accelerate towards a target of net zero greenhouse gas emissions by 2035. One of the ways we are achieving this goal is through developing renewable energy resources. This also requires the renewal of ageing assets and extensive preparation for the expansion of desalination.

We are also building stronger connections with local communities, ensuring all Western Australians have access to safe drinking water whether they have been here five years or 5,000 generations. To enable monitoring and reporting in line with the rest of WA, we will take over the delivery of water services to a large number of Aboriginal communities, currently provided by the Department of Communities. Through integrated decision making, we will address critical quality and supply needs and edge closer towards a thriving future for everyone.

The single most important component to this organisation's success is our people. One of my priorities as CEO is to make sure everyone at Water Corporation feels welcome and has a sense of belonging when they come to work. From our mental health champions program, to creating an inclusive and diverse workplace, we are constantly on a journey to become more culturally intelligent.



Without a doubt, there is significant work in store for us this financial year to create an empowered culture, secure delivery of our services in this high-cost environment, adapt to a rapidly changing climate and accelerate towards our net zero greenhouse gas emissions targets. Yet, I am confident Thrive2035 will lead us to success for our people, our communities, and our State.

A handwritten signature in black ink that reads "Pat Donovan".

Pat Donovan
Chief Executive Officer



1. Drivers of Change

Over the next year, our operating environment will be shaped by the need to adapt to a changing climate, economic pressures, increased environmental, social and governance expectations, technological progress and demand for a future ready workforce.

Impact of climate change

Climate change will continue to impact water source availability, our customers' demand for water, our need to reduce greenhouse gas emissions, energy consumption options, and the need for infrastructure adaptation. The implementation of the State Government's Western Australian Climate Policy will help us align our actions with those of the rest of the State.

Reduced rainfall due to climate change, particularly in the South West areas of the State, has significantly reduced surface water dam inflows and has started 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.

Extreme weather events are also expected to increase in intensity. Western Australia can expect longer fire seasons with a 40 per cent increase in very-high fire danger days. Extreme rainfall events with flooding are expected to increase in severity, and whilst tropical cyclones are projected to decrease in frequency, a greater proportion will have a higher intensity.

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

Economic pressures

Rising inflation and interest rates, increasing demand for water infrastructure to support housing and land development, energy crises, and the slow economic recovery of Australia's key trading partners are some of the key factors expected to result in significant cost pressures. Despite strong labour demand, cost of living increases may mean more customers have difficulty covering their bills. Water Corporation will need to keep the focus on affordability and demonstrating transparency, efficiency and value creation.

Inflationary pressures are also affecting capital costs. By keeping an internal cost database and monitoring key construction cost indices, we are in a strong position to manage and deal with market trends, however, changes in the market can be difficult to predict.

A tight construction market, due in part to high competition for contractor availability caused by the State-wide accelerated investment in infrastructure, and impacts on supplier costs, has increased the cost of many projects in the five-year asset investment program. Advice from BIS Oxford indicates that the current rate of cost escalation is unprecedented.



Environmental, social and governance expectations

The community, regulators, investors and employees are increasingly expecting more of organisations to be good corporate citizens. This is reflected in increased scrutiny of their environmental impact, relationships with traditional owners and local communities, and employment and sourcing choices. This will drive the need to provide improved transparency and ethical decision making across a range of dimensions – including operational, environmental, social, governance and financial performance.

We know our customers and stakeholders 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 expect the community and customers’ understanding of water-related issues to become more sophisticated. For example, social norms are changing around the acceptability of waste and land clearing. Community sentiment and Government policy will also elevate the importance of local industry and manufacturing capability.

Technological progress

The number and complexity of cyber threats has increased exponentially over recent years and this trend is only expected to continue. Becoming a ‘smart utility’ with cloud-based services and a mobile workforce will therefore require ongoing adjustments to our cyber security capability, as well as ongoing upgrades to our technology portfolio.

Developments in analytics and artificial intelligence have enabled the processing of data to solve problems at scales that were previously unimaginable. Successful application in the utilities industry can deliver reduced maintenance costs, lower greenhouse emissions, extended asset lifespans, improved safety, and better customer service.

Future ready workforce

Low unemployment rates and skills shortages will continue to create competition for candidates, requiring us to focus on our employee value proposition and effective training, development and retention, to become an employer of choice.

In this context, safety and wellbeing of our people will continue to be our top priority. A future ready workforce must also be adaptable and resilient, particularly as we experience more frequent and severe climate-driven storms, floods, bushfires and heatwaves. The lessons learnt during the COVID-19 pandemic will be built upon as we evolve our incident response and management approaches, including scenario planning, managing simultaneous emergencies and collaborating with our stakeholders during a State of Emergency.



2. Our purpose, vision and goals

Our purpose is to manage water services sustainably 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 is for our people, communities and the State to thrive. This vision is reflected in our Thrive2035 Strategic Plan (Fig. 1) which is supported by KPIs and one-year targets (Section 6k).



Figure 1: Thrive2035 Strategic Plan



3. Our services

Goal 1. Environmentally sustainable as the climate changes

The support and implementation of the State Government's WA Climate Policy will be among our key priorities, which will include the development of the Energy Procurement Plan to support our target of net zero greenhouse gas emissions by 2035, while also targeting 80 per cent reduction from 2020 levels by 2030. This will include securing up to 400 megawatts of additional renewable wind energy which will provide the equivalent energy required to operate all three desalination plants, including the existing plants at Kwinana and Binningup, as well as the remaining loads on the South West Interconnected System. We will also be investigating storage of renewable energy to reduce our overall energy costs.

This plan will be informed by our own Thrive2035 and subsidiary strategies, which will guide our decisions and initiatives related to decreasing greenhouse gas emissions, including holistic adaptation to climate change impacts and government's commitment in the Premier's announcement for the next Integrated Water Supply Scheme (IWSS) desalination source to be operated with 100 per cent renewable energy.

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 intent to balance environmental, social and cost impacts in our decision making.

We will continue to be an active supporter and enabler for the Kep Katitjin – Gabi Kaadadjan – Waterwise Perth Action Plan 2. The new, two-year plan supports the State Government's ongoing commitment to tackling the impacts of climate change on our water resources, through water-saving initiatives and the creation of climate-resilient, liveable urban spaces and healthy environments. This action plan continues delivery of actions to enhance community education and engagement, greening urban environments and delivering greater community amenity by enhancing the value of stormwater drains and basins through the Drainage for Liveability and Greening Scheme programs. Other key actions include upgrading the Department of Communities (DoC) public housing to water efficient fixtures, empowering tenants to be waterwise and engaging with Whadjuk Noongar people to inform water planning and urban design approaches.

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

Over the next year and beyond we will:

- continue to communicate and engage with the community on climate change;
- 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 and extraction initiatives, such as phosphorus from wastewater concentrate and magnesium from seawater desalination brine, and hydrogen extraction;



- expedite the development of Water Corporation's Flat Rocks Wind Farm Stage 2 and other build-own wind generation projects and distributed battery installations;
- explore opportunities to collaborate with Horizon Power within the Non-Interconnected System (NIS);
- explore new ways to better manage waste, which includes support of the Container Deposit Scheme and the Waste Avoidance and Resource Recovery Strategy 2030; and
- continue to monitor water and wastewater for per- and polyfluoroalkyl substances (PFAS) and other emerging substances within the parameters agreed with the Government and investigate mitigation strategies.

Goal 2. 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. Over the next year we will be embedding our recent progress, building on greater awareness of the highest risk activities, mental health training for leaders, and the introduction of mental health champions across the business. We will also be extending ourselves into new domains, using data to inform safer decision making, applying retrospective design criteria to existing operations to reduce risks to operators and the public, and exploring new and emerging technologies that will remove our operators from high-risk situations.

Safe water remains our highest customer priority. Our actions and investment will seek to maintain 100 per cent compliance with health-related requirements, manage aesthetic water quality issues in regional areas, and progressively remove open storages in the Goldfields and Agricultural Water Supply Scheme and the Great Southern Towns Water Supply Scheme. In partnership with the Department of Health, we take a proactive risk-based approach to water quality management, starting at the water source and continuing all the way to the customers.

We will also continue to work with the DoC and other stakeholders on selected remote Aboriginal communities to improve water service delivery, to ensure water is safe for everyone. This includes new investment in 141 Aboriginal communities, allowing us to take over the provision of water and wastewater services from the DoC on 1 July 2023 to achieve service standards comparable to similar sized towns.

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 many lessons throughout the pandemic and will be embedding them into the business to ensure our long-term resilience.

Goal 3. 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 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). Perth-Peel water demands are expected to increase from 287 GL in 2022-23 to approximately 313 GL by 2032, representing an average increase of 0.9 per cent per annum.

Working with our customers to use less water per capita in the Perth-Peel area will help us 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 Western Australian 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 water service locations. 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.

We are committed to improving water and wastewater infrastructure and services in Aboriginal communities. These commitments are part of our Reconciliation Action Plan and will ultimately help to close the gap between the life outcomes of Aboriginal and non-Aboriginal Australians. This includes regularisation of seven remote Aboriginal communities and 16 town-based Communities through the Essential and Municipal Services Upgrade Program (EMSUP) in partnership with the State Government, to upgrade infrastructure and enable us to take over the assets and operate as licenced service provider.

Affordability and hardship

Our customers are price conscious and believe the price of water should reflect the amount used to send stronger price signals to excessive water users. As the increased cost of living over the next year begins to affect more of our customers, we will stay focussed on delivering programs to assist our most financially vulnerable customers, including early intervention, support programs, home visits, support for customers experiencing family violence and flexible payment options.

Cyber security

The escalation of cyber security challenges makes it essential for us to ensure protection of our virtual operating environment, focusing in particular on service continuity and customer data protection. Securing our data, including people, customer, financial, operational and asset data is non-negotiable. We will continue to manage cyber risks by enhancing our controls and readiness.

Goal 4. Supporting State development

Being the water services partner of choice means exploring opportunities and enabling the Government, private sector and other relevant stakeholders to contribute to a strong economy, regional prosperity, liveable environments, and a bright future.



We will keep evolving our procurement practices and promote increased opportunities for local industry to support the diversification and growth of the Western Australian economy. To assist with the economic recovery of the State post-COVID, 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 employed, guided by the government's Buy Local Policy and the WA Industry Participation Strategy.

Water Corporation has established a Growth Portfolio to address capability gaps and ensure we are in a strong position to capitalise on commercial opportunities in an increasingly complex external operating environment. The Growth Portfolio will help Water Corporation take a more active role as a partner of choice in State development where water supply is a critical enabler and has already facilitated our investment in the Flat Rocks Wind Farm Stage 2 project, which will support the Western Australian Government's \$10 million Wind Turbine Manufacturing Initiative, enhancing local manufacturing capabilities and creating jobs of the future.

As water is a critical input to the process of renewable hydrogen production, we have been allocated funding to undertake water supply studies to support development of the Mid-West Hydrogen Hub at Geraldton-Oakajee and more broadly the Strategic Industrial Areas (SIAs) at Kwinana and Burrup-Maitland. There is an opportunity for Water Corporation to support the SIAs with their water needs and provide common use infrastructure to avoid duplication of assets.

We also have ongoing research and innovation programs that fund approximately 70 projects each year, many of which engage local start-up ecosystems, leverage third party funding or research providers. The internationally recognised Water Research and Innovation Precinct at the Subiaco Water Resource Recovery Facility will continue to be a collaborative workspace to deliver new and innovative wastewater treatment and resource recovery technologies in collaboration with other water utilities, research institutions and local industry. We will continue to build on our long history of fostering innovation through our Research and Development Program and our membership with Water Services Association of Australia's W-Lab (a network leveraging emerging and innovative technology for the water industry).

Goal 5. Efficient

We are committed to maximising productivity and delivering services as efficiently as possible, with particular focus on effective allocation of resources. This includes focusing on optimising capital and operating expenditure to minimise total costs, get the most value from our assets, and ensure we can reinvest our resources in the emerging strategic focus areas, such as Aboriginal engagement and climate change. We have commissioned a Focus Challenge Program to support systemic endeavours to drive large and small scale improvements, and build the tools and a culture that drives this sustainably into the future.

Digital technologies also present significant opportunities to become more efficient. We have projects underway to improve data and information governance, and to explore new business applications that will help us make the shift to becoming a 'smart utility'. In the longer term we will seek to standardise and broaden adoption in areas such as predictive maintenance, intelligent asset investment planning, process automation and digital customer engagement.

Overall, sustainable financing of our priorities will be fundamental to our success over the next year. To support this, we are holistically assessing all our internal and external funding options which will build on our drive for effective resource allocation.



Goal 6. Great place to work

Water Corporation is a great place to work that does not rest on the status quo, aiming to make our teams' workplace experience enriching and fulfilling.

To support the delivery of our people and safety goals, outlined in Thrive2035, we have developed a five-year Great Place to Work strategy where we want everyone working with the Water Corporation to thrive and be able to deliver their best performance for customers and communities. This strategy sets out a clear path to success, with high value initiatives focussing on improving leadership capability, attraction, development and retention, diversity, inclusion and belonging, safety and wellbeing, and Human Resource systems performance.

Our Great Place to Work strategy sees the continuation of our commitment to an inclusive workplace through programs designed to support a workforce that resembles the diverse community around us. This focus will require us to build on existing initiatives with an emphasis on being an employer of choice for Aboriginal, youth, disability, culturally and linguistically diverse, and female job seekers.

Our Aboriginal engagement strategy, Yesterday, Today and Tomorrow, provides further clarity around the steps we will take to improve and retain representation of Aboriginal employees in our workforce. Over the next five years, we will focus on the continuous improvement of cultural safety measures, further retention and development initiatives, and the implementation of a culturally appropriate talent acquisition and recruitment program.

We also have programs in place to educate and support all employees with their financial literacy, fitness, domestic violence, mental health and flexible work arrangements. We will continue our positive working relationships with relevant unions, provide equal employment opportunities and adhere to a strict Code of Conduct with our employees.

Our well-established flexible working arrangements continue to enable us to maximise the personal and professional benefits learned from remote working and will continue to focus on productivity and performance outcomes.

4. Asset management and investment

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 optimise our existing asset base through targeted maintenance and investment programs that consider cost, risk and performance. 17.5 per cent of our assets will reach the end of their economic lives over the next 10 years, so infrastructure maintenance and renewals are critical 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, including the new 100 GL per annum Alkimos desalination plant, with Stage 1 (50 GL) scheduled to produce first water in 2028.

The timing and capacity of any additional new sources 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.

There have been several reductions in water allocation licences for regional schemes, to reflect the changing climate and reduced water availability but also to balance the future uses for mining, horticulture, Indigenous Land Use Agreements (ILUA) and environmental activities. This is requiring additional investment in source expansion to meet public water supply needs over the next few years.

Asset investment program

Based on current assumptions and drivers of change, our one-year proposed Asset Investment Program of \$1,131 million has been allocated as follows¹:

- metropolitan water, wastewater and drainage services \$487 million (43 per cent);
- regional water, wastewater, irrigation and drainage services \$326 million (29 per cent);
- energy, digital and support services \$300 million (26 per cent); and
- capitalised interest \$17 million (2 per cent).

Our major infrastructure projects next year include:

- Construction of Flat Rocks Windfarm;
- Woodman Pt Wastewater Treatment Upgrade;
- Construction of Alkimos Desalination Plant and enabling works;
- Sepia Depression Ocean Outlet Landline (SDOOL) transition tower upgrade;
- Ord Irrigation Scheme upgrade; and
- Mandurah Gordon Rd WWTP Upgrade.

¹ Dollar figures are rounded to the nearest \$1 million. Percentages are not rounded.



5. Governance and structure

Water Corporation delivers 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 Minister, for a term of up to three years (eligible for reappointment not exceeding 10 years in total). 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
- Ms Gningala Yarran-Mark
- Dr Carla Boehl
- Ms Helen Creed
- Ms Janine Freeman



Executive team:

- Mr Pat Donovan – Chief Executive Officer
- Mr Dean Page – Chief Financial Officer
- Ms Sarah Bagshawe – People and Safety
- Mr Barry Ford – Operations
- Mr Evan Hambleton – Assets Planning and Delivery
- Ms Jane Mitchell – Information and Technology
- Ms Karen Willis – Customer and Community
- Ms Jacque Harding – Transformation

Operating structure

Water Corporation operates with a function structure which promotes cross collaboration and teamwork across processes. We will continue to improve and realign key processes, people data and systems to support more modern approaches to working. The new Transformation Office will help us transform our operations by aligning resources to business activities with the highest value, thereby driving performance in the areas most valued by our customers and community and the delivery of our Thrive2035 Strategic Plan.



6. 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.

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 per cent 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.

	2022-23 Projected	2023-24 Projected
Growth in services (%)	1.0%	1.1%
New Operating Efficiency Target ¹ (%)	1.5%	1.5%
CPI annual change (%)	2.75%	2.50%
Dividend payout rate ² (%)	85%	85%

¹ 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.

² 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 2022 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.

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 2023-24

	2023-24 Projected (\$m)
Operating revenue	3,176
Direct operating expenses	1,173
Depreciation / amortisation	583
Earnings before interest, tax & developer contributions (EBIT)	1,419
Net interest expense	231
Developers' contribution	215
Operating surplus before income tax	1,404
Income tax expense	421
Operating surplus after income tax	983
Capital expenditure (including Capitalised Interest) ¹	1,131
Borrowings taken (repaid)	206
Accruals to Government	
Indirect tax equivalents	8
Income tax equivalents	436
Dividends provided	760
Total	1,205
Payments from Government	
Less Operating subsidies	
Country Water Pricing Subsidy	431
Revenue concessions	189
Metropolitan operations	1
Total operating subsidies	621
Less Funding for Remote Communities Transfer of Essential Services (RESP)²	32
Net Accrual to Government	552

¹ 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.

² Remote Communities Fund and Royalties for Regions funding for operating expenditure



k. KPIs and one-year targets

	2021-22 Actual	2022-23 Budget	2022-23 Estimated Actual	2023-24 Budget Target
Outcome: Reducing total recurring expenditure to fund our key priorities and provide socially equitable outcomes for communities:				
Total cost per property (\$) ^(a)	2,076	2,067	2,223	2,291
Outcome: Engaging and enabling our employees to perform at our best:				
Employee Experience Survey - Engagement (%) ^(b)	2 nd quartile	2 nd quartile	2 nd quartile	2 nd quartile
Outcome: Providing safe and secure water to meet or exceed UN Sustainable Development Goal 6:				
Please see footnote ^(c)	n.a.	n.a.	n.a.	n.a.
Outcome: Improving employee and public safety outcomes:				
Total recordable injury frequency rate (TRIFR, per million hours worked) ¹	3.8	<3	3.8	<3
Outcome: Driving value for money and customer satisfaction across all regions and segments:				
Individual measurement of value for money, across regions and segments (score out of 10) ^(d)	2 nd quartile	2 nd quartile	2 nd quartile	2 nd quartile
Outcome: Building trust among the communities we serve:				
Individual measurement of community trust, across regions and segments (score out of 10) ^(d)	Top quartile	Top quartile	Top quartile	Top quartile
Outcome: Accelerating to net zero for scope 1 and 2 greenhouse gas emissions:				
Reported greenhouse gas emissions (CO ₂ equivalent kilotonnes) ^(e)	648	588	455	568
Outcome: Educating the community on climate change impacts, driving waterwise outcomes and ramping up wastewater recycling:				
Wastewater recycled (%)	21.1	21	19.4	21

(a) 2022-23 Estimated Actual as at 11 May 2023.

(b) From Qualtrics comparative data against other 'Australian companies' benchmark.

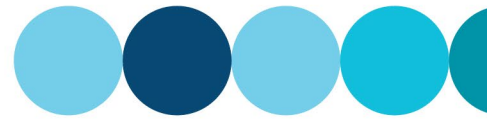
(c) This is a new measure based on data collected annually, therefore there are no actual numbers available yet. Due to the scope and complexity, targets are still under consideration and will be set in 2023-24.

(d) From the Water Services Association of Australia Customer Perceptions survey against 30 water utilities in Australia and New Zealand.

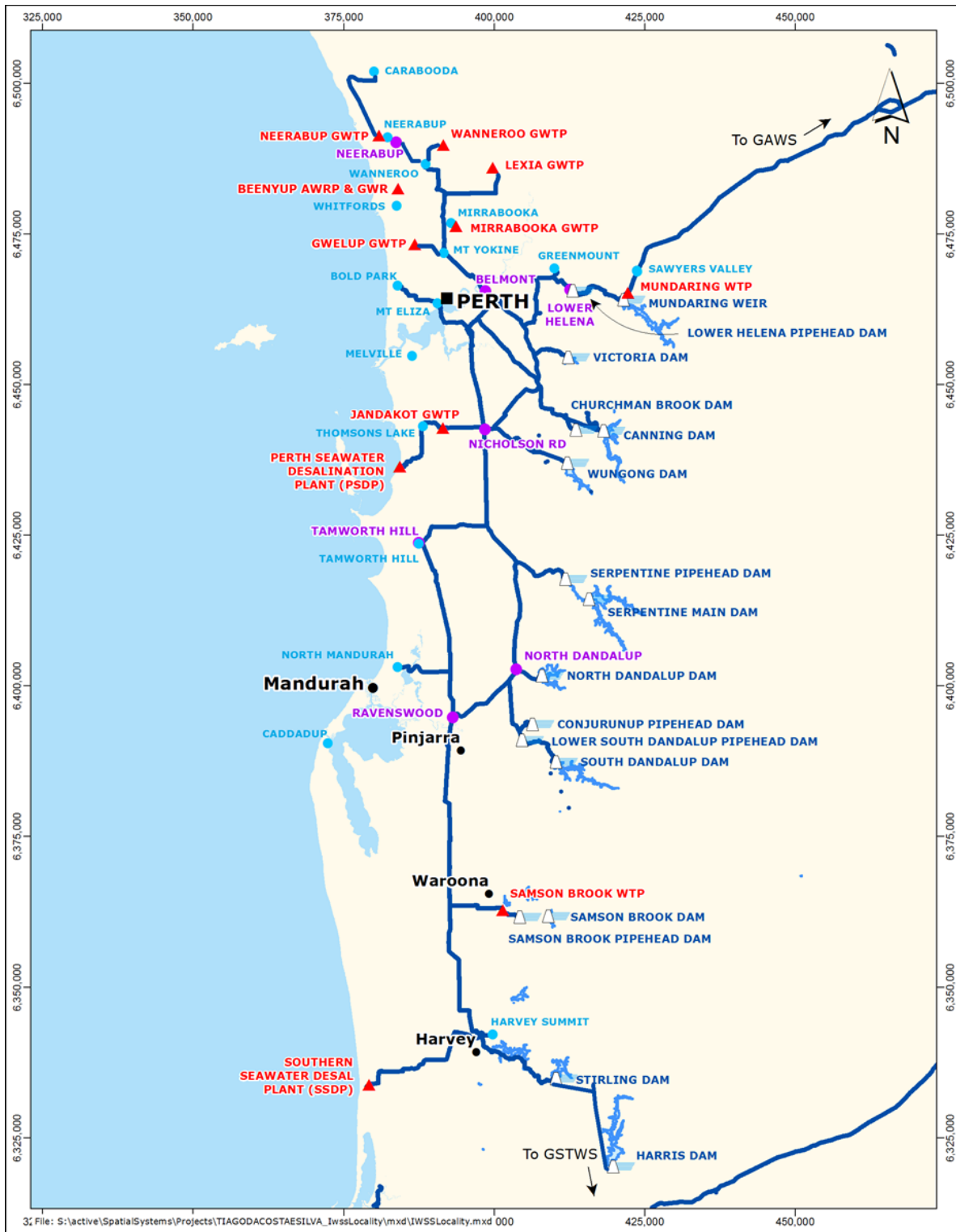
(e) Long-term target of net zero greenhouse gas emissions by 2050. Current measure is consistent with National Greenhouse Energy Reporting Scheme methodology (scope 1 and scope 2, does not include offsets). 2022-23 Estimated Actual as at 24 March 2023.

Explanation of Significant Movements

1. There has been an increase in the number of recordable injuries in early 2023, the majority being minor in nature. The Corporation currently has targeted safety and wellbeing programs in place that will play a significant role in reducing injuries.



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