



Busseton Water

Statement of Corporate Intent

2008 / 2009

STATEMENT OF CORPORATE INTENT 2008 / 2009

Chairman's Introduction

Busselton Water is pleased to present its ambitions for the 2008/09 financial year and the following pages set out how these will be achieved.

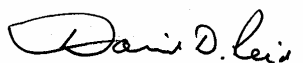
The outline of objectives and other information is in line with the requirements of Section 50 of the Water Corporation Act, albeit Busselton Water is presently not bound by such a requirement. The statement is prepared in anticipation of this requirement becoming mandatory under a replacement Act for the Water Corporation Act which would then apply to Busselton Water.

The Statement of Corporate Intent reflects the significant opportunities and challenges being posed in 2008/09. With water law reform high on the public agenda, the Board remains keen to preserve its involvements and quality reputation that it has attained. Growing our business is part of the Strategic Plan, and opportunities to do so, have never been greater in our 100 year history.

This year Busselton Water will:-

- Continue to strongly interact with its customers;
- Continue to react responsibly to government mandates and guidelines in terms of sustainable management of the State's water resources;
- Refocus its efforts for mains replacement programs;
- Decrease its practice of being involved in greenfields mains installations;
- Work towards finalising a private arrangement with the Water Corporation in relation to securing a bulk water supply agreement for Dunsborough;
- Further improve asset management regimes, operating efficiency and the quality service provided to customers; and
- Work hard to meet new and ever more stringent regulatory requirements.

The Board welcomes these challenges in achieving its purpose of being "committed to the production and management of high quality water for customers".



David Reid
Chairman

1. Our Customers and Stakeholders

Customers: An Integral Part of the Busselton Community

Busselton Water has existed in Busselton for 100 years and has a proud tradition of local management and community involvement. Our mission is to produce and manage high quality water for our customers. We supply to almost 20,000 customers within the Busselton townsite and close environs such as Port Geographe, Siesta Park, Vasse and Wonnerup.

Furthering its tradition of engaging with its customers Busselton Water will be implementing a Community Engagement Program in 2008/2009. This program focuses on providing support through water education, as well as raising awareness of water priorities through promotional opportunities and partnerships.

Busselton Water has now fully embraced electronic media for functions such as receiving account payments, provision of forms/templates and information bulletins. In addition, our website will be reviewed and refocused this year to better serve the needs of customers and comply with the recently introduced Website Governance Framework.

Stakeholders

Our key stakeholders include: the Economic Regulation Authority; Department of Environment; Department of Water; and Department of Health. We have an active stakeholder engagement program in place to ensure effective consultation. We aim to achieve balance in demands for increasing service standards, with costs, to ensure value for money for our customers.

The Board is accountable to the Minister for Water Resources, for delivery of services in a commercial manner. It seeks to achieve this through efficient and effective service delivery whilst maintaining long-term value for future generations.

Our Relationship Opportunities:

Genuine engagement with stakeholders and industry peers continues to be a significant opportunity for the Board during this time of water law reform, drying climate and continuing solid growth in WA. Our challenges include:-

- Continuing to improve stakeholders positive perception of our ability to effectively plan and manage water services and to become a real contender when seeking to expand our core business;
- Obtaining timely decisions from regulators on significant issues and opportunities that influence our ability to achieve outcomes;
- Periods of intense media attention on water related topics; and
- Balancing the expectations of Government, stakeholders and customers.

Priorities for 2008/09

- Continue to provide excellent customer service.
- Expanding opportunities for community engagement through innovative practises to ensure customers are well informed on our plans, services, standards and costs.
- Demonstrate to the community that we are an effective manager of our water supply.
- To continue to pursue opportunities that enable customers to transact business efficiently via on-line self-service options.

2. Our Business

Business decisions at Busselton Water are taken with social, economic and environmental considerations in mind. Our business needs to remain sustainable whilst remembering to be a “good citizen”.

Asset Management

The effective management of assets is fundamental to the proper provision of water services to our customers. Our focus will be to:-

- Ensure that our assets continue to deliver the levels of service expected by customers and the community;
- Better use data to drive decisions in asset management;
- Continue to implement the recommendations of the Asset Management Review conducted in May 2007;
- Continue to assess the condition of our assets; and
- Prioritise resources for asset maintenance to deliver the best overall business outcomes.

Replacement of the Water Board’s Act 1904

Day to day functioning of any organisation is governed by a charter, controlling Act or other form of role definition. The importance of the new Water Corporations Act can not therefore be overemphasised. Busselton Water has been a keen player in the consultation process leading up to the promulgation of a new “Water Corporations Act”. Staff and the Board are keen to continue to seek out opportunities to be informed on the subject wherever able, and to have an understanding of the flow on impacts and any peripheral legislation which may now impact upon the Board.

The new Act will corporatise our organisation and provide clearer and more modern rules for governance and core functioning.

Business Efficiency

Newly promulgated National Water Initiative (NWI) key performance indicators (KPI’s) will again be reported upon this year. The present set of KPI’s used in annual reporting to the Minister for Water Resources, it is

hoped, can be integrated/blended with this requirement. The Board intends to again meet or improve on all of its KPI's in 2008/09.

Water Efficiency Measures

With the introduction of the Statewide Water Efficiency Measures in October 2007, subsequently adopted by the Board, Busselton Water anticipates it will continue to suffer a 12% reduction in water revenue during 2008/2009. These financial losses need to be absorbed into fee structures to preserve the financial stability and organisational planning of Busselton Water.

As such the Strategic Development Plan (Ten Year Forward Financial Plan) and the 2008/2009 budget estimates have been adjusted to allow for this scenario.

Radio Frequency Data Collection System

Busselton Water will continue its emphasis to retrofit all meters within the licensed area with radio frequency technology for the purpose of providing a comprehensive suite of real time information, resulting in more efficient management, monitoring and control of water consumption.

Dunsborough Bulk Water Supplies

The Board is passionately of the view that water needs to be supplied by Busselton Water, ex its licence allocations, and on a commercial basis, for the benefit of Dunsborough residents and the State as a whole.

Priorities 2008/09

- Comply with all regulatory requirements.
- Continue to improve drinking water quality from 'catchment to tap' through implementing effective source protection and progressively developing water safety plans for all schemes (50 plans in 2006/07), as well as continuing to introduce processes and protocols necessary to achieve total compliance with the Australian Drinking Water Guidelines 2004
- Prioritise resources for asset maintenance to deliver the best overall business outcomes.
- Continue to deliver business improvement through effective management of processes across all areas of Busselton Water.
- Manage and deliver a high level of capital investment for the benefit of customers.
- Grow our business via logical, cooperatives and beneficial joint ventures with other utilities.
- Embrace technology to enhance our capacity at all appropriate levels.

3. Our People

Good Quality People

Busselton Water employs 30 people in a diverse range of occupations. Many have given excellent service for a large number of years, whilst the four most senior employees are all relatively recent appointees. The rapid growth in the district has meant a corresponding increase is needed in the number of professional employees. The Board is mindful of this and the need to continuously develop the competencies of its existing staff.

Increasing demands in the labour market, tighter compliance regimes, increasingly complex technology, efficiency imperatives and higher levels of workforce mobility demand best practice human resource management and innovative people programs. As a small employer, adjusting to these needs provides a considerable challenge.

Management's focus is to develop our people through the following strategies:-

Leadership

- Create the environment for innovation to flourish.
- Establish a dynamic style of leadership, employee communications and a new Human Resource Function.
- Create energy and passion to achieve corporate outcomes.
- Grow our leadership capability.

Enhancing Employee Satisfaction

- Clearly communicate our strategic direction and priorities.
- Ensure we have the right mix of skills.
- Build strong relationships between all employees.
- Foster empowerment, hold people accountable and encourage excellence.
- Recognise people for their performance.

Sustaining and growing our capability – now and in the future

- Build on our reputation as an employer of choice.
- Develop a more multi-skilled workforce.
- Sustain our core business capability.
- Provide an environment that enables maximum potential to be realised.
- Build relationships with people and organisations that enable us to source and develop capability.

Safety and Health

Busselton Water remains committed to the safety and health of its employees, contractors and everyone impacted by its business. We will ensure continuous high levels of performance in this area and the area of safety-consciousness in the workforce.

Priorities 2008/09

- Implementation of the first year of the recently negotiated Collective Workplace Agreement. (This single instrument covers all Busselton Water's employees).
- Increase in general training levels and budgets, including a focus on professional development opportunities.
- Design better "upwards/downwards" communication conduits.

4. Capital Investment

Busselton Water's 2008/09 Capital Works Program totals \$3.3M. The program provides an assurance to customers that old infrastructure will be renewed and new infrastructure created, thus maintaining water supplies in a rapidly expanding part of the State. Highlights of the 2008/09 program include:-

Water Treatment Plants – filter replacements and upgrades, to increase the capacity of water that can be filtered.

Mains Upgrades - will be used to replace aged asbestos cement pipes with new PVC pipes.

New Mains - new subdivisional mains laid in consequence of continuing growth.

RF Meters – continuing commitment to the implementation and installation of radio frequency data logging devices.

5. Business Management

Dividend Policy

The Board is not obligated to pay a dividend to any investors and, as a matter of policy, will lobby against any such imposition. The Board's present future planning would need to be adjusted by increasing water tariffs should the payment of dividends become mandated.

Borrowings

All of Busselton Water's capital works to renew assets and its operating expenses are funded from operational cash flows. The use of loan funding is not forecast until 2010/11 and even at that time is planned to be moderate in an overall context.

Accounting Policy

Busselton Water's financial statements are prepared on an accrual accounting basis in accordance with the historical cost convention. They are prepared in accordance also with the Australian equivalents to the International Financial Reporting Standards (AIRFS), authoritative pronouncements of the Australian Accounting Standards Board and the Financial Management Act 2006. Full details of the Board's significant accounting policies can be found within the notes accompanying the Financial Statement within the Board's last Annual Report.

Community Service Obligations (C.S.O's)

Presently there are no arrangements for government to fund Busselton Water activities which are either not otherwise commercially viable and are designed to satisfy broader economic, environmental or social needs of the Busselton community. Expenditures of this type forecast in 2008/09 are as per the table below.

CSO Category	CSO Description	Total \$'000s
Non-commercial services	Loss making water supply schemes	Nil
Revenue concessions	Concessions to eligible pensioners and seniors for both water supply charges and water volume charges.	192,000
Revenue concessions	Concessions to owners/tenants of land used for charitable purposes	10,000
	Total	\$ 202,000

Performance Reporting to the Minister

An annual report is provided each year to the Minister as per the varying legal requirements. For the purposes of this Statement of Corporate Intent (SCI), financial and non financial predictions are included in Appendix 1. These will be monitored and reported against in the following SCI.

Appendix 1 – Financial Outcomes and Business Targets

Financial Outcomes	2007/08 Forecast Actual	2008/09 Planned
Assumptions		
Growth (general customers) - connections	4.3%	7.5%
CPI (annual change) <i>Perth Mar 2007</i>	4.3%	4.3%
Specific Price Increase – Water Tariffs	4.8%	4.7%
Financial Outcomes		
Operating profit before income tax (\$m)	4.62	3.10
Operating profit after income tax (\$m)	3.23	1.86
Total debt	Nil	Nil
Loan principal repaid	Nil	Nil
Capital expenditure (incl. capitalised interest) (\$m)	2.68	3.30
Performance Indicators		
Return on fixed assets	6.6%	3.7%
Return on equity	12.9%	6.9%
Accruals to Government (State)		
Indirect tax (Payroll Tax and Land Tax) (\$'000)	16.3	87.0
Income tax equivalents (NTER) (\$'000)	1,385.5	1,239.8
Total Accruals to Government (\$'000)	1,401.8	1,326.8
Payments from State Government		
Community Service Obligations (\$'000)	0.0	0.0
Net Accrual to State Government (\$'000)	1,401.8	1,326.8
Business Targets	2007/08	2008/09
Our Customers and Stakeholders		
Effectiveness of water supply management	Maintain or improve	Maintain or improve
Customer Satisfaction Measure	Maintain or improve	Maintain or improve
Water consumption per capita.	117 kl	125 kl
Our Business		
Total operations cost per service (connections)	227.3	234.8
Net accruals to Government (\$'000)	1,401.8	1,326.8
Energy Cost/Total KL supplied	0.069	0.077
Our People		
Lost Time Injury Frequency Rate (LTI/1 Mill Hours)	40.9	20.4
Lost Time Injury Incidence Rate (LTI/100 Workers)	7.0	3.5
Duration (Average Days Lost)	8.6	2.0