



BUSSELTON WATER

**BUSSELTON WATER
STATEMENT OF
CORPORATE INTENT**

2011 / 2012

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Chairman's Introduction

Busselton Water is pleased to present its ambitions for the 2011/2012 financial year. The following pages set out how these will be achieved.

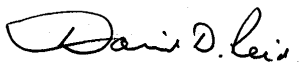
The outline of objectives and other information is in line with the requirements of Section 50 of the Water Corporation Act, albeit Busselton Water is presently not bound by such a requirement. The statement is prepared in anticipation of this requirement becoming mandatory under a replacement Act for 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 2011/2012. 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;
- Further improve asset management regimes, operating efficiency and the quality service provided to customers;
- Implement full-time chlorination
- Work hard to meet new and ever more stringent regulatory requirements; and
- Arrange for the installation and operation of new infrastructure required to honour commitments which the Board has under a large scale bulk water supply contract.

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 more than 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 2011/2012 will see Busselton Water build upon many communication and consultation programs implemented in recent years. This includes its Community Engagement Program which focuses on providing support through water education, as well as raising awareness of water priorities through promotional opportunities and partnerships.

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, 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 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 and definitive decisions from regulators on significant issues and opportunities that influence our ability to achieve outcomes;
- Periods of intense media attention on water related topics e.g. the implementation of full-time chlorination; and
- Balancing the expectations of Government, stakeholders and customers.

Priorities for 2011/2012

- 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 professional and well equipped to effectively manage of our water supply, in particular with reference to disinfection practices.
- 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 of data to drive decisions in asset management;
- Continue to assess the condition of our assets; and
- Prioritise resources for asset maintenance to deliver the best overall business outcomes.
- Build major new infrastructure to cater for growth in customer numbers.

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 Water Services (Legislation, Amendment and Repeal) Bill can not therefore be overemphasised. Busselton Water has been a keen player in the consultation process leading up to the promulgation of new water service legislation. 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 legislation will corporatise our organisation and provide a clearer and more modern framework for governance and core functioning. Detailed new codes, regulations and other lesser legislation, at this point, remain to be enacted. Busselton Water is concerned that these instruments do not grow to be overly onerous or take hitherto unprecedented paths.

Water Efficiency Measures

The Board of Busselton Water supports the statewide water efficiency measures and will continue its endeavours during the year to educate customers of the importance of conserving our important water resource.

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 and quality.

Dunsborough Bulk Water Supplies

Having now entered into a commercial contract with the Water Corporation for the supply of bulk water for use in Dunsborough, Busselton Water is directing its efforts towards planning for future infrastructure requirements to meet these contract needs.

Water Quality

The quality of our water supply remains a top priority for Busselton Water. In moving towards full compliance with the Australian Drinking Water Guidelines 2004 a risk management review and a review of current disinfection practises has identified the necessity to move to full-time chlorination of the water supply. It is expected fulltime chlorination will be implemented in 2012.

Priorities 2011/2012

- Comply with all regulatory requirements.
- Continue to improve drinking water quality from 'catchment to tap'.
- 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 29 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 with good employee communications.
- 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.
- Maintain a 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 2011/2012

- Maintain general training levels and budgets, including a focus on professional development opportunities.
- Focus on training requirements to cater for the new chlorination process, soon to be introduced.
- Design better “upwards/downwards” communication conduits.
- Work to ensure multiskilling minimises risk related to the loss of key personnel.

4. **Capital Investment**

Busselton Water's 2011/2012 Capital Works Program totals \$8.286M. The program provides an assurance to customers that old infrastructure will be renewed and new infrastructure created, thus maintaining water supplies in an expanding part of the State. Highlights of the 2011/2012 program include:-

Water Treatment Plants – Implementation of full-time chlorination, upgrade of filters at Plant 3 and construction of a new bore at Plant 11.

Mains Upgrades - will be used to replace aged asbestos cement pipes with new PVC pipes as well as which new pipes will be laid to cater for the Dunsborough bulkwater requirements and large mains extensions along Blum Blvde, Queen Elizabeth Ave and Rendezvous Rd.

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

5. **Business Management**

Dividend Policy

The Board is not obligated to pay a dividend to government and, as a matter of policy, will lobby against any such imposition. Within the Board's present future financial planning, tariffs will need to be adjusted by the Minister in order to maintain the levels of required expenditure projected within this plan should dividends be introduced.

Borrowings

All of Busselton Water's capital works to renew assets and its operating expenses are funded from operational cash flows. A loan is proposed this year for the chlorination implementation project and is to be \$2.58M. This would become Busselton Water's only loan indebtedness.

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 (IRFS), 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 2011/2012 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.	290
Revenue concessions	Concessions to owners/tenants of land used for charitable purposes	23
	Total	\$ 313

State Government Imposed Efficiency Dividends

As announced by the Government on 19 May 2011, Busselton Water will be enacting a series of savings initiatives designed to meet a 5% efficiency dividend between 2011-12 to 2014-2015. The targeted savings for 2011-2012 are \$167,000.

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	2010/11 Forecast Actual	2011/12 Planned
Assumptions		
Growth (general customers) - connections	3.2%	3.1%
CPI (annual change) <i>Perth September 2010</i>	1.7%	3.0%
Specific Price Increase – Water Tariffs	3.0%	2.2%
Financial Outcomes		
Operating profit before income tax (\$m)	2.92	1.90
Operating profit after income tax (\$m)	1.99	1.22
Total debt	Nil	\$2,564,946
Loan principal repaid	Nil	\$92,454
Capital expenditure (incl. capitalised interest) (\$m)	2.79	10.14
Performance Indicators		
Return on fixed assets	3.6%	1.8%
Return on equity	7.0%	4.9%
Accruals to Government (State)		
Indirect tax (Payroll Tax and Land Tax) (\$'000)	82.1	96.2
Income tax equivalents (NTER) (\$'000)	937.8	685.5
Total Accruals to Government (\$'000)	1019.9	781.7
Payments from State Government		
Community Service Obligations (\$'000)	0.0	0.0
Net Accrual to State Government (\$'000)	1019.9	781.7
Business Targets		
	2010/11	2011/12
Our Customers and Stakeholders		
Effectiveness of Water Supply Management - Customer Service	76.3%	Maintain or improve
Customer Satisfaction Survey (Overall)		
- Water Quality	98.0%	Maintain or improve
- Clarity	98.0%	Maintain or improve
- Pressure	96.2%	Maintain or improve
- Reliability	92.4%	Maintain or improve
Water consumption per capita.	123kl	119kl
Our Business		
Total operations cost per service (connections)	383.6	359.0
Real Water Losses (Ltrs/Service connection/day)	< 115 ltrs	< 115 ltrs
Energy Consumption (kWh/Kl)	< 0.70	< 0.70
Energy Cost/Total Kl supplied	0.126	0.110
State Government Efficiency Dividend (5% saving)	-	167,000
Our People		
Lost Time Injury Frequency Rate (LTI/1 Mill Hours)	19.7	19.2
Lost Time Injury Incidence Rate (LTI/100 Workers)	3.4	3.3
Duration (Average Days Lost)	2.0	2.0