

# Statement of Corporate Intent

2018-19



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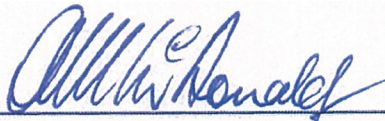
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# Shareholder Agreement

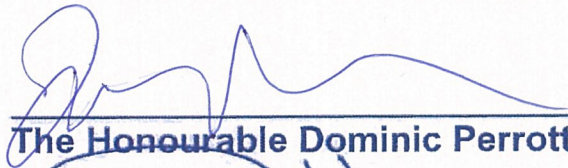
**Organisation** WaterNSW

**Period** 1 July 2018 to 30 June 2019

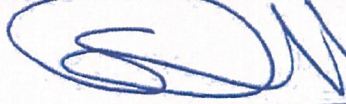
This Statement of Corporate Intent has been agreed between:



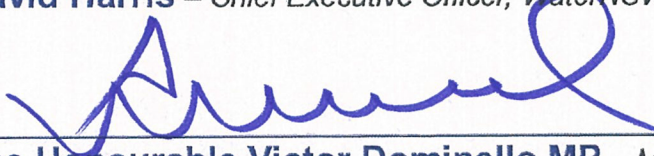
**Anne McDonald** – *Chair WaterNSW, On behalf of the Board*



**The Honourable Dominic Perrottet MP** – *Treasurer and Minister for Industrial Relations*



**David Harris** – *Chief Executive Officer, WaterNSW*



**The Honourable Victor Dominello MP** – *Minister for Finance, Services and Property*

# Overview of WaterNSW

## Who we are

- ◆ WaterNSW is a State-Owned Corporation established under the Water NSW Act 2014 and operates under an Operating Licence issued and monitored by the Independent Pricing and Regulatory Tribunal (IPART).
- ◆ WaterNSW is responsible for supplying the State's bulk water needs, operating the State's river systems and the bulk water supply system for Greater Sydney and providing services to its customers with respect to licensing and approvals, water allocation trades ("temporary trades"), water licence trades ("permanent trades") and water resource information.
- ◆ We supply two thirds of water used in NSW from our 42 dams, rivers and pipelines to regional towns, irrigators, Sydney Water Corporation and local water utilities.
- ◆ We own and operate the largest surface and groundwater monitoring network in the southern hemisphere and build, maintain and operate essential infrastructure.

## What we do

WaterNSW plays a vital role in improving the availability of water that is essential for water users and the communities throughout NSW. WaterNSW does this through the delivery of its Market Functions:

- ◆ **Source Water Protection** – protection of the Greater Sydney drinking water catchment to ensure safe water is supplied to Sydney Water, local councils and other distributors for treatment and distribution to their customers;
- ◆ **Bulk water supply** – supplying water from its storages to customers in the Greater Sydney drinking water catchment and in the State's regulated surface water systems;
- ◆ **System Operator** – efficient management of the State's surface and groundwater resources to maximise reliability for users through the operation of the State's river systems and bulk water supply systems, in collaboration with the MDBA which directs operations of the River Murray system;
- ◆ **Bulk water supply infrastructure Planning, Delivery and Operation** – planning, developing, owning and operating infrastructure to meet customer-defined levels of service and in support of NSW Government policy and priorities to increase the security and reliability of water supplies to end use customers for and the communities of NSW; and
- ◆ **Customer water transaction services** – providing efficient and timely services to end use customers for water licensing and approvals, water trades, billing and to meet their water resource information needs with respect to surface and groundwater quantity and quality.



# Our Vision

*We are recognised and valued by our customers for excellence in efficiently delivering their water needs to help make our communities healthy and prosperous*

## Our Strategic Goals

### **Our Performance**

Consistently deliver and continuously improve core performance

### **Our Business**

Evolve our business to be responsive, resilient and enduring

### **Our People & Safety**

Develop our people and live our commitment to zero harm

### **Our Water Solutions**

Demonstrate thought leadership in providing holistic solutions to the state's water supply and water market challenges

### **Our Relationships**

Connect and collaborate with our customers, communities and stakeholders

# Strategic Priorities

Strategic Priority	What will it mean?
<b>Be Safe4Life</b>	✓ Achieve our safety-first commitment to zero harm (employees, contractors and the public) through decisions, behaviours and leadership actions that embed and continually improve our safety performance.
<b>Be a Customer Centric Organisation</b>	✓ Focus on activities that prioritise our customers in our decisions and actions so that we improve the value customers receive along with the quality of their experience. Ensure by 2021 more than 70% of our customers rank our service delivery as seven or greater out of 10.
<b>Deliver Reliable Performance in a Changing Environment</b>	✓ Achieve reliable and consistently improving performance and operational strength across all of our key functional areas by continuing to build our capability, flexibility and resilience.
<b>Develop Our People and the Effectiveness of Our Team</b>	✓ Create the high-performance business we want to be by investing in and developing the competencies and leadership capabilities of our people, and by uniting them into one engaged and effective team that takes personal accountability for outcomes.
<b>Improve Organisational Performance</b>	✓ Improve organisational performance by embedding a mindset of 'real-world' continuous improvement in all that we do, by embracing new ideas from national and global benchmarking research and by creating effective internal customer delivery chains that are commercial and meet evolving customer needs and shareholder requirements.
<b>Support Performance Through Innovation and Adoption of New Technology and Scientific Advances</b>	✓ Through innovation and adoption of new technology and scientific advances ensure we do things safer, automate routine activity, reduce waste and costs, provide value adding information products to our customers and improve our performance.
<b>Provide Strategic Solutions</b>	✓ Proactively collaborate and demonstrate thought leadership so that we anticipate, influence and strategically respond to our changing external environment and paradigms, including the water market and the implementation of the Murray-Darling Basin Plan, and develop innovative solutions that go beyond traditional thinking and span asset, operational, rule change and funding solutions.
<b>Leverage our Water Quality and Water Information Expertise</b>	✓ Use our specialised knowledge, leverage our water quality and water information expertise to provide enhanced services for water quality causes and effects consistent with the aspiration of our communities to ensure water quality outcomes across the state; and water information applications and modelling to enable us to convert data into value added information applications for our customers and improve our performance in operating water supply systems.

# Area of Operations



# Key Statistics



## Our customers



### Sydney Water

We supply raw water to Sydney Water for treatment to drinking water standard which is then distributed to its retail customers.



### Environmental water holders

We release water for environmental purposes. Environmental water holders are increasingly becoming a major customer segment for WaterNSW.



### Private irrigators

Irrigators use water for agricultural production. Irrigation companies distribute water supplied by WaterNSW to their customers.



### Local Councils

Council customers include Goulburn-Mulwaree Council, Shoalhaven Council, Wingecarribee Council, Tamworth City Council and more.





# Financial Performance

Annual financial targets (\$ million nominal)	FY19	FY20	FY21
Total Shareholder Return	61.1	73.2	72.4
Core Operating Expenditure	155.3	160.5	163.5
Core Capital Expenditure			
i. WaterNSW	i. 124.2	i. 168.6	i. 214.6
ii. Broken Hill (total project cost)	ii. 471.0	ii. 0.0	ii. 0.0
Capital Structure Efficiency: Target Credit Rating	Baa2	Baa2	Baa2
Capital Structure Efficiency: Target Capital Structure (Net Debt to RAB)	59%	58%	58%
Core Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	171.1	203.9	199.8
Non-Core Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	6.9	6.9	7.0

In accordance with the NSW Treasury Policy *TPP 16-03 Capital Structure Policy for Government Businesses*, the Shareholders and the Board of WaterNSW are committed to ensuring WaterNSW maintains a strong and stable investment grade credit rating.

In accordance with the NSW Treasury *2018-19 Guidelines: Statement of Corporate Intent and Business Plan for State Owned Corporations*, budgets have been provided on a 'P50' basis, where there is an equal chance of over- or under-performance.

# Non-Financial Performance

Non-financial performance measures		FY19 target
Safety Excellence	<ul style="list-style-type: none"> <li>• Zero harm: Lost Time Injuries</li> <li>• Visible Safety Leadership</li> <li>• Safety Culture</li> </ul>	<ul style="list-style-type: none"> <li>• No more than three Lost Time Injuries</li> <li>• Ten VSL activities by each Executive Manager</li> <li>• 5% improvement on the FY18 Safety Culture Index</li> </ul>
Customer	<ul style="list-style-type: none"> <li>• Skyline</li> <li>• Customer Service</li> <li>• Quality of Relationship</li> <li>• Quality of water provided to Sydney Water</li> </ul>	<ul style="list-style-type: none"> <li>• By 2021 more than 70% of our customers rank our service delivery as greater than 7 out of 10.</li> <li>• Customer Service Index of 66.0%</li> <li>• Quality of Relationship Index of 66.2%</li> <li>• Water supplied meets standards under Raw Water Supply Agreement &gt; 95%</li> </ul>
High Performance Culture	<ul style="list-style-type: none"> <li>• Customer Centricity: Organisational Customer Focus</li> <li>• Leadership and development</li> <li>• Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• 3.94 out of 5 (up from 3.03 in FY16)</li> <li>• Development plans delivered for 100% of the leadership group</li> <li>• 5% improvement in employee engagement / culture survey results</li> </ul>
Delivery of Asset Projects	<ul style="list-style-type: none"> <li>• Overall Measure of Delivery (OMD)</li> <li>• Deliver the planned Capability Program (MCP)</li> <li>• Early delivery of IPART approved capital programs</li> </ul>	<ul style="list-style-type: none"> <li>• 250</li> <li>• &gt; 90% of MCP projects planned for completion in FY19 are delivered</li> <li>• The annual capital investment target for each determination is exceeded by &gt;5%.</li> </ul>

# Representation and Commitment Statement

## The Board of WaterNSW confirms that:

- a. performance targets within the 2018-19 SCI are based on and supported by WaterNSW's Business Plan;
- b. the Voting Shareholders will be provided with financial and other information, including information on major capital expenditure projects, on a quarterly basis to assess the performance against commitments in this SCI and assess the value of the Shareholders' investment in the business;
- c. asset maintenance policies and processes are adequate and appropriate to manage and control risks associated with physical assets;
- d. all known 'key risks' and 'major emerging contingent liabilities' which could materially impact the current and future results of WaterNSW for the coming year have been disclosed;
- e. internal audit and risk management practices are consistent with standards recommended for Australian Securities Exchange (ASX) listed companies and where appropriate, has applied any additional requirements that are set out in *TPP15-03 Internal Audit and Risk Management Policy* for the NSW Policy Sector; and
- f. the Chief Executive Officer has an employment contract and performance agreement. The performance agreement is appraised every six months. The contract entitles the CEO to ongoing employment with WaterNSW;
- g. WaterNSW adheres to *Commercial Policy Framework* policies, as listed in the *State Owned Corporations: Applicable TPPs under the Commercial Policy Framework*;
- h. WaterNSW complies with NSW Treasury accounting circulars and policies applicable for SOCs, as listed in the *State Owned Corporations Mandatory Accounting Policies – NSW Treasury Circulars and Treasury Policy Papers* (issued as at December 2016);
- i. WaterNSW agrees to provide information during the year to Treasury, as representative of the Voting Shareholders, as specified in the *State Owned Corporation Reporting Obligation Requirements*; and
- j. WaterNSW has agreed to comply with the requirements of *Premier's Memoranda M2012-04 Application of NSW Public Sector Wages Policy 2011 to State Owned Corporations* and further guidance contained in the Treasurer's January 2015 letter.

## WaterNSW will apply the principles of:

- a. Premier's Memoranda M2012-08 Application of Biofuels; and
- b. Premier's Memoranda M2013-04 Implementation guidelines for procurement of publicly funded construction services.

