

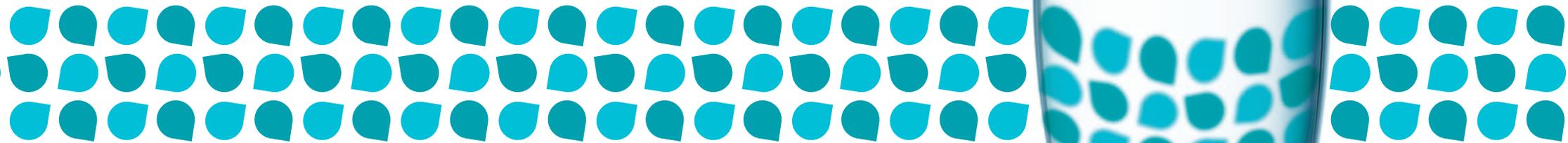
19.3.2 April 2021

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9 APR 2021

Corporate plan

Financial years 2022 to 2026



TasWater proudly acknowledges the traditional and original owners of this land lutruwita, the Tasmanian Aboriginal people, pays respect to those who have passed before us, and acknowledges today's Tasmanian Aboriginal people who are the custodians of this land

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Message from our Chairman and CEO

This Corporate Plan FY2022-26 (the Plan) is targeted towards supporting the economic and social prosperity of the state while making a positive difference to our customers and the Tasmanian community over the next five years and beyond.

The Plan outlines the means by which impacts of the coronavirus (COVID-19) pandemic will be mitigated, the capital program accelerated, customer experiences enhanced and people kept safe at work.

When COVID-19 emerged in early 2020, a rapid transition took place to ensure reliability and continuity of service during what was proving to be a disruptive and uncertain time for our customers. We are proud of how our team responded, with the motivation to put customers first demonstrated across the whole business.

Employees were quick to adapt to new ways of working in order to continue with their day-to-day responsibilities. Several innovations emerged in the delivery of initiatives to support TasWater's vision – “to be a trusted and respected provider of essential services that is making a positive difference to Tasmania”.

A positive impact from COVID-19 was the sudden need to develop and implement new technology, which accelerated the pace of digital transformation in some areas. To maintain momentum in this area, an enhanced Digital Strategy is

currently being developed to facilitate further leveraging of digital technologies for the benefit of customers and employees.

More broadly, the lessons learned from COVID-19 have been embedded into operations while ensuring effective plans are in place to respond to any further disruptions over the life of the Plan.

In 2017, an ambitious target was set to deliver \$1.7 billion¹ total capital expenditure over 10 years. A Capital Delivery Office (CDO) was established in 2018 to lead the delivery of the program.

While several major milestones have been achieved so far, process improvement opportunities have been implemented to support the delivery outcomes of the accelerated capital program.

In early 2021, the business resumed direct responsibility for simpler, lower cost infrastructure projects that require a level of urgency. This change provides the CDO with the opportunity to focus on the larger projects for which it is best suited.

Over the next five years, capital expenditure is forecast to reach \$1.3 billion (inclusive of external funding contributions of \$164.1 million). This incorporates an estimated \$244 million for the Bryn Estyn water treatment plant upgrade – being our largest infrastructure project to date. This considerable investment will help ensure key promises made to customers are delivered upon

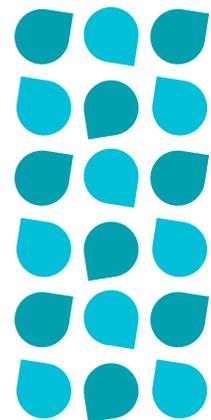
Dr Stephen Gumley AO

Chairman

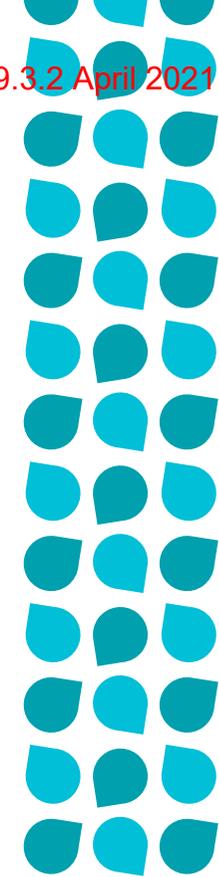


Michael Brewster

Chief Executive Officer



¹ \$1.7 billion is the total capital expenditure committed, with a stretch target of \$1.8 billion reflected in the Memorandum of Understanding under which the Tasmanian Government became a shareholder of TasWater



and provide much needed economic stimulus for the Tasmanian business community well into the future.

The Plan includes a refresh of business strategies and practices to accommodate key environmental considerations, such as climate change and drought. A new overarching Environment Strategy is being developed to outline how key environmental matters will be addressed and provide a long term strategic approach to the management of our resources and broader environmental obligations.

To ensure customers remain at the heart of the business, a new Customer Experience Strategy has been developed and roll out commenced. This strategy promotes customer-centred decision making at all levels of the business, empowering staff to see interactions from the customers' point of view and increasing understanding that valuing customers means valuing their own time, effort and resources as well.

Over the next five years, continued investment in our people will ensure we have the necessary culture and capability to make a positive difference to Tasmania. Of note, the Blue Bus Revolution program that was deferred as a result of COVID-19 will recommence in FY2021-22. This program will support the move to a more constructive organisational culture and the attainment of higher levels of business performance.

While health and safety performance has improved in FY2020-21, it is recognised that there is further work to do in this area. Becoming a Zero Harm organisation will remain a key strategic focus through the delivery of the Health and Safety Improvement Plan.

In the FY2021-25 Corporate Plan, several adjustments were made to the forward targets of key performance indicators to reflect the anticipated impacts of COVID-19 and reduced funding for strategic and operational initiatives. The focus over the next five years will be to recover to the original targets.

Like most businesses, the FY2020-21 budget was impacted by COVID-19. Recognising the considerable uncertainty at the time that budget was developed, a conservative financial outlook was adopted following scenario modelling that was based on independent research.

As a result, the difficult decision was made to suspend dividend payments to owner councils for FY2020-21. While this decision was considered necessary at the time, financial performance in FY2020-21 has been better than expected, which allowed for an interim dividend payment to be made in February 2021. A further dividend payment will be considered in June 2021 based on the financial performance at that time.

Looking ahead, the projections included in the Plan demonstrate a sustained financial recovery over the next five years. In particular, underlying net profit is forecast to increase from \$26.0 million in FY2021-22 to \$37.7 million by FY2025-26.

At this stage, payment of special dividends over and above the agreed target of \$20.0 million per year are anticipated to provide for dividends that were previously foregone by owners. The targeted increase in dividend levels are however subject to the realisation of underlying profits sufficient to support these increased payments and approval by the TasWater Board.

In summary, this Plan represents TasWater's commitment to our customers, the Tasmanian community, our people and owners. TasWater is dedicated to realising its vision and making a positive difference to Tasmania in everything that it does.

Dr Stephen Gumley AO
Chairman

Michael Brewster
Chief Executive Officer

Our purpose

TasWater is an incorporated company providing water and sewerage services to homes and businesses across Tasmania. We source, treat and deliver reliable, quality water to our customers. We collect, transport and treat sewage and safely return it to the environment.

TasWater was established under the *Water and Sewerage Corporation Act 2012* and the *Corporations Act 2001*, and commenced operations on 1 July 2013. The 29 Tasmanian councils and the Tasmanian Government are the shareholders of TasWater.

About the plan

What is the purpose of the Plan?

The Plan outlines our priorities and focus areas for the FY2022-26 period to deliver towards our vision “to be a trusted and respected provider of essential services that is making a positive difference to Tasmania”.

How was it developed?

The Plan incorporates analysis of our internal and external environment, reviews of current performance and responses to community, stakeholder and owner feedback.

What has changed?

The Plan reflects the updated initiatives focused on achieving our vision.

While the overall strategic direction does not differ from the previous Corporate Plan, we have considered the lessons we learned during our COVID-19 response and have taken the opportunity to leverage from this experience and update our strategies and strategic initiatives where appropriate.

We have also made several changes to our strategic framework to consolidate strategies where appropriate and expand our strategic focus into new areas.

Last year, we made several necessary budget and performance adjustments to support our COVID-19 response. We remain confident that the budget forecast and expected performance outcomes will recover to be close to their pre-COVID-19 targets by the end of the Plan period. We will continue to monitor the ongoing impact of COVID-19 and make informed decisions to guide our business recovery.



About us

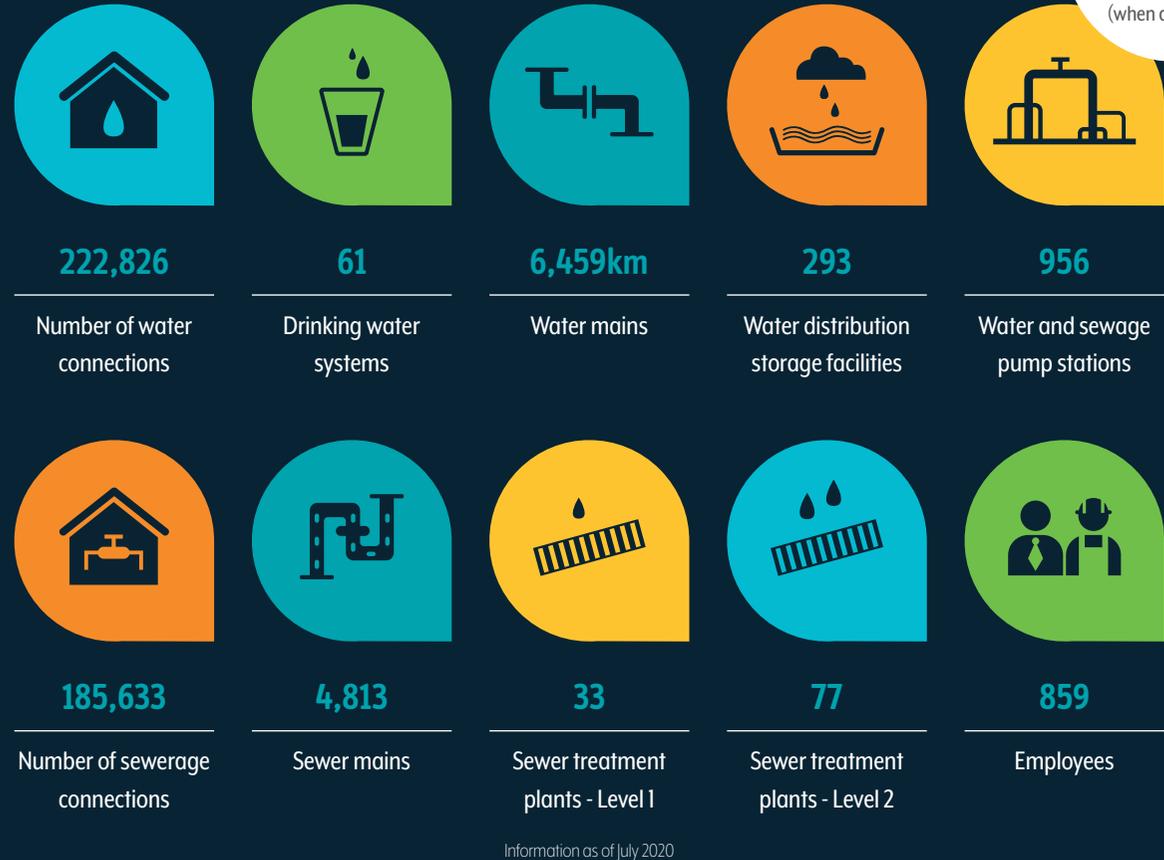
We operate under a range of legislative and regulatory instruments, including:

- *Water and Sewerage Corporation Act 2012*
- *Corporations Act 2001*
- *Water and Sewerage Industry Act 2008*
- *Environmental Management and Pollution Control Act 1994*
- *Public Health Act 1997*
- *Land Use Planning and Approvals Act 1993*
- *Water Management Act 1999*
- TasWater’s Constitution
- TasWater’s Shareholders’ Letter of Expectations.

The key regulators are:

- The Tasmanian Economic Regulator
- The Environment Protection Authority
- The Department of Health
- The Department of Primary Industries, Parks, Water and Environment.

We also have key stakeholder relationships with several other regulatory bodies, including ShellMap.



Note: this data is placeholder only – will be updated with data as at 31 March 2021 (when available).

Key facts as at 30 June 2020

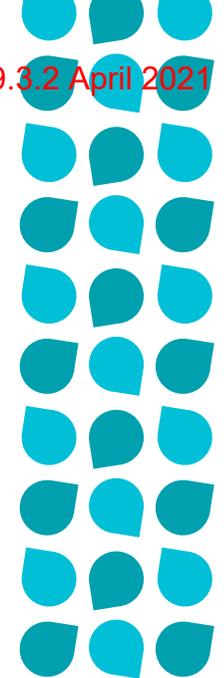
Provided water and sewerage services to more than 431,515 customers²

Delivered 65,643 mega litres of drinking water

Treated 51,918 mega litres of sewerage

Supplied 6,199 mega litres of recycled water

Note: this data is placeholder only – will be updated with data as at 31 March 2021 (when available).



Strategic framework

Vision

Our strategic vision is “to be a trusted and respected provider of essential services that is making a positive difference to Tasmania”. This vision guides our strategic decision-making both now and into the future.

Long Term Strategic Plan

The Long Term Strategic Plan (LTSP) provides direction to the whole business by identifying the strategic outcomes we expect to achieve over the long term to realise our long term strategic vision.

The first LTSP was developed in 2017 and was refreshed in April 2021 to inform the preparation of our Price and Services Plan 4 (PSP4). The refreshed LTSP considers the progress we have made since 2017 as well as the broadening of our strategic focus and priorities since that time.

Strategy and strategic priorities

Our organisational strategy is underpinned by four key strategic themes: Customer and Community, Water and Environment, People and Culture, and Commercial and Economic. For each theme, there are customer promises and outcomes that we expect to deliver, as well as primary and enabling strategies to realise them.

Price and Service Plan 4

Our pricing and service levels are set in a Price and Service Plan that is approved by the Tasmanian Economic Regulator (TER).

We are currently developing our proposed PSP4 for the period 1 July 2022 to 30 June 2026. We will submit our proposal to the Tasmanian Economic Regulator (TER) on 30 June 2021 for investigation and review.

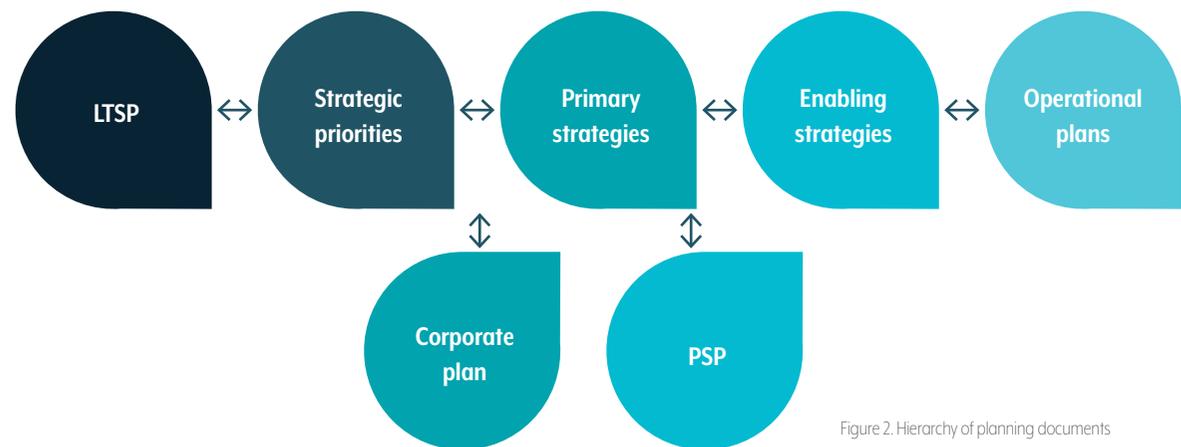


Figure 2. Hierarchy of planning documents

Our strategy



Our vision

To be a trusted and respected provider of essential services that is making a positive difference to Tasmania

Our values

- Taking ownership
- Honest and straight forward
- Working together
- Getting it right
- Long term thinking

Our primary strategies

Customer and community

- Customer experience strategy
- Community and stakeholder strategy

Water and environment

- Drinking water strategy
- Environment strategy

People and culture

- Health and safety strategy
- People, culture and capability strategy

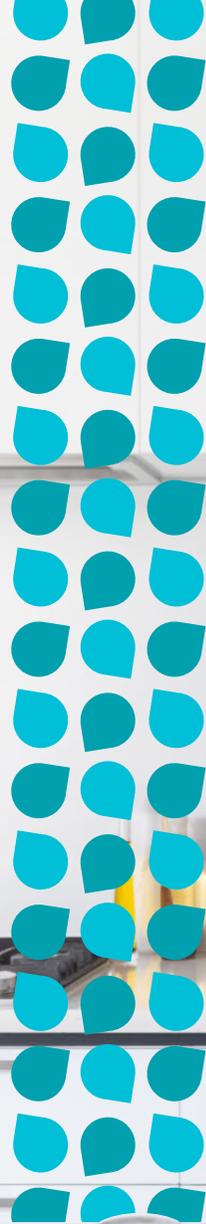
Commercial and economic

- Asset management strategy
- Financial sustainability strategy

Our enabling strategies

- Digital Strategy
- Risk management framework

Strategic priorities and key focus areas





Customer and community



What you expect

- You are satisfied with our service
- You find it easy to do business with us
- You are kept informed



Our promise

- Deliver a positive customer experience to you



Our priorities

- Identifying and closing critical customer service gaps
- Improving our customer engagement and understanding



Our primary strategies

- Customer experience strategy
- Community and stakeholder strategy

Customer and community

Supporting our customers through COVID-19

While Tasmania's economy performed well throughout 2020, it is not yet clear that the full financial, economic and social impacts of COVID-19 have been experienced by our customers.

The strength in Tasmania's economy has been largely attributed to the relatively higher proportion of the state's population being supported by Australian Government assistance. This assistance ended in March 2021, and there has been concern that the Tasmanian economy would be the most heavily impacted as a result.

Recognising that COVID-19 is expected to present a risk for some time, we will continue increased communications to customers about our hardship policy, expanded customer support program and what we and our owners are doing to mitigate the financial effects of the pandemic.

We have reflected the lessons learned from our COVID-19 response in our customer-related strategies and remain committed to providing support to our customers who need it the most.

Enhancing the customer experience

Initial research in late 2016 showed that our customers held a largely negative view of TasWater and its services. Overall customer satisfaction at that time was between 49 and 51 per cent. However, as a result of our focus in this area, we were able to increase customer satisfaction to 68 per cent just prior to the onset of COVID-19.

As a result of COVID-19, the primary focus of many customers turned to the reliability of our services, the safety of the community and, for some customers, the need for greater financial and hardship support.

However, beyond COVID-19, the needs and expectations of customers continue to evolve. This includes the way customers want to interact with service providers, with an increasing number of customers seeking to connect through digital platforms and manage transactions in the way that is most convenient for them.

Research by both Deloitte and the Water Services Association of Australia shows that the utility customer of the future will expect a personal relationship with their service provider and a data-driven experience that provides flexibility in how they manage their account and services.

Like other utilities across Australia, we will need to respond in a timely manner to these expectations to remain relevant to our customers. To do this, we need to better understand the



kind of experiences our customers want from us and respond with appropriate solutions.

The aim of our Customer Experience Strategy is to implement a best-in-class approach to customer experience under which the sequence of interactions with our customers is well-managed, cohesive and positive.

We will continue to implement this strategy and improve customer satisfaction over the life of the Plan by focusing on 'fixing the basics', including root cause analysis of customer complaints, keeping our customers informed and removing pain-points. We will also explore how we can improve and streamline our processes to create a better customer experience, without 'over servicing' and placing upward pressure on prices.

Engaging with our owners, stakeholders and the broader community

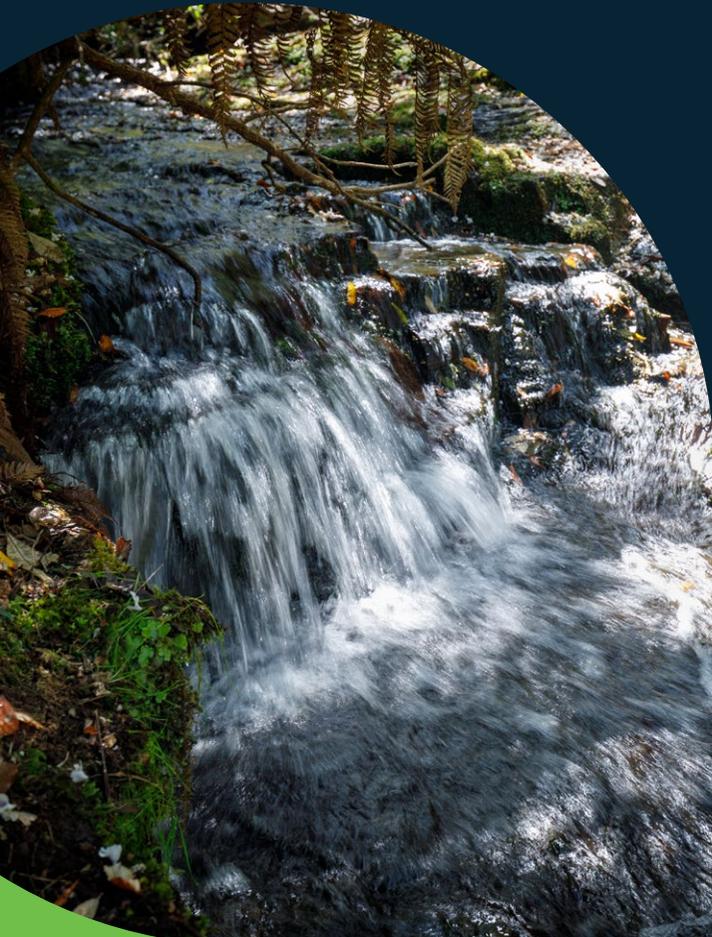
In recent years, significant progress has been made in building stakeholder engagement and demonstrating our value and purpose to the communities we serve. Community satisfaction with TasWater rose from 52 per cent in December 2017 to 62 per cent in 2019 with updated research results expected to be made available in mid-2021.

Our improvement in this area has been driven by an increased focus on using interactions with our owners, stakeholders and the community to raise awareness of our role as an essential service provider, engaging with key community opinion leaders and participating in community events.

Over the period of the Plan, we will continue to develop and maintain relationships with our owners, stakeholders and communities and foster greater sharing of information through the execution of our Community and Stakeholder Strategy.

This will include continued engagement with peak bodies to better understand the needs of their members and work closely with key business customers to allow us to consider the individual opportunities and the pressure they face. We will also continue to build our understanding of identified customer segments to deliver services in ways that meet their needs and expectations while at the same time improving their understanding of our business.

This engagement will inform our decisions and contribute to our broader long term policy settings. We will also continue to participate in community events to demonstrate that we care for the community, encourage mutual trust and respect and build the social license for our activities.



Water and environment



What you expect

- Your drinking water is clean and safe to drink
- You have a reliable supply of water
- Your sewage is efficiently collected and transported
- Your sewage is treated and disposed of with minimal impact to the environment and its users



Our priorities

- Meeting agreed regulatory compliance targets
- Optimising system performance



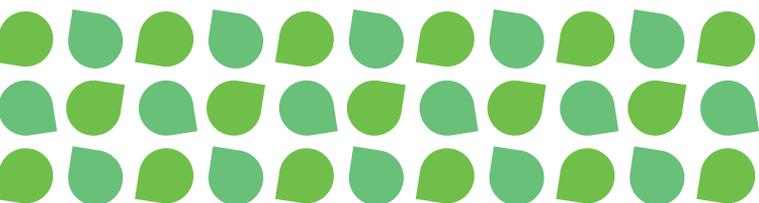
Our promise

- Provide you with safe drinking water and responsibly manage your sewage



Our primary strategies

- Drinking water strategy
- Environment strategy



Water and environment

Climate change

By 2030, it is predicted that the Earth will be at least 1.5 degrees warmer than pre-industrial times. Extreme climatic events are already increasing in both frequency and magnitude.

The changing climate remains one of the biggest strategic risks facing TasWater and the broader water industry. We need to better understand how it will affect the way we work now and into the future.

Taken together with a growing population, the lower rainfall and higher temperatures anticipated from climate change is likely to have a material impact on our ability to provide a reliable supply of drinking water over the longer term.

In addition, customers, regulators and governments are increasingly demanding that companies assist in contributing to the mitigation of climate change by reducing greenhouse gas emissions. We will need to demonstrate to our customers that TasWater is a responsible environmental custodian to achieve our strategic vision.

To recognise the strategic risks associated with climate change and acknowledge our social obligations and stakeholder expectations, we are currently developing a Climate Change Strategy and Adaptation and Mitigation Plan to establish a coordinated approach to the mitigation of climate change risk and identify options to reduce our climate impact.

The development of this strategy and plan will continue into FY2021-22 and includes a risk and vulnerability assessment, high-level scenario planning, identification of priority areas for investment and the development of an opportunity map in relation to potential investment in renewables and energy efficiency initiatives.

Water security and competition for water resources

Alongside the changing climate, seasonal tourist booms and steady population growth are expected to continue to put pressure on water supplies both now and into the future.

While the state's tourism industry was heavily impacted by COVID-19 in 2020, over 3.5 million tourists and other visitors arrived in Tasmania between July 2018 and June 2019. Many travellers arrive during summer months, placing short term pressure on our water supplies in regional areas. The Tasmanian Government has also set a target to grow the state's population to 650,000 by 2050, which will place greater demands on our aging infrastructure.

More broadly, competition is also increasing for access to our water resource from industrial and commercial users, established industries such as agriculture, and emerging industries such as hydrogen production. Growth in these sectors will also require significant investment in infrastructure to support the supply of water to meet this type of large-scale industrial demand.



It is likely that service introductions or augmentation will be required, as well as investment in alternative water supplies, to meet increasing demands for water supply and maintain water security.

In response to the difficult summer period experienced in FY2019-20 and the growing importance of water security as a strategic issue for our business, a significant body of work has been completed over the last twelve months to ensure that we continue to appropriately manage our water supplies, including:

- Development of a Demand Management Strategy
- Completion of a water surety risk assessment and development of draft restriction “trigger points” for all systems
- Development of an urban water supply master planning framework to guide source augmentation investment decisions
- Formal submission to the Tasmanian Government’s Rural Water Use Strategy
- Development of a strategy to reduce the percentage of unaccounted for water
- Review of water allocations and extraction licences to inform discussions to update water licences in line with demand projections
- Commencement of a program of technical assessments focused on improving surety of supply on the east coast of Tasmania and other stressed communities, including Bridport.

During FY2021-22, we will continue to develop an overarching Water Surety Strategy aimed at establishing agreed levels of service and guiding development of an overall portfolio of integrated and coordinated actions in relation to both supply enhancement and augmentation and demand management.

We are also embarking on a Water Surety Communications and Engagement Strategy aimed at raising awareness among policymakers, stakeholders and customers regarding water surety and the importance of looking after the water we all share.

We will continue to engage proactively with the Department of Primary Industries, Parks, Water and Environment on water resource management.

Broadening our environmental focus

To date, our primary Water and Environment strategies have been focused on the delivery of safe drinking water and responsible sewerage services to our customers.

While there is further work to do in these areas, we have achieved several milestones, including realising full microbiological compliance for two years in succession and major improvements in sewage treatment.

To be trusted and respected by our customers, we recognise that we need to broaden our strategic focus beyond the provision of drinking water and management of sewerage.

Accordingly, we are developing an overarching Environment Strategy to outline our long term goals and priorities in relation to the natural environment.

The strategy will provide the framework for a number of new and existing strategies across several key environmental focus areas, including sewerage system management, climate change adaptation and mitigation, catchment management, emissions reduction and changing customer expectations, biosolids and trade waste.

Catchment management

Catchment management remains a key strategic issue for TasWater. Unlike most other Australian water utilities, we do not own or manage water catchments or, in most cases, the land around water storages or extraction points. Nevertheless, we rely on the health of our drinking water catchments to provide reliable and safe drinking water.

We will continue to advocate for the protection of our natural resources and work to better understand the impacts of emerging challenges on drinking water catchments. This includes working constructively with key catchment management groups, landowners and the Tasmanian Government.





People and culture



What you expect

- Our work is conducted safely to protect our people, contractors and the communities we serve
- Our culture and capabilities enable us to make a positive difference to Tasmania



Our promise

- Build culture and skills for the long term benefit of Tasmania



Our priorities

- A relentless focus on safety (Zero Harm)
- Enhancing workforce capability and culture



Our primary strategies

- Health and safety strategy
- People, culture and capability strategy

People and culture

Improving health and safety results

After disappointing health and safety results in FY2019-20, we have delivered an improvement in our performance during FY2020-21 as a result of escalating our focus and resourcing in this area.

However, we recognise that there is still more work to do to achieve our goal of becoming a Zero Harm company. We will continue to seek further improvement over the period of the Plan through the implementation of our Health and Safety Strategy and Health and Safety Improvement Plan.

Our primary focus is on the major hazard areas of our business that have the potential for a serious injury or fatality. We are progressing initiatives related to our fatal risk control standards, chemical management, fatigue management and contractor management.

Over 80 per cent of the injuries experienced by our people are soft tissue injuries from manual and physical tasks. Through our Soft Tissue Injury Taskforce, we will continue to focus on developing solutions and redesigning work processes to reduce exposure to tasks that can produce these types of injuries.

We will also continue to encourage our staff to participate in safety conversations to promote the importance of safe work practices.

Ongoing effects of COVID-19

COVID-19 has driven significant change in the way we conduct our business, requiring us to implement physical distancing and new ways of working to continue to deliver services to our customers and keep our people and the community safe.

We acted quickly when COVID-19 emerged, and our response has been independently assessed as being effective. Accordingly, we are confident in our ability to manage a further outbreak or disruption of similar magnitude in the future.

Nevertheless, COVID-19 continues to present risk. Tasmania has fared relatively well to date, but further outbreaks in the state and disruption to our operations are still possible. Although a COVID-19 vaccine is currently being rolled-out, it is expected that we will be required to observe public health measures and maintain COVID-safe behaviour for the foreseeable future.



Investing in people, culture and capability

Our people are fundamental to our success. We remain committed to investing in our organisational culture and capability to ensure that our people have the mindsets and capabilities to reach their career aspirations and deliver outcomes consistent with our strategic objectives.

We have simplified our strategic focus in this area by consolidating several existing strategies into a People, Culture and Capability Strategy.

The key objectives of this strategy are to:

- Create a culture that enables our people to pursue a standard of excellence, work cooperatively, 'have a go', and implement change together to support higher levels of business performance
- Build capabilities that drive the greatest benefits for customers and financial outcomes for the business while providing opportunities for our people to learn, develop and reach their full potential.

Recognising that our ability to innovate and share knowledge is fundamental to realising these objectives, this strategy is now directly supported by our Innovation and Knowledge Management strategies.

Over the period of the Plan, our key focus areas will be to:

- Recommence the Blue Bus Revolution and Leader as Coach programs that were suspended as a result of COVID-19
- Develop and implement leadership competency and accountability matrices linked to our values, behaviours and the constructive styles
- Review performance and development processes to encourage a greater focus on goal setting that is aligned to our purpose and customer outcomes
- Continue our trainee, graduate and intern programs while developing targeted initiatives to enable career pathways and planning to support various needs and segments across the employee lifecycle
- Continue to cultivate innovative mindsets to help us meet the evolving expectations of our customers
- Establish an online virtual workplace for our people to collaborate, innovate, communicate and share knowledge.

We will continue to conduct pulse and engagement surveys over the life of the Plan to measure our progress and ensure we remain focused on our key strategic aims.

Greater flexibility in working arrangements

The need for staff to work from home during COVID-19 has led to an acceleration in the adoption of more flexible working arrangements. Many employees have a strong desire to maintain these arrangements beyond COVID-19.

Recent research from Boston Consulting Group found that between 41 and 60 per cent of Australians prefer to work from home two to three days a week. A global study from Atlassian showed that nearly 70 per cent of workers had experienced an increase in job satisfaction since shifting to remote work, with most study participants also reporting an increase in productivity.

While occupancy levels at our sites have increased since July 2020, it is unlikely that we will revert fully to traditional working arrangements where all staff are on-site every day. Employees see flexible working arrangements as a key consideration in determining their employer, and employers will need to meet these expectations to remain competitive.

People and culture





Commercial and economic



What you expect

- The local economy benefits from our investment and capacity building
- Pricing is sustainable



Our priorities

- Delivering Price and Service Plan commitments
- Achieving further efficiencies



Our promise

- Give you value for money



Our primary strategies

- Asset management strategy
- Financial sustainability strategy

Commercial and economic

Accelerating our capital program

In 2017, we made the decision to increase the investment in our infrastructure to \$1.7 billion over 10 years. This ambitious and significant program is now also playing an important role in Tasmania's recovery from the economic impacts of COVID-19.

Over the next five years, we are forecasting total capital expenditure of \$1.3 billion. Major projects to be progressed during this time include the Bryn Estyn water treatment plant upgrade, the Launceston Sewerage Improvement Program, Launceston Combined System project, the Forth water treatment plant upgrade and the Macquarie Point sewage treatment plant relocation.

In December 2020, we resumed direct responsibility for simpler, lower-cost works, particularly those that require a level of urgency. This decision is expected to assist the acceleration of our capital program and provide the TasWater Capital Delivery Office (CDO) with additional capacity to focus on delivering medium and large-scale projects.

In response to industry feedback, we have worked with our alliance partners to re-balance the allocation of risk in several key areas in contracts used for projects delivered through the CDO. With a portion of our broader capital program to be delivered under direct arrangements between TasWater and contractors, we have also revised our own contracts to better represent our requirements for less complex projects and take into account feedback from the industry.

Enhancing our financial sustainability

Financial sustainability was an important consideration in the establishment of TasWater in 2013 and has been highlighted again recently due to the financial impacts of COVID-19.

The Memorandum of Understanding (MoU) under which the Tasmanian Government became a Shareholder of TasWater in early 2019, and the associated equity contributions since that time along with agreed lower returns to owner councils, have provided significant benefits to customers through capped price increases up to FY2024/25, accelerated infrastructure upgrades and a joint focus on major projects of significance for Tasmania.

Our long-term financial modelling performed to inform the MoU indicated that a period of capped price increases and increased capital investment was achievable subject to receiving the planned equity injections from the Tasmanian Government. Our financial performance had been materially consistent with this modelling until the onset of COVID-19, which could not have been reasonably anticipated at the time the MoU was entered into.

While to date we are fortunate to have maintained a relatively strong balance sheet throughout COVID-19, we have experienced a considerable impact on our long-term financial plan, most notably through a reduction in revenue and the potential for higher bad debts. Despite the recent financial impacts of COVID-19 on our revenue and profitability, we are intending to honour the price cap commitment under the MoU. This commitment however assumes that there are no further



material impacts arising from COVID-19 for the period of the MoU.

At the conclusion of the MoU period, it will be necessary to put in place a pricing path transition that ultimately recovers the full cost of providing contemporary water and sewerage services. Achieving full cost recovery will enable us to sustainably meet customer expectations and regulatory obligations long term while providing owner councils with a commensurate return on their investment which they can utilise for the benefit of the communities they serve.

More broadly, a key measure of financial sustainability is to ensure that our debt financing can be serviced adequately. In this regard, we have established a Financial Sustainability Strategy that sets a target of 55 per cent for our gearing ratio. Our financial modelling indicates that our gearing levels have increased as a result of the downward revaluation of our infrastructure assets in FY2019-20 and are projected to be above this target in the last two years of this Plan. The exceedance is only minor and importantly exists for a relatively short period. It is not considered to be a major risk to our financial sustainability, however, it will require an increase in our gearing loan covenant with TasCorp.

Finalisation and implementation of Price and Service Plan 4

As a result of COVID-19, the Tasmanian Government approved a deferral in the submission of our proposed Price and Service Plan 4 (PSP4) from 30 June 2020 to 30 June 2021.

PSP4 will govern the maximum prices we can charge over the four-year period from 1 July 2022 to 30 June 2026 and outline

how we will maintain the delivery of clean and safe drinking water, improve environmental outcomes and secure enhanced customer service results, while keeping customer bills as affordable as possible.

Our priorities for PSP4 have been informed by feedback from an extensive customer consultation process. Our approach to engagement included testing willingness to pay for certain services. The innovative nature of this approach was showcased at the Ozwater'21 conference in May 2021.

Once our proposal is submitted, we will work with the Tasmanian Economic Regulator during FY2021-22 as it undertakes a detailed investigation of our proposal, including a public consultation process.

Realising sustainable productivity savings

In the first half of FY2020-21, we took part in our third Water Services Association of Australia (WSAA) benchmarking exercise, comparing our overall performance against participating water utilities across Australia.

Tasmania's rugged topography, the wide dispersion of our assets and the lack of economies of scale associated with previous distributed ownership and other factors make it difficult to compare our performance to other Australian water utilities in some areas. However, the results from the benchmarking exercise show that we have improved our performance in several key areas compared to the most recent study in 2018.

Realising sustainable productivity savings is of critical importance to funding our operational and strategic priorities.

Commercial and economic



The outcomes of the benchmarking exercise will help inform a refreshed five-year Productivity Improvement Plan that will be implemented over the period of the Plan.

Digital transformation

The rate of change in technological developments has continued to increase in recent years and has accelerated further since COVID-19.

In addition to allowing service providers to meet the evolving needs and expectations of their customers, these technologies provide an opportunity for businesses to improve the efficiency of service delivery, enhance safety for workers, remove inefficiencies and reduce costs.

The water industry has been relatively slow to embrace technology compared to other industries, such as banking and telecommunications. However, research suggests that the adoption of new technologies in the water industry is now increasing, particularly in areas such as remote sensing, predictive analytics, artificial intelligence and virtual reality.

While our digital transformation plan for 2020 was impacted by COVID-19, we have continued to pursue, adapt and deliver initiatives to improve our operations, support our workforce to operate remotely and deliver improved services to our customers.

To maintain momentum in this area, we are currently developing an enhanced Digital Strategy to provide the foundation for further digital transformation of the business, underpinning our ability to deliver our strategic outcomes and customer promises.

This strategy will focus on using digital technology to meet evolving customer expectations as well as extending the life of

our assets through intelligent networks, improved data and enhanced decision-making tools.

We recognise that, as the reliance on technology grows, so does the opportunity for systems to be compromised.

In June 2020, the Department of Defence and the Australian Cyber Security Centre issued a critical alert advising that Australian private and public sector organisations were being targeted in a sophisticated cyber-attack by a foreign entity.

It is likely that cybersecurity risk will continue to rise over coming years. Our challenge will be to leverage emerging technologies that benefit our customers without compromising the security of our operations.

Asset management

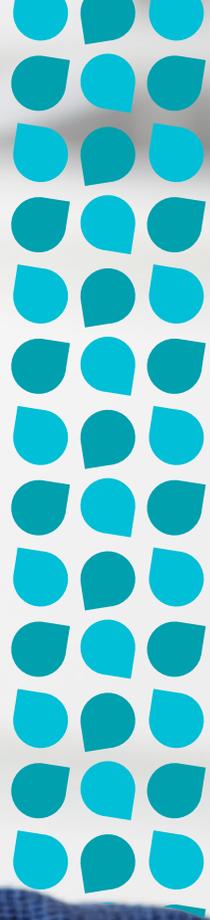
Our infrastructure assets are core to the services we provide and in recent years we have made considerable progress to adopt contemporary asset management practices aligned to leading industry practice.

During FY2020-21, we took part in the WSAA Asset Management Customer Value (AMCV) benchmarking exercise alongside 19 other water utilities from across Australia.

The results from the exercise showed that we have improved considerably against peer organisations since the previous exercise in relation to asset management maturity, with six key areas for further improvement identified.

Project champions have been engaged to develop and implement initiatives to action the AMCV recommendations and bring us closer into line with best practice methodologies implemented by several of our interstate counterparts.

Measuring our success



Measuring our success

To ensure we remain accountable to our customers and owners, we work towards a set of key performance indicators (KPIs) and targets aligned to our strategic themes, our customer promises and what is expected of us. Our measures are aligned to our Long Term Strategic Plan, our strategic priorities, our drive to be a high performing organisation and the delivery of our strategies.

OUR PRIORITIES	MEASUREMENT	ACTUAL	TARGET	TARGET	TARGET	TARGET	TARGET
Customer and Community – Deliver a positive customer experience to you		FY2020–21	FY2021–22	FY2022–23	FY2023–24	FY2024–25	FY2025–26
Identify and close critical customer service gaps	Customer experience percentage ³	62%	64%	66%	68%	70%	72%
	Customer satisfaction percentage	66%	68%	70%	72%	74%	75%
	Brand perception percentage	58%	60%	62%	64%	66%	68%
Improve our community engagement and understanding	Community and stakeholder feedback percentage	62%	68%	75%	75%	75%	75%
Water and Environment – Provide you with safe drinking water and responsibly manage your sewage		FY2020–21	FY2021–22	FY2022–23	FY2023–24	FY2024–25	FY2025–26
Meet agreed regulatory compliance targets	Customers supplied by drinking water systems meeting best practice risk mitigation (per cent)	5.0%	12.6%	31.6%	69.9%	70.8%	70.8%
	Number of dams above the ANCOLD Limit of Tolerability	4	2	0	0	0	0
	Number of wastewater systems considered high risk to the environment	22	20	17	15	14	13
	Real Losses: water mains (kL/km water main/day)	11.4	10.0	9.0	8.0	7.5	7.0
Optimise system performance	Number of critically notifiable spills (less than or equal to)	5	4	2	2	1	1
	Treated wastewater compliant with EPA requirements (flow-weighted) percentage	89.0%	89.0%	89.0%	91.3%	93.7%	96.1%

³ Customer experience combines two metrics: customer interaction, which measures the quality of an interaction, and customer effort which measures how easily an issue was addressed and resolved.

Measuring our success (continued)

OUR PRIORITIES	MEASUREMENT	ACTUAL	TARGET	TARGET	TARGET	TARGET	TARGET
People and Culture – Build culture and skills for the long term benefits of Tasmania		FY2020–21	FY2021–22	FY2022–23	FY2023–24	FY2024–25	FY2025–26
Enhance workforce capability and culture	Fifty per cent constructive styles by 2023	Material improvement in pulse cultural survey results	Constructive styles to be between the 25th and 50th percentile. Defensive styles at or below the 50th percentile	Material improvement in pulse cultural survey results	Constructive styles to be at the 50th percentile or better. Defensive styles at or below the 25th percentile	Improvement in constructive styles year on year	Constructive styles to be above the 50th percentile. Defensive styles below the 25th percentile
Relentless focus on safety (Zero Harm)	Total Recordable Injury Frequency Rate (TRIFR) – (less than or equal to)	≤12	8.5	5.5	3.0	≤3.0	≤2
	Notifiable Injury Frequency Rate	≤1.1	≤0.8	≤0.4	≤0.4	≤0.4	≤0.4
Commercial and Economic – Give you value for money		FY2020–21	FY2021–22	FY2022–23	FY2023–24	FY2024–25	FY2025–26
Deliver Price and Service Plan commitments	Capital expenditure	176.5M	229.9M	285.9M	291.1M	229.2M	230.5M
Achieve further efficiencies	EBIDTA	151.4M	163.7M	173.2M	183.4M	195.3M	205.5M
	Interest cover ratio	2.61	3.33	3.22	2.93	2.95	2.92

Financial forecasts

Overview

The table below highlights the key information contained in our financial and capital forecasts for the Plan:

FINANCIAL SUMMARY	FY2020-21 BUDGET	FY2021-22 FORECAST	FY2022-23 FORECAST	FY2023-24 FORECAST	FY2024-5 FORECAST	FY2025-26 FORECAST
NPAT \$M	39.1	55.1	61.0	58.3	63.3	67.9
Capital Expenditure \$M	176.5	229.9	285.9	291.1	229.2	230.5
Distributions						
Dividends \$M	10.0	20.0	20.0	20.0	20.0	20.0
Special Dividend Target* \$M	–	4.0	4.0	4.0	4.0	4.0
Total Distributions \$M	10.0	24.0	24.0	24.0	24.0	24.0
Debt \$M	649.7	721.6	815.4	896.0	985.7	1,069.0
Gearing	43.4%	46.0%	49.3%	51.5%	55.4%	58.7%
Interest Cover (times)	2.61	3.33	3.22	2.93	2.95	2.92

⁴ Special dividends are provided for within the Plan so as to return foregone dividends during COVID-19 to owner councils. As with all dividend payments, they are subject to the underlying financial performance and position supporting these payments.

Forecast growth and demand

Forecast growth and demand assumptions for FY2021–22 are consistent with the Price and Service Plan 3 (PSP3) which was extended for an additional year as a result of COVID-19. Growth and demand assumptions for FY2022–23 to FY2025–26 reflect those proposed for inclusion in our Price and Service Plan 4 (PSP4) submission to the Tasmanian Economic Regulator. These assumptions will be reviewed during FY2021–2 as our submission is considered by the Tasmanian Economic Regulator.

Revenue assumptions

Revenue assumptions reflect the targeted outcomes of the Memorandum of Understanding (MoU) with the Tasmanian Government, the underlying assumptions and financial projections of which were included in the Information Memorandum of 16 July 2018 (Information Memorandum).

A key feature of the MoU was to cap price increases from FY2020–21 through to FY2024–25 at the lesser of 3.5 per cent and the price determination made by the Tasmanian Economic Regulator. The revenue assumptions in the Plan reflect this price cap.

No new income has been assumed from any potential re-introduction of developer charges for expansion (formerly known as headworks) that may be proposed in PSP4.

Interest expense assumptions

For the period of the Plan, the average interest rate for the loan portfolio is 3.4 per cent.

Non-interest expense assumptions

Cost increase assumptions have been predominantly based around the projected Consumer Price Index (CPI) increase of 1.25 per cent. The following assumptions underpin the expenses contained in the Plan:

- CPI is assumed to be 1.25 per cent for FY2021–22 then increasing steadily to 2.25 per cent over the remaining four years of the Plan.
- A modest allowance for fixed wage increases have been included, recognising that new Enterprise Agreements are currently being negotiated to commence in FY2021–22.
- Power expenses have been modelled by an external consultant and are based on network tariff outcomes, current contracts and forward price projections for recontracting. As a result of proactive recontracting of electricity parcels, we have delivered a material reduction in power costs that will continue to be of benefit in FY2021–22.
- Operational cost increases have been partially offset by anticipated productivity savings in each year of the Plan.

In relation to bad and doubtful debts, the risk of non-collection of debt remains present due to the uncertainty of the actual impact of COVID-19. Due to the continued uncertainty, it has been assumed that the level of bad debt experienced each year in the short term does not revert fully to pre-COVID levels.

Comparison to the Information Memorandum financial forecasts

The financial forecasts provided in the Plan vary from the financial forecasts included in the Information Memorandum in the first three years of the Plan, largely as a result of the ongoing impacts of COVID-19. No new COVID-19 impacts of a material nature are forecast over the life of the Plan.

In the later years of the Plan, our financial results are forecast to more closely align with or exceed the targets in the Information Memorandum and the long term financial performance goals as outlined in our Financial Sustainability Strategy.

Our total revenue is budgeted to be lower primarily due to the ongoing impact of the unanticipated price freeze in FY2020–21. Development revenue has been increased from the budgeted FY2020–21 levels as the expected reduction in activity has not materialised.

Expenditure remains higher than the Information Memorandum targets, largely due to the continuation of variances from prior years including employee costs, program management expenses, information technology costs and insurance premiums. These increases have been offset to a degree by decreases in connection costs, electricity costs and targeted productivity savings.

Investments in business improvements aimed at improving our performance and realising our vision have also reverted to pre-COVID-19 levels.

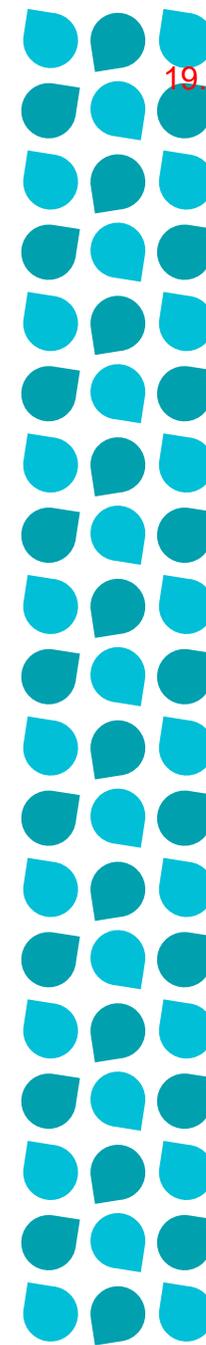


Our organisational risks

The TasWater Board and senior management team regularly review risks, controls and assurance levels. When our strategies alter, or we predict changes in our operating environment, we assess uncertainties that may have a material impact on our risk profile or require changes to risk controls. These controls are typically reflected in the primary and enabling strategies developed to deliver our customer outcomes.

Relative to the FY2021-25 Corporate Plan, the number of strategic risks that will be actively reviewed has been reduced from 15 to nine to reflect changes in the assessed level of risk and the impact and robustness of controls that have been implemented since that time. The remaining risks will continue to be monitored at the operational level and managed through our primary and enabling strategies, with reporting to the Board by exception only.

Over the last 12 months, there have been increases in the assessed level of risk for the financial sustainability risk and the cybersecurity risk, reflecting the impact of COVID-19 on our business and recent cybersecurity attacks experienced in Australia. Despite this increase, the robustness of existing controls and audit programs related to our financial sustainability risks, ensures that this risk will still be managed at an operational level. The cybersecurity exposure will still be managed at a strategic level, as noted in the following table.



STRATEGIC RISK TITLE	DESCRIPTION	KEY CONTROLS	STRATEGIC PRIORITY AND KEY FOCUS AREA
Customer and Community – deliver a positive customer experience to you			
Contractor conduct risk	Conduct of employees or contractors carrying out core business activities on behalf of TasWater in a manner that is detrimental to the organisation, our reputation, the individual or customer outcomes	<ul style="list-style-type: none"> • Community and Stakeholder Strategy • Corporate Governance Framework • Procurement Policy and Contract Management Guidelines • Ongoing investment in culture • Complaints, Enquiries and Dispute Management Policy • Corporate Code of Conduct • Clear policies relating to behaviour and conduct 	Investing in people, culture and capability
Water and Environment – provide you with safe drinking water and responsibly manage your sewage			
Environmental / third party risk	Failure of sewerage system process or infrastructure, or business activity causing environmental harm	<ul style="list-style-type: none"> • Sewerage Strategy • Operation and maintenance manuals • Inspection regimes • Automated monitoring and control systems (including the Operations Centre) • Inflow and infiltration reduction programs • Renewals and relining programs • Incident and Emergency Management Plan 	Broadening our environmental focus
Water quality / public health risk	Provision of unsafe drinking water resulting in serious public health incident	<ul style="list-style-type: none"> • Drinking Water Strategy • Drinking Water Quality Risk Management Plan • Protocol for provision of non-drinking water supplies • Automated monitoring and control systems (including the Operations Centre) Incident and Emergency Management Plan 	Catchment management
Supply and demand risk	Inability to provide for water supply security or demand for sewerage services (short and long term)	<ul style="list-style-type: none"> • Drinking Water Strategy • Demand modelling • Business Continuity Plans and critical asset contingency plans • Water restrictions policy and guideline • Water Supply Security Strategy and implementation plans • Water Supply Demand Management Steering Group • Growth and Capacity/System Master Plans 	Water security and competition for water resources
Climate change risk	Failure to consider and manage impacts from climate change on all aspects of the business	<ul style="list-style-type: none"> • Climate Change Adaptation and Mitigation Strategy • Climate prediction scenario modelling 	Climate change risk

STRATEGIC RISK TITLE	DESCRIPTION	KEY CONTROLS	STRATEGIC PRIORITY AND KEY FOCUS AREA
People and Culture – build culture and skills for the long term benefit of Tasmania			
Worker and public safety risk	Injury to worker or member of the public	<ul style="list-style-type: none"> • Health and Safety Strategy • Safety committees • Inductions and ongoing training • Policy and procedures • Fatality risk profile and associated management plans • Ongoing investments in safety culture and implementation of Health and Safety Plan initiative 	Improving health and safety results
Commercial and Economic – give you value for money			
Cybersecurity risk	Unauthorised access to TasWater systems leading to loss of confidentiality, integrity, control or availability	<ul style="list-style-type: none"> • Technology and Innovation Strategy • Information Security and Acceptable Use Policy • Business Continuity Planning (including regular testing) • Incident and Emergency Management Plan • Enhanced internal cybersecurity expertise 	Digital technology
Operational systems capability risk	Operational technologies and employee capability do not result in the provision of efficient, reliable and responsive practices to deliver on customer promises	<ul style="list-style-type: none"> • Technology and Innovation Strategy • Supervisory control and data acquisition (SCADA) Strategy • Data Quality Policy • Operations Centre • Information management policies 	Digital technology
Capital program delivery risk	Inability to deliver the proposed capital program on time and on budget with the intended business benefits and customer outcomes (i.e. deliver value for money)	<ul style="list-style-type: none"> • Asset Management Strategy • Strategic Asset Management Plan • Capital management processes, including procurement • Asset Management Information System • Capital Delivery Office 	Accelerating our capital program

Capital expenditure

Background

In 2017, we made the decision to increase the investment in our infrastructure to \$1.7 billion over a 10-year period with a best endeavour aim to deliver \$1.8 billion as agreed in the Memorandum of Understanding (MoU) with the Tasmanian Government.

In line with this commitment, we are forecasting total capital expenditure of \$229.9 million (including external funding contributions of \$29.4 million) in FY2021-22. This investment will deliver important benefits to our customers and the Tasmanian community and support the state's economy in its recovery from COVID-19.

In determining our capital program, it is important that we balance the scale of the program against price affordability for our customers and compliance commitments. As such, our capital program is guided by a prioritisation model that includes a weighting to emphasise the outcomes that our customers and stakeholders advised us were most important.

Currently, projects aimed at improving drinking water quality are given the highest weighting in the prioritisation model.

Projects aimed at improving environmental compliance and dam safety outcomes are given the second highest weighting, followed by projects aimed at improving service reliability for critical assets in sensitive environments.

The key plans that underpin our capital expenditure program and are subject to the approval of regulators include:

- The Drinking Water Quality Risk Management Plan regulated by the Department of Health
- The Wastewater Risk Management Plan regulated by the Environment Protection Authority
- The Dam Safety Management Plan regulated by the Department of Primary Industries, Parks, Water and Environment
- The Price and Services Plan
- Internal asset class plans.

Overview

In total, we are proposing capital expenditure of \$1.1 billion (excluding external funding contributions) over the Plan period (\$1.8 billion over the 10 year MoU period). This program, together with our investment to date, will keep us on track to deliver better customer outcomes by improving water

quality, service reliability and environmental outcomes and minimising risks that have the potential to impact the delivery of our services.

The majority of the projected investment over the Plan period is targeting compliance improvements in water quality, dam safety and environmental outcomes. However, it is important to recognise that a portion of this expenditure is also associated with the renewal of assets and growth in our system, with total capital expenditure on a project allocated to its primary cost driver only.

Major projects to be progressed over the period of the Plan include the Bryn Estyn WTP upgrade (\$180.6 million), North-West Water Supply Upgrade (\$125.1 million), Launceston Sewerage Improvement Plan (\$79.1 million), Hobart Sewerage Improvement Plan (\$45.8 million) and Macquarie Point STP Relocation (\$39.3 million).

While our approach to capital investment is highly structured, we have the flexibility to rapidly address unexpected issues that have the potential to significantly impact our services.

We regularly reassess our priorities to realise optimisation opportunities and reposition the focus of our capital program to align with the needs of our operating environment.

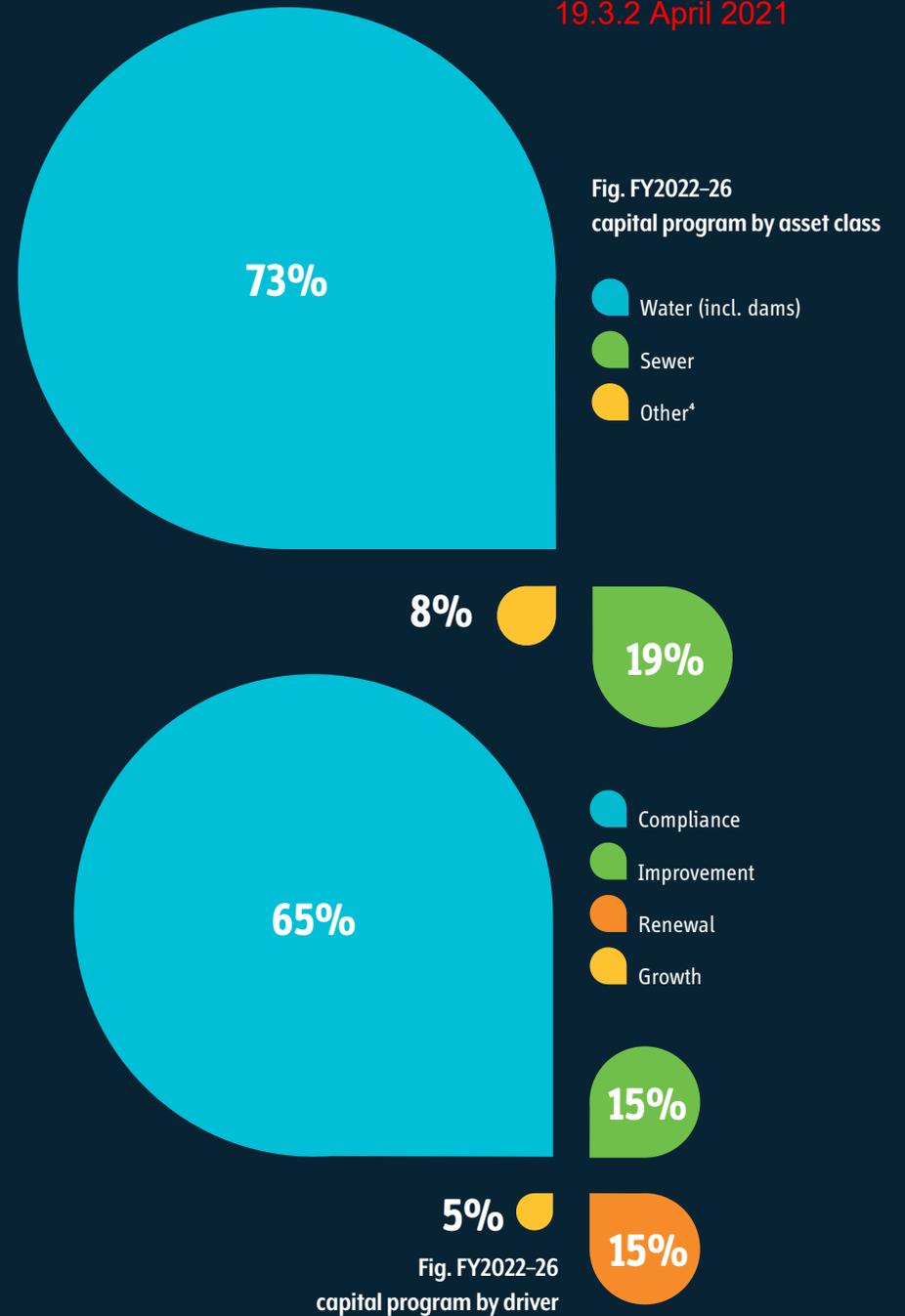
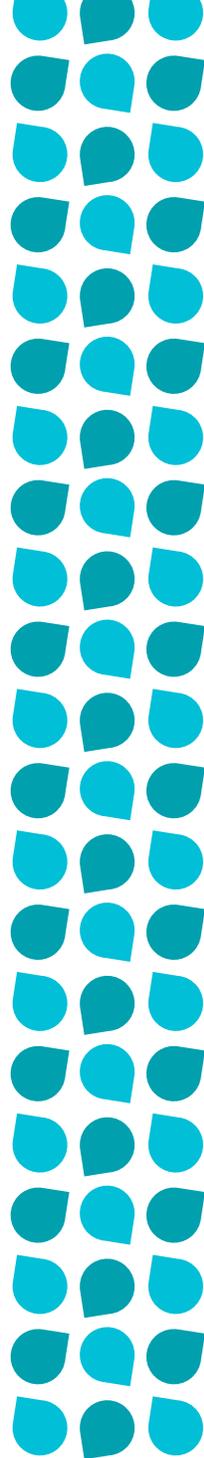
	FY2021-22 FORECAST (\$M)	FY2022-23 FORECAST (\$M)	FY2023-24 FORECAST (\$M)	FY2024-25 FORECAST (\$M)	FY2025-26 FORECAST (\$M)	TOTAL (\$M)
Capital expenditure program	200.5	225.4	222.2	227.9	226.5	1,102.5
Capital expenditure program – including external funding	229.9	285.9	291.1	229.2	230.5	1,266.6

Externally funded capital expenditure projects

To provide value for money, we need to minimise price increases for our customers and deliver water and sewerage services that meet community expectations. From time to time we need to consider projects where, while they provide benefits to Tasmania, we are unable to recover the associated costs from our customers. For these projects, external funding support is sought.

Historically, we have not included projects that are dependent upon external funding in our financial forecasts until a signed grant deed has been executed. This is due to the uncertainty surrounding the scope and timing of these projects, which is not entirely within our control. However, we have elected to include the Macquarie Point STP project (funded by TasWater and the Tasmanian Government) and the Tamar Estuary Health Action Plan project (funding provided by the Australian Government, Tasmanian Government, City of Launceston and TasWater) within the financial projections in the Plan due to the advanced status of the draft grant deeds for these projects. If either of these projects does not proceed, we will consider the budget impacts with a view to issuing a revised Plan.

We will continue seeking further external funding, with the Tasmanian Government's support, from the Australian Government for other important projects, where considered appropriate.



⁴ 'Other' asset class includes business-related capital investment expenditure including information technology, fleet, safety, facilities, electrical, and supervisory control and data acquisition

Appendices

Income statement

	FY2020-21 BUDGET	FY2021-22 FORECAST	FY2022-23 FORECAST	FY2023-24 FORECAST	FY2024-25 FORECAST	FY2025-26 FORECAST
Revenue						
Fixed Charges	255.9	264.7	278.3	291.3	304.0	317.4
Volumetric Charges	71.8	75.0	78.6	82.3	86.2	90.2
Services & Consulting Revenue	7.6	3.8	3.9	4.1	4.3	4.5
Contributed Assets	28.6	29.1	29.4	29.7	30.0	30.3
Other Revenue	6.6	3.5	3.1	3.0	29.3 ⁶	4.8
Total Revenue	370.4	376.1	393.3	410.4	453.8	447.2
Expenses						
Chemicals, Power & Royalties	25.0	24.1	26.5	29.4	32.7	35.0
Materials & Services	38.8	32.8	34.7	36.2	37.8	38.8
Salaries & Related Personnel Expenditure	96.6	103.2	107.2	110.6	113.5	117.3
Administration Costs	58.5	52.3	51.7	50.8	74.5 ⁷	50.6
Total Expenses	219.0	212.4	220.1	227.0	258.5	241.7
Earnings before interest & depreciation	151.4	163.7	173.2	183.4	195.3	205.5
Interest Expense	18.9	16.7	18.2	22.9	25.1	28.0
Depreciation	93.4	91.9	94.0	102.2	106.9	109.6
Net Operating Profit	39.1	55.1	61.0	58.3	63.3	67.9

⁶ Includes \$24.4M grant for operational costs relating to the Macquarie Point STP capital upgrade

⁷ Includes \$24.4M in decommissioning and rehabilitation costs for the Macquarie Point STP

Cash flow statement

	FY2020-21 BUDGET	FY2021-22 FORECAST	FY2022-23 FORECAST	FY2023-24 FORECAST	FY2024-25 FORECAST	FY2025-26 FORECAST
Cash flows from operating activities						
Receipts from Customers	07.9	347.1	359.9	370.7	383.4	394.4
Payments to Suppliers and Employees	(231.1)	(228.6)	(233.6)	(236.0)	(236.3)	(240.7)
Government Grants	3.5	0.5	0.0	0.0	20.0	0.0
Interest Paid	(20.3)	(21.2)	(21.7)	(26.3)	(28.6)	(31.6)
GST Refund from the ATO	26.1	27.5	25.8	28.1	26.2	30.3
Net Cash Flows from Operating Activities	86.1	125.3	130.4	136.5	164.7	152.4
Cash flows from investing activities						
Payments for Property, Plant and Equipment	(176.5)	(229.9)	(285.9)	(291.1)	(229.2)	(230.5)
Government Grants	12.0	17.8	36.9	49.3	0.0	20.0
Equity Contributions	20.0	40.0	50.0	50.0	0.0	0.0
Net Cash Flows from Investing Activities	(144.5)	(172.1)	(199.0)	(191.8)	(229.2)	(210.5)
Cash flows from financing activities						
Proceeds from Borrowings	70.1	72.0	93.8	80.5	89.7	83.3
Dividends Paid	(10.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Special Dividends ⁸	–	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Repayment of Lease Liabilities	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Net Cash Flows from Financing Activities	58.9	46.8	68.6	55.3	64.5	58.1
Net Movement in Cash for the Year	0.5	0.0	0.0	0.0	0.0	0.0
Opening Cash Balance	2.0	2.5	2.5	2.5	2.5	2.5
Closing Cash Balance	2.5	2.5	2.5	2.5	2.5	2.5

⁸ Special dividends are provided for within the Plan so as to return foregone dividends during COVID-19 to owner councils. As with all dividend payments, they are subject to the underlying financial performance and position supporting these payments.

Balance sheet

	FY2020-21 BUDGET	FY2021-22 FORECAST	FY2022-23 FORECAST	FY2023-24 FORECAST	FY2024-25 FORECAST	FY2025-26 FORECAST
Assets						
Cash and Cash Equivalents	2.5	2.5	2.5	2.5	2.5	2.5
Receivables	42.4	44.6	45.2	46.1	49.1	50.1
Inventories	7.8	7.6	6.7	6.7	6.7	6.7
Property, Plant & Equipment	2,210.2	2,377.2	2,598.5	2,817.1	2,944.8	3,096.0
Other	3.3	4.1	3.9	2.7	3.1	3.2
Total Assets	2,266.2	2,436.0	2,656.8	2,875.1	3,006.2	3,158.5
Liabilities						
Borrowings	649.7	721.6	815.4	896.0	985.7	1,069.0
Employee Benefits	31.0	33.0	34.1	35.0	37.6	40.0
Payables	27.9	33.2	35.2	38.4	38.6	39.3
Unearned Income	40.5	57.4	94.3	143.5	141.8	160.0
Other	24.8	27.5	27.5	27.6	28.6	32.3
Total Liabilities	773.9	872.7	1,006.5	1,140.5	1,232.3	1,340.6
Net Assets	1,492.3	1,563.3	1,650.3	1,734.6	1,773.9	1,817.9
Equity						
Retained Earnings	(389.8)	(358.8)	(321.8)	(287.5)	(248.2)	(204.2)
Reserves	294.3	294.3	294.3	294.3	294.3	294.3
Contributed Capital	1,587.8	1,627.8	1,677.8	1,727.8	1,727.8	1,727.8
Total Equity	1,492.3	1,563.3	1,650.3	1,734.6	1,773.9	1,817.9

Owner distributions

	FY2020-21 BUDGET	FY2021-22 FORECAST	FY2022-23 FORECAST	FY2023-24 FORECAST	FY2024-25 FORECAST	FY2025-26 FORECAST
Dividend	(10.0)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Special Dividends ⁹	-	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Total Distribution	(10.0)	(24.0)	(24.0)	(24.0)	(24.0)	(24.0)

⁹ Special dividends are provided for within the Plan so as to return foregone dividends during COVID-19 to owner councils. As with all dividend payments, they are subject to the underlying financial performance and position supporting these payments.

Capital projects – Top 25 major capital projects (by value \$Millions)

PROJECT TITLE	SYSTEM TYPE	DRIVER	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	TOTAL
Bryn Estyn Major Upgrade	Water	Compliance	93.7	77.6	8.4	0.7	0.0	180.6
North West Water Supply Upgrade	Water	Compliance	0.6	2.2	25.4	50.3	46.6	125.1
Launceston Sewer Improvement Plan	Sewer	Compliance	0.4	1.0	2.5	11.0	64.1	79.1
Hobart Sewer Improvement Plan	Sewer	Improvement	0.0	2.0	4.8	7.5	31.6	45.8
Macquarie Point STP Relocation	Sewer	Compliance	0.5	4.7	15.4	15.6	3.3	39.3
Pitt Water Sewerage Strategy	Sewer	Compliance	0.0	1.0	1.0	23.0	9.2	34.2
Tamar Estuary River Health Action Plan (TERHAP)	Sewer	Improvement	6.4	12.2	13.9	0.0	0.0	32.5
Pardoe Sewer Improvement Plan	Sewer	Compliance	0.4	1.4	3.1	22.6	1.5	29.0
Ridgeway Upgrade (Ridgeway Dam Safety – Anchor Replacements)	Dams	Compliance	0.5	1.3	12.7	8.6	2.5	25.7
Launceston water supply surety	Water	Growth	0.8	0.5	1.2	6.9	12.5	21.9
Regional Towns Water Supply Program Stage 4 – WPI (Bothwell, Dover, St Marys, Oatlands, Coles Bay)	Water	Compliance	0.0	3.5	12.5	4.4	0.0	20.5
Bridport Water Surety	Water	Growth	0.6	0.8	9.6	6.5	0.2	17.6
Davis St, Smithton Sewer Pump Station Upgrade	Sewer	Compliance	2.3	4.1	7.3	2.0	0.0	15.6
Pet Dam Safety Upgrade	Dams	Compliance	0.4	5.1	5.7	1.7	0.0	12.8
UV Program stage 2 – Campbell Town/Ross, Fingal, Queenstown, South Esk, Swansea, Triabunna, Tullah, West Tamar and Zeehan	Water	Compliance	2.6	7.9	1.2	0.0	0.0	11.6
Lake Mikany Dam Upgrade	Dams	Compliance	6.9	2.5	0.0	0.0	0.0	9.4
Geeveston Outfall	Sewer	Compliance	1.5	5.6	1.5	0.0	0.0	8.6
UV Program – Stage 1 – Phase 1 (Burnie, Distillery, North Esk)	Water	Compliance	7.4	1.2	0.0	0.0	0.0	8.6
Northern Midlands Sewerage Improvement Plan – Longford STP Upgrade	Sewer	Compliance	8.1	0.0	0.0	0.0	0.0	8.1
Tasman Highway, Orford – Trunk main	Water	Growth	1.4	1.5	5.1	0.0	0.0	8.0
Cygnets outfall	Sewer	Compliance	0.5	3.2	3.6	0.0	0.0	7.3
Bicheno STP Recycled Water Scheme Expansion	Sewer	Compliance	0.6	1.3	2.4	2.6	0.0	6.9
Scottsdale STP Optimisation	Sewer	Improvement	0.4	0.5	5.8	0.0	0.0	6.7
Orford Sewage Pump Stations & Network Upgrade	Sewer	Improvement	0.4	2.0	1.2	2.6	0.0	6.2
Smithton Sewer Treatment Plant Upgrade	Sewer	Compliance	0.3	0.3	3.7	1.6	0.0	5.9

Capital projects – external funding contributions (by value \$Millions)¹⁰

PROJECT TITLE	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	TOTAL
Macquarie Point STP Relocation ¹¹	0.0	3.6	23.6	39.6	1.3	4.0	72.1
Tamar Estuary River Health Action Plan (TERHAP)	4.0	25.8	36.9	29.3	0.0	0.0	96.0

Capital programs – Top 10 capital programs (by value \$Millions)

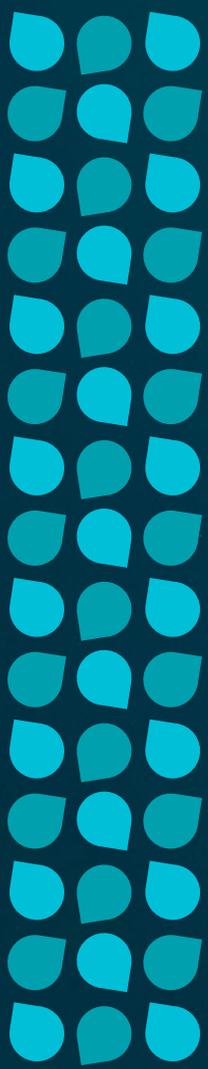
PROGRAM TITLE	SYSTEM TYPE	DRIVER	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	TOTAL
Water Main Renewals	Water	Renewal	3.5	3.4	3.8	3.6	5.5	19.8
Non-network Other - Fleet	Other	Renewal	3.0	3.6	4.0	3.9	3.9	18.4
Non-network IT	Other	Renewal	3.6	3.2	3.2	3.8	3.8	17.5
SCADA Program	Other	Improvement	2.4	2.8	3.4	3.2	5.6	17.4
Electrical Program	Other	Renewal	3.2	1.7	1.7	3.8	3.8	14.2
Metering Program	Water	Renewal	2.6	2.6	2.6	3.1	3.1	14.0
Sewer Treatment Plant Program	Sewer	Renewal	2.5	2.5	2.5	3.0	3.0	13.7
Sewer Main Renewals	Sewer	Renewal	2.8	2.1	2.1	2.6	2.6	12.2
Sewer Pump Station Renewals	Sewer	Renewal	2.0	2.0	2.2	2.3	2.4	10.8
IT Business initiatives	Other	Improvement	2.0	2.0	2.0	2.4	2.4	10.7

Note: The programs identified above contain multiple projects.

¹⁰ Excludes TasWater funding contributions

¹¹ The total amount of funding provided by the Tasmanian Government is \$100 million. The \$72.1 million reflected in this table is the capital component

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