



CORPORATE PLAN

Financial Years
2024–28

taswater

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Cover image: TasWater's Environmental Performance Team discussing recycled water at Westlands Nursery

Acknowledgement of Country

TasWater proudly acknowledges the Tasmanian Aboriginal people as the Traditional Owners and Custodians of lutruwita/Tasmania – Aboriginal land, sea and waterways. We pay our deep respects to Elders past and present and acknowledge today's Tasmanian Aboriginal community.

Message from the Chair and CEO

We are proud to deliver TasWater's 2024–28 Corporate Plan (Plan), which sets out a bold and ambitious direction as the organisation enters its next phase of delivering services for Tasmanians.

This year, TasWater will celebrate its 10th birthday. We have successfully laid the foundations essential to deliver safe and reliable water and sewerage services to our customers. It is now time to turn the page on a new chapter, revitalising our strategy, purpose, and values for the decade ahead.

We are making the strategic choices to set TasWater's direction for the future, refreshing our strategic framework and simplifying our priorities to provide greater attention to 'what matters the most'.

Our customers are the centre of everything we do – and we will work with them to build on our reputation as a trusted and valued service provider. We will modernise our service offering and build new digital capabilities, giving customers options about the way they communicate and interact with us. We will also engage more deeply with our customers and community to inform the development of our fifth Price and Service Plan (PSP5).

As we enter a new Price and Service Plan period from FY2026–27, we will work with industry and our regulators to deliver fairer pricing outcomes for all customers, and deliver economic prosperity for the state of Tasmania. This will relieve pressure on customers pricing and allow us to bring forward important water and sewerage works.

As TasWater continues to explore and better understand its vulnerabilities to climate change, we have committed to delivering a bold new set of targets and actions for protecting and enhancing the natural environment. These targets are set out in our Environment and Climate Change Adaption strategies, and include achieving zero waste, healthy waterways, increased renewable energy

generation, and Net Zero carbon emissions by 2050 (including a 30 per cent reduction by 2030).

We will also seek to build partnerships and alliances to deliver environmental outcomes for the benefit of our customers and community (such as protecting drinking water catchments and entering the circular economy).

TasWater is taking a holistic approach to digitisation, focusing not just on technology solutions but supporting culture, engagement, mindsets, and the processes that are necessary for successful digital transformation. For example, to enhance our capabilities in identifying and locating hidden leaks across a vast network, we will use machine learning to detect anomalies, analyse real-time data and apply network-based predictions. This will allow us to detect and manage network events and reduce water losses, repair times and energy costs.

Through purposeful leadership, and enabled by our new People Strategy, we will further enhance our organisational culture and continue to build a thriving and inclusive workplace full of talented and engaged people – a united TasWater.

TasWater's financial outlook is one of strong earnings (we expect our underlying profit to grow from \$33.2 million in FY2022–23 to \$41.1 million in FY2027–28) and significant investment in our water and sewerage infrastructure. With an average annual capital expenditure of almost \$300 million over the Plan period, we will work with our supply chain to deliver innovative, prudent, and efficient capital solutions.

This will ensure that we improve water quality and environmental outcomes for the Tasmanian community while supporting the local economy, with 93 per cent of current projects awarded locally and 83 per cent by value.

We are delighted that our Plan provides price certainty for customers that reflects a uniform price increase of 3.50

per cent each year, lower than the maximum increase of 3.71 per cent each year approved by the Tasmanian Economic Regulator in our Price and Service Plan 4. This reinforces our commitment to keeping prices for our customers as low as possible while ensuring a financially sustainable business.

In summary, this Plan demonstrates TasWater's commitment to our customers, the environment, our stakeholders, and our people. Through the delivery of our services, we will contribute to the social and economic success of Tasmania while making a positive difference to our customers and the Tasmanian community.

The bold ambitions in this Plan could not be realised without the passion, commitment and contribution of the Board, Executive and all our staff and business partners.

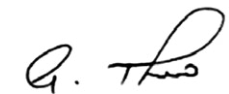
In closing, we would like to sincerely thank each council and the Tasmanian Government for their ongoing support of the TasWater team to deliver our essential services.



Dr Stephen Gumley AO
Chair



George Theo
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.



Henderson Dam, Flinders Island

About the Plan

What is the purpose of the Plan?

The Plan outlines the priorities and focus areas for the FY2024-28 period towards achieving our vision – *“To be trusted, respected and making a positive difference in Tasmania”*.

How was it developed?

The Plan has been developed using insight from our internal and external operating environment, assessment of current performance and responses to customer, community, and stakeholder and owner feedback.

What has changed?

TasWater’s overall strategic direction is largely consistent with the previous Corporate Plan, but the priorities have been updated to reflect TasWater’s future direction as it enters its next phase. This includes more ambitious targets for protecting and enhancing the natural environment, and further uplift of TasWater’s community engagement and customer experience activities.

What is changing?

Looking to the future, TasWater continues to evaluate its long-term strategic priorities and anticipates a refresh of its strategic framework ahead of the 2025–29 Corporate Plan.

TasWater has identified a need to simplify and refresh its strategic priorities to provide greater focus across the organisation on ‘what matters the most’. This will support the prioritisation of activities and resources and simplify the strategic message that is communicated.

This journey began with TasWater’s Board and Executive Leadership Team in late 2022 and will continue in the coming years. It will include the development of a new strategic framework and refreshed Long Term Strategic Plan, which are both expected to be completed in the later part of 2023.





Moonah Customer Information Centre

About us

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

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

The key regulators of TasWater are:

- The Tasmanian Economic Regulator
- The Environment Protection Authority
- The Department of Health
- The Department of Natural Resources and Environment Tasmania (formerly the Department of Primary Industries, Parks, Water and Environment).

We also have key stakeholder relationships with several other regulatory bodies, including the Shellfish Market Access Program (ShellMAP) and WorkSafe Tasmania.

Key facts

- Population supplied = 464,033*
- Urban water supplied = 63,255 megalitres (ML)
- Sewage treated = 53,434 ML
- Recycled water supplied = 4,441 ML

*464,033 customers as follows: 193,347 connections x 2.4 residents per connection (census 2021). Remaining connections are businesses and are excluded from the population calculation.

Other metrics (as at 31 March 2023 – the most relevant time period for this Plan):

- Number of water connections = 220,606
- Drinking water systems = 60
- Water mains = 6,545 km
- Water distribution facilities = 291
- Water and sewage pump stations = 954 (218 water + 736 sewage)
- Number of sewerage connections = 192,139
- Sewer mains = 4,906 km
- Sewage treatment plants (STPs) – Level 1 = 33
- STPs – Level 2 = 77
- Full time equivalents = 964

Strategic framework

Vision

Our strategic vision is *"To be trusted, respected and making a positive difference in Tasmania"*. This vision will guide our strategic decision-making both now and into the future.

Strategy and strategic priorities

The vision is underpinned by four key strategic themes: Customer and Community, Water and Environment, People and Culture, and Commercial and Economic. Each theme is supported by the commitments we have made, the outcomes that we expect to deliver, and the actions we will take to realise them.

Long Term Strategic Plan

Our Long Term Strategic Plan 2021–2030 (LTSP) is a 10-year plan that outlines our strategic priorities and the progress we expect to make by 2030 against the four key commitments we have made to our customers:

- Deliver a positive customer experience to you
- Provide safe drinking water and manage your sewage in an environmentally responsible way
- Build culture and skills for the long-term benefit of Tasmania
- Give you value for money.

Price and Service Plan

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

In May 2022, the TER delivered its final determination for PSP4, which covers 1 July 2022 to 30 June 2026. Further information on PSP4 can be found on our website.

We have commenced work on our proposal for PSP5 for the period 1 July 2026 to 30 June 2030.



Our strategy

Our values

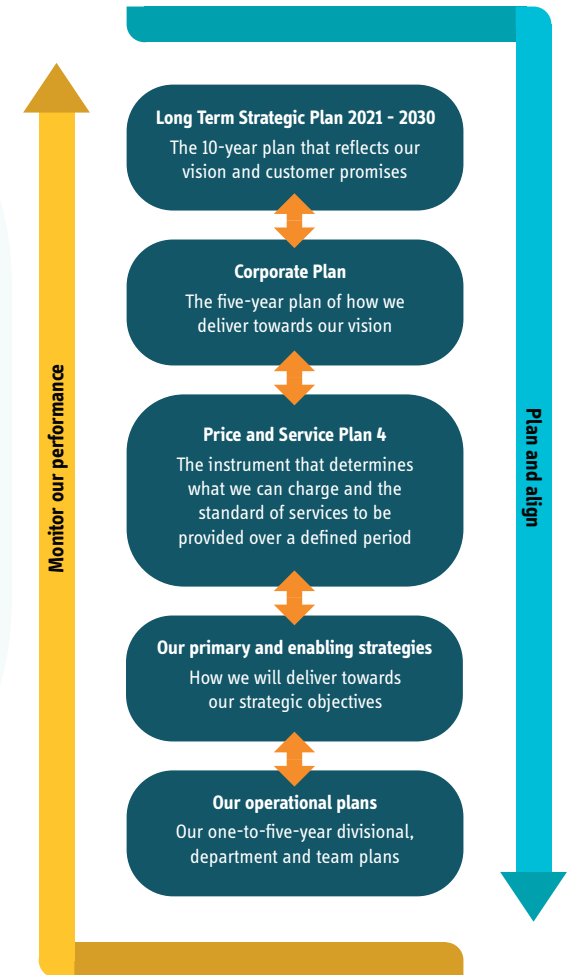
- Taking ownership
- Honest and straight forward
- Working together
- Getting it right
- Long-term thinking

Our commitments

- Deliver a positive customer experience to you
- Provide safe drinking water and manage your sewage in an environmentally responsible way
- Build culture and skills for the long-term benefit of Tasmania
- Give you value for money



Our framework



Organisational risks and how they link to our strategy

The TasWater Board and Senior Leadership Team regularly review risks, controls and assurance levels to ensure that potential risks to the delivery of customer outcomes and regulatory obligations are recognised as early as possible. We look for and assess uncertainties that may have a material impact on our risk profile or require changes to our key controls.

RISK TITLE (IN ALPHABETICAL ORDER)	DESCRIPTION	KEY CONTROLS	STRATEGIC THEME	LINK TO STRATEGIC PRIORITY AND KEY FOCUS AREA(S)
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 and Strategic Asset Management Plan Asset Management Information System Capital Delivery Office and internal delivery function Community and Stakeholder Strategy 	Commercial and Economic	Capital expenditure (p.17)
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 Strategy Water Surety Communication and Stakeholder Engagement Strategy Brand Communication Strategy 	Water and Environment	Climate change and environment (p.11)
CYBERSECURITY RISK	Unauthorised access to TasWater systems leading to loss of confidentiality, integrity, control or availability	<ul style="list-style-type: none"> Cybersecurity Strategy and Action Plan Information Management Policy Supervisory control and data acquisition (SCADA) Improvement Program 	Commercial and Economic Water and Environment Customer and Community	Network performance (p.11); Digitising our customer experience (p.10)
ENVIRONMENTAL / THIRD-PARTY RISK	Sewerage system process or infrastructure, or business activity causing environmental harm	<ul style="list-style-type: none"> Environment Strategy Sewerage Strategy Inflow and infiltration reduction programs relining and renewal Incident and Emergency Management Plan Master planning including consideration of climate change, treatment, growth in capacity and investment constraints 	Water and Environment	Climate change and environment (p.11)

RISK TITLE (IN ALPHABETICAL ORDER)	DESCRIPTION	KEY CONTROLS	STRATEGIC THEME	LINK TO STRATEGIC PRIORITY AND KEY FOCUS AREA(S)
OPERATIONAL SYSTEMS CAPABILITY RISK	Operational technologies and employee capability impacting on TasWater's ability to provide efficient, reliable and responsive practices to deliver on customer promises	<ul style="list-style-type: none"> · Digital and Technology Strategy and Cybersecurity Strategy · SCADA Strategy · Information management policies · Asset class planning 	People and Culture Customer and Community Commercial and Economic	Workforce for today and the future (p.12); Digitising our customer experience (p.10)
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 · Business continuity plans and critical asset contingency plans · Non-revenue Water Reduction Strategy (to reduce water leakage) · Water Surety Strategy and implementation plans · Water Supply Demand Management Steering Group · Growth and capacity/system master plans 	Water and Environment Customer and Community	Water security and quality (p.11); Supporting communities through engagement and consultation (p.10)
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 · Automated monitoring and control systems (including the Operations Centre) · Incident and Emergency Management Plan · Water safety plans 	Water and Environment	Water security and quality (p.11)
WORKER AND PUBLIC SAFETY RISK	Serious injury or fatality involving an employee or contractor arising out of or in the course of employment with TasWater Serious injury or fatality involving a member of the public arising from TasWater operations Serious injury or fatality involving a member of the public from use of TasWater facilities	<ul style="list-style-type: none"> · Health, Safety and Wellbeing Strategy · Health and Safety Risk Framework · Health and Safety Management System · Contractor Management Framework · Health and Safety Information System 	People and Culture Customer and Community	Safe, well and thriving (p.12); Supporting communities through engagement and consultation (p.10)

Customer and community

What you expect

- You feel valued
- It is easy to do business with us
- We have listened to you

Our commitments

- To consider customers' experience in everything we do
- To share relevant and meaningful information
- To engage with communities on the issues that matter to them

Our key strategies

- Customer Experience Strategy
- Community and Stakeholder Strategy

Actions we will take

Digitising our customer experience

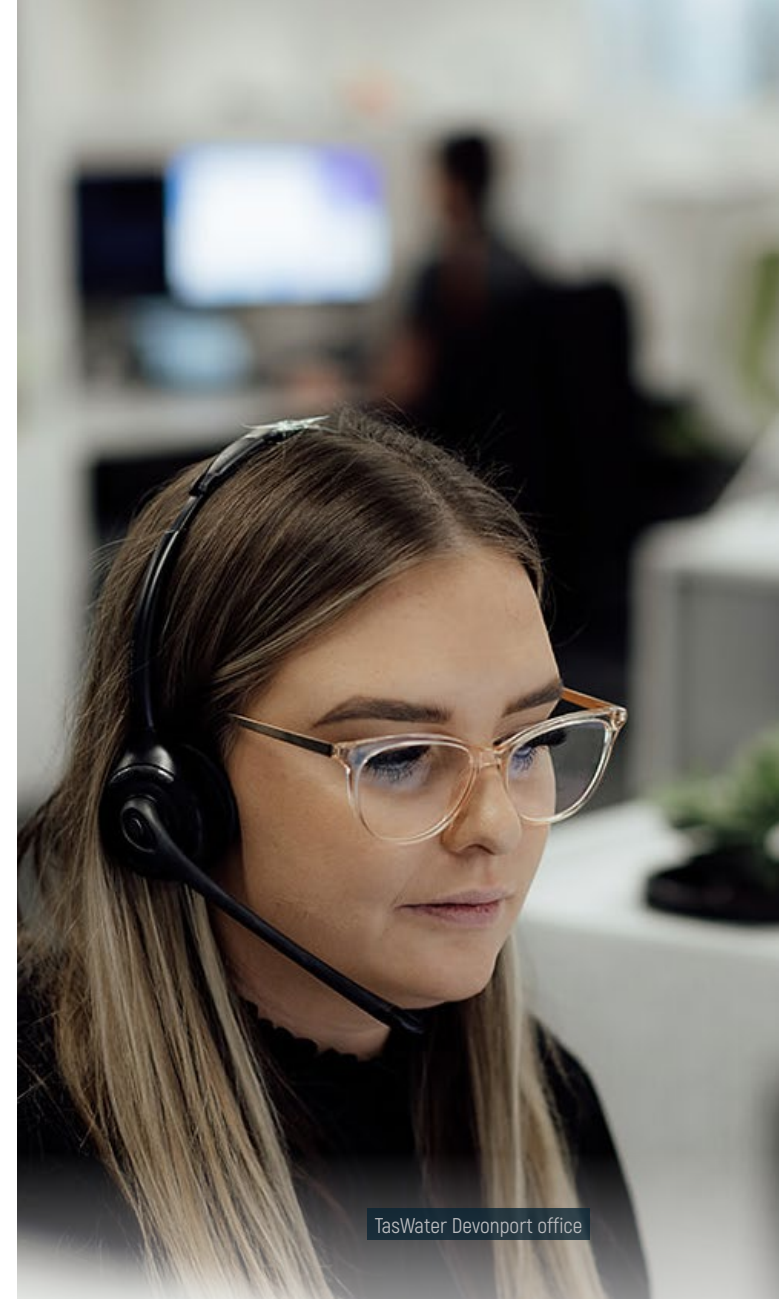
- Incorporate new self-service options and promote electronic billing
- Deliver real-time digital updates to allow our customers to plan around work we are undertaking

Supporting communities through engagement and consultation

- Raise awareness of the role households and businesses can play in the safe, efficient, and environmentally sensitive management of sewage
- Engage directly with communities when we are investigating, developing, and delivering infrastructure upgrades and capital works
- Engage with our customers and community in the development of our proposal for our fifth Price and Service Plan (PSP5), Infrastructure Master Plans and Water Security Strategies
- Maintain community visibility through our mural painting program, portable drinking water fountains, and strategic sponsorships and partnerships

Sharing stories about the issues that matter

- Communicate our actions to improve community, customer and environmental outcomes through a range of channels
- Build a trusted and well-known brand in Tasmania



TasWater Devonport office

TasWater contributes to the Tasmanian community in various ways, with a focus on grassroots initiatives designed to engage and enhance our relationships with local communities around Tasmania. We participate in community events across the state to grow understanding of our activities and encourage communication, mutual trust and respect. We also seek to help the Tasmanian community better understand how we design, develop and prioritise projects and how their feedback can be incorporated as part of this process.

Water and environment

What you expect

- Your drinking water is reliable, clean and safe to drink
- Your sewage is collected, transported, treated and disposed of efficiently
- We are responsible stewards of the environment

Our commitments

- Provide you with safe drinking water and manage your sewage in an environmentally responsible way

Our key strategies

- Environment Strategy
- Drinking Water Strategy

Actions we will take

Climate change and environment

- Improve our understanding of the impacts of climate change on our business and our communities
- Improve the resilience of our systems to climate events and continue to meet the agreed customer service levels
- Continue to work with our customers to better understand what is important to them and plan the future of our services
- Act as responsible environmental stewards and ensure we are doing what we can to improve the environment through our operations
- Implement our new Environment Strategy, including reducing greenhouse gas emissions, conducting sustainable water extractions, reducing nutrient discharge to waterways, reducing sewage spills, and implementing the circular economy to deliver better outcomes

Water security and quality

- Improve the resilience of our water supplies to meet both planned and unexpected increases in demand while maintaining water quality
- Protect our existing water sources and explore options for new sources to support demand management through our new Water Security Strategy
- Build partnerships and alliances focused on the management and protection of Tasmania's drinking water catchments for the benefit of our customers and the community, and continue to advocate for and represent the community's interest in our precious water resources

Network performance

- Accelerate our network renewals programs throughout the Plan period to upgrade and improve service reliability for our customers
- Explore opportunities to invest in new technologies and innovations to improve the management, operation and performance of our network
- Reduce water losses by implementing our leak detection and remediation program and active leakage control measures, including pressure management, water metering and water accounting



People, culture and safety

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 commitments

- Create the workforce of the future – inspired, engaged, healthy and thriving

Our key strategies

- People Strategy
- Health, Safety and Wellbeing Strategy

Actions we will take

Creating great places to work

Through our new People Strategy, we will:

- Develop a talented, inclusive and engaged workforce that works together for a common purpose
- Implement a purposeful leadership development framework to cultivate an inclusive, safe, healthy and constructive work culture
- Build a thriving workplace through the redesign of our organisational culture and workspaces

Safe, well and thriving

- Deliver dynamic and effective risk management, simple and integrated health and safety systems, and purposeful leadership through our new Health, Safety and Wellbeing Strategy
- Empower our people and leaders to own and drive improved performance and health, safety and wellbeing outcomes
- Deliver on our commitment to build a safe workplace for all employees

Workforce for today and the future

- Deliver our new Diversity and Inclusion Strategy and First Nations Engagement and Commitment Plan
- Develop an improved workforce operating model and plan to address risks and assist in succession planning
- Build capabilities required now and for the future by developing and implementing an organisation-wide capability framework



Bellerive Sewer Pump Station

Commercial and economic

What you expect

- Our pricing is sustainable
- We contribute to Tasmania's prosperity by supporting new, emerging, and existing industries

Our commitments

- Give you value for money

Our key strategies

- Asset Management Strategy
- Financial Sustainability Strategy

Actions we will take

Ensuring a financially sustainable business

- Continue to balance our three key financial tensions: keeping prices affordable for our customers, delivering targeted outcomes to meet the current and future needs of Tasmanian communities, and providing sustainable returns to owners
- Ensure equitable and fair charging to customers by removing cross-subsidies across customer segments and pricing structures
- Explore new and innovative profit streams
- Continue to deliver sustainable operating cost savings of \$2.2 million each year to FY2025–26 through our five-year Productivity Roadmap (building on productivity improvements of \$32.5 million to date)

Future capital investment

- Continue to deliver on our commitments relating to critical infrastructure through our 10-year, \$1.8 billion accelerated capital program (commenced 2018)
- Build and operate a water and sewerage system that continues to reliably deliver our water and wastewater services, at an optimal cost, that is resilient in increasingly extreme weather conditions, and is affordable for our customers



Measuring our success

The selected key performance indicators (KPIs) for the period reflect TasWater's focus on what really matters over the next five years to June 2028. As foreshadowed in its 2023–27 Corporate Plan, TasWater has refreshed several existing indicators and added several new indicators. Notwithstanding this, the selected indicators are aligned to TasWater's LTSP 2021–2030 and PSP4, with targets that meet or exceed those within these documents.

KEY PERFORMANCE INDICATOR	TARGETS				
	FY2023–24	FY2024–25	FY2025–26	FY2026–27	FY2027–28
Total complaints per 1,000 customers (no.)	≤9.9	≤9.5	≤9.5	≤9.0	≤8.5
Customer satisfaction (%)	≥73	≥75	≥75	≥77	≥79
Reducing non-revenue water (%) ¹	≤23	≤13	≤12	≤11.5	≤11
Number of water main breaks per 100km of water main (no.)	≤32	≤31	≤30	≤25	≤20
Number of sewer main breaks and chokes per 100km of sewer main (no.)	≤40	≤40	≤38	≤34	≤30
Customers where microbiological compliance was achieved (%)	100	100	100	100	100
Greenhouse gas reduction (from FY2021–22 baseline) ² (%)	1.5	5	10	15	20
Total Recordable Injury Frequency Rate (TRIFR) ³	≤8.0	≤4.0	≤2.0	≤2.0	≤1.0
Employee engagement (%)	Baseline	+5	+10	+15	+20
Earnings Before Interest, Tax & Depreciation (EBITDA) (\$ million)	174.0	195.3	210.7	224.0	237.1
Value of capital projects awarded to Tasmanian businesses (%)	≥80	≥80	≥80	≥80	≥80
Cost of cross-subsidies (\$ million)	≤7.5	≤5	≤2.5	0	0

¹ Reported every six months, one quarter in arrears, i.e.; report produced in July for 12-month period ending 31 March; report produced in January for 12 months to September.

² FY2021–22 baseline: 148,021 tonnes CO₂-e (Scope 1 and 2)

³ TRIFR = Combined TasWater + Capital Delivery Office

Financial forecasts

Overview

The draft financial projections for the 2023–24 to 2027–28 Corporate Plan present an outlook of strong earnings and significant investment in TasWater's Capital Program.

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

FINANCIAL SUMMARY	FY2021-22 ACTUAL	FY2022-23 CURRENT YEAR	FY2023-24 BUDGET (PLAN)	FY2024-25 FORECAST (PLAN)	FY2025-26 FORECAST (PLAN)	FY2026-27 FORECAST (PLAN)	FY2027-28 FORECAST (PLAN)
NET PROFIT AFTER TAX (\$ MILLION)	62.4	66.7	64.5	75.0	78.5	80.2	83.5
UNDERLYING NET PROFIT ⁴ (\$ MILLION)	31.9	33.2	33.1	34.1	37.2	38.4	41.1
CAPITAL EXPENDITURE (\$ MILLION)	253.7	215.6	286.4	346.8	318.4	270.2	244.9
DISTRIBUTIONS							
DIVIDENDS (\$ MILLION)	20.0	20.0	20.0	20.0	20.0	25.0	25.0
SPECIAL DIVIDEND TARGET ⁵ (\$ MILLION)	4.0	4.0	4.0	4.0	4.0	-	-
TOTAL DISTRIBUTIONS (\$ MILLION)	24.0	24.0	24.0	24.0	24.0	25.0	25.0
DEBT (\$ MILLION)	734.9	783.1	846.6	1,014.7	1,196.0	1,333.2	1,441.1
GEARING ⁶ (%)	44.2	44.7	45.9	53.6	61.4	66.6	69.9
INTEREST COVER (TIMES)	3.80	3.24	3.04	2.96	2.75	2.54	2.45

4 Underlying net profit is the profit adjusted for contributed revenue and developer charges.

5 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.

6 Gearing levels have been calculated in accordance with TasWater's Financial Sustainability Strategy as borrowings/shareholders equity.

Earnings

- Over the Plan period, underlying profit is forecast to be \$183.9 million, and net profit \$381.7 million.
- While earnings during this period will be impacted by higher interest costs as debt levels rise, and inflationary pressures, growth in underlying profit remains steady from \$33.2 million in FY2022–23 to \$41.1 million in FY2027–28.
- Inflationary increases provided in the Plan will directly impact underlying profit, as revenue is mainly fixed through regulatory pricing.
- Overall, forecast earnings represent an increase of over \$30 million compared to the five-year period from the previous Corporate Plan.
- There is no assumed impairment of assets during the Plan period.

Gearing

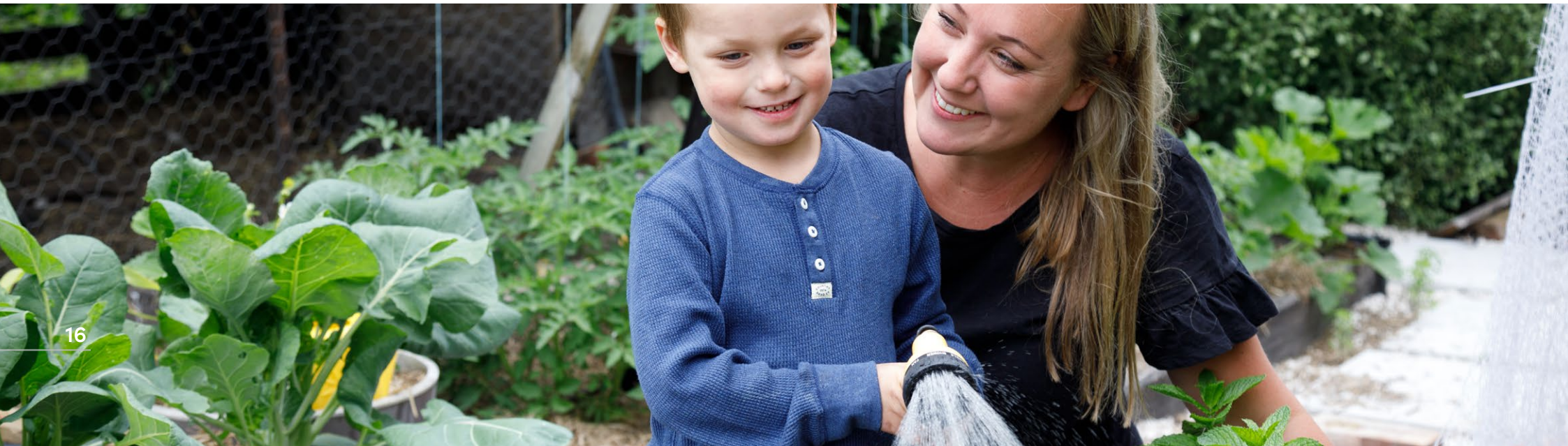
- Total debt is expected to reach \$1.4 billion by FY2027–28, increasing with TasWater's accelerated capital program. The level of debt is considered to be within sustainable levels, given continued growth in underlying profit and high interest cover.
- TasWater's Financial Sustainability Strategy sets a gearing threshold of 55 per cent. This is a conservative gearing position when compared to our peers and when compared to the Financial Leverage loan covenant with our financiers, the Tasmanian Public Finance Corporation. The financial projections show that our gearing level will exceed the 55 per cent threshold in FY2025–26. It is expected the gearing level

will peak at 69.9 per cent in FY2027–28 before returning to within the Financial Sustainability Strategy threshold by FY2031–32.

- While TasWater will seek to comply with the parameters set within our Financial Sustainability Strategy over time, a relatively small short-term exceedance is not considered to be a major risk to financial sustainability. With strong operating cash-flows and a flattening of capital expenditure following the accelerated program, it is expected total debt will decline following the Corporate Plan period.

Dividends

- The strong earnings profile supports dividend distributions to shareholders over the Plan period, with TasWater committed to paying responsible dividends to its owners.
- In addition to ordinary dividends, special dividends of \$4 million per annum are provided for from FY2021–22 to FY2025–26. These special dividends are to return the foregone dividends during COVID-19 to owner councils. As with all forecast dividend payments, special dividends are subject to the underlying financial performance and position supporting these payments. Payment of the special dividend will be considered in June of each year when the underlying profit for the year is more certain.
- It is worth noting, growing underlying profits and operating cash-flows is needed to reduce and manage TasWater's debt levels.
- The Plan projections also support the forecast increase in dividend payments to owner councils assumed to occur from FY2026–27.



Capital expenditure

- In 2018, we committed to investing \$1.7 billion in new and upgraded infrastructure over 10 years, with a best endeavour aim to deliver \$1.8 billion over this period. We now expect to exceed this target and deliver \$1.84 billion over the 10-year period to FY2025-26. Over the Plan period, we are forecasting to deliver capital investment of almost \$1.46 billion with substantial external funding supporting the delivery of key initiatives
- Major projects over the period include key transformation projects such as the relocation of the Macquarie Point Sewage Treatment Plant, the Tamar Estuary River Health Action Plan and the Launceston Sewer Improvement Program in the north, plus numerous satellite developments to service both the domestic and industrial sectors
- Moving forwards, TasWater will work to extend its capital program beyond the current accelerated period to determine sustainable levels of expenditure that deliver affordable prices and acceptable water and sewerage services to customers

Fig. 1 FY2024–28 capital program (by value, \$ million)

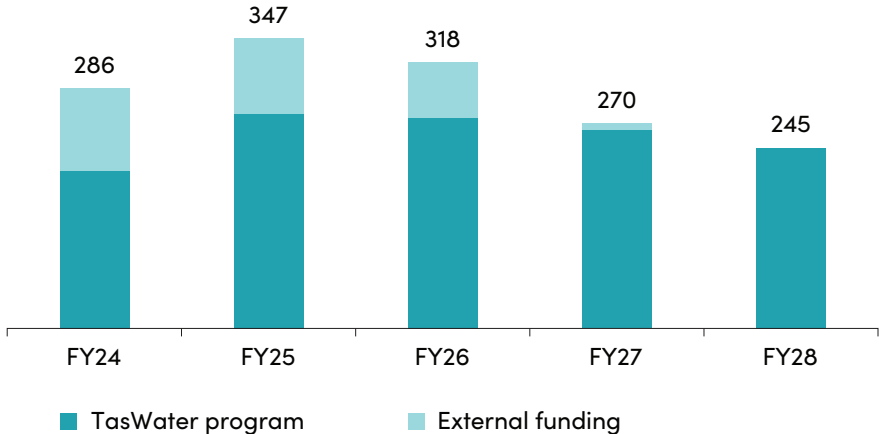
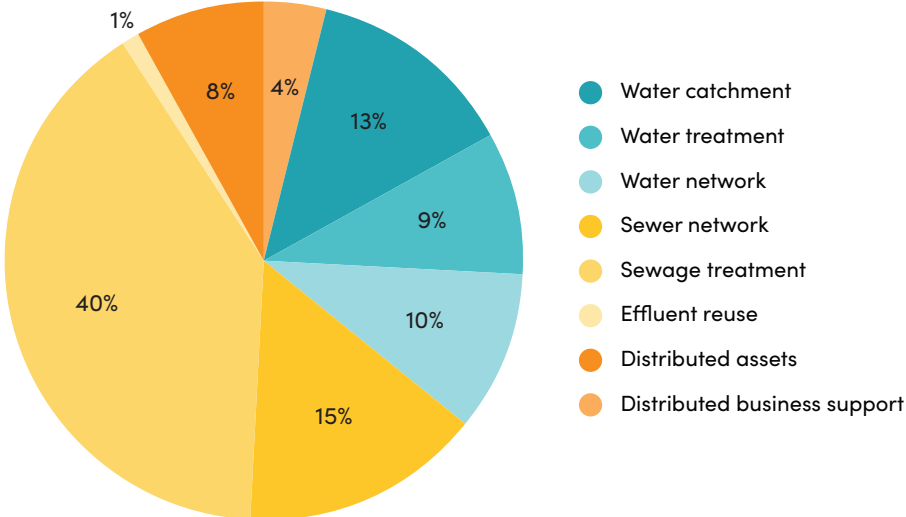


Fig. 2 FY2024–28 capital program by infrastructure class



About our program

- The aim of TasWater's capital program is to balance meeting our compliance commitments, customer affordability and improvement aspirations
- TasWater is also constantly seeking pathways to lower costs via more innovative, safer and more efficient capital solutions
- Our capital works program is guided by various regulators including:
 1. The Drinking Water Quality Risk Management Plan regulated by the Department of Health
 2. The Wastewater Risk Management Plan regulated by the Environment Protection Authority
 3. The dam safety management plan regulated by the Department of Natural Resources and Environment Tasmania
 4. The Price and Service Plan regulated by the Tasmanian Economic Regulator
- While our approach is highly structured, we also have the flexibility to address unexpected issues that could impact services, and we adapt our capital program to suit our operating environment

Delivering our program

- In recent years, we have continued to embed the Capital Delivery Office (CDO) alliance into our business-as-usual operations
- As a result of these efforts, we have delivered a significant acceleration in capital expenditure in the last three financial years

External funding contributions

- From time to time, we need to consider projects where we are unable to recover the associated costs from our customers
- Where these projects still provide benefits to Tasmania, we seek external funding contributions
- We include external funding in our forecasts for projects where there is a grant deed in place, or enough certainty of the funding being provided

Prince of Wales Bay Sewage Treatment Plant, Derwent Park



In 2018, TasWater and owner councils committed to investing \$1.7 billion over 10 years in new and upgraded infrastructure, with a best endeavour aim to uplift our capital expenditure to \$1.8 billion over this period. The State Government made a \$200 million contribution towards the acceleration of TasWater's capital expenditure program at this time, also taking part-ownership in the organisation. Including the capital expenditure in this Plan, we now expect to exceed the best endeavour aim and deliver a total of **\$1.84 billion** of capital expenditure over the 10-year period of the commitment (FY2016-17 to FY2025-26).

Appendices

Financial assumptions

Revenue assumptions

Revenue projections included in the Plan reflect a uniform price increase of 3.50 per cent⁷.

The Plan includes increased revenue from new customer connections, water consumption and unregulated sources such as trade waste and irrigation. It is assumed unregulated revenue sources will be cost reflective at the commencement of PSP5.

Expense assumptions

In the current economic environment, inflation and interest rates expectations are most uncertain, and frequent changes to TasWater's operating environment are expected.

Cost increase assumptions across the Plan are aligned with the most recent consumer price index (CPI) forecasts made by the Reserve Bank of Australia.

- CPI is assumed to be 5.5 per cent for FY2023–24 and then decreasing to 3.0 per cent over the remaining four years of the Plan.
- Fixed salary increases are consistent with the terms of our Enterprise Agreements, which provide certainty for our employees through to FY2023–24. Costs from FY2024–25 onwards will be based on projected CPI, performance allowances and increases in the Australian Government superannuation guarantee percentage till FY2025–26.
- Power expenses are modelled based on current contracts, forward cost estimates and projected usage. These have been modelled by an external consultant.

Interest expense assumptions

The average interest rate for the loan portfolio is 4.0 per cent across the period of the Plan.

Dividend forecasts

In developing these forecasts, it has been assumed that there will be no material adverse financial impacts. To the extent such changes occur, resulting in underlying profits being reduced below the threshold required to support the dividend forecasts, dividends would be reduced to ensure they do not exceed underlying profits.

To the extent that underlying profitability is greater than forecast, consideration would be given to how to best use these funds, giving regard to the objectives of TasWater's Financial Sustainability Strategy.



Laneway cafe, Devonport

⁷ There are two financial years (2026–27 and 2027–28) of assumed 3.50 per cent increases that are outside the period of PSP4. The Tasmanian Economic Regular could approve a higher or lower amount in these years.

Income statement (\$ million)

	FY2021-22 ACTUAL	FY2022-23 FORECAST	FY2023-24 FORECAST	FY2024-25 FORECAST	FY2025-26 FORECAST	FY2026-27 FORECAST	FY2027-28 FORECAST
REVENUE							
Fixed Charges	265.4	280.4	292.4	305.2	318.5	332.3	346.8
Volumetric Charges	74.3	77.5	81.6	85.1	88.8	92.6	96.6
Services & Consulting Revenue	9.6	10.3	11.6	12.1	12.6	13.1	13.7
Developer Contributions	31.0	33.5	31.4	40.9	41.3	41.8	42.5
Sundry Revenue	5.7	3.3	3.0	25.2 ⁸	9.2	9.5	9.5
TOTAL REVENUE	386.0	405.0	420.0	468.5	470.4	489.3	509.1
EXPENSES							
Chemicals, Power & Royalties	24.4	26.1	30.7	31.6	32.6	33.6	34.6
Materials & Services	41.7	42.2	43.5	44.9	46.2	47.6	49.0
Salaries & Related Personnel Expenditure	101.7	108.3	111.8	117.1	122.6	127.0	131.6
Administration Costs	47.7	55.4	60.0	79.6 ⁹	58.3	57.1	56.8
TOTAL EXPENSES	215.5	232.0	246.0	273.2	259.7	265.3	272.0
Earnings Before Interest, Tax & Depreciation	170.5	173.0	174.0	195.3	210.7	224.0	237.1
Interest	15.9	16.5	23.6	30.0	36.3	43.0	48.2
Depreciation	92.2	89.8	85.9	90.3	95.9	100.8	105.4
NET OPERATING PROFIT	62.4	66.7	64.5	75.0	78.5	80.2	83.5

⁸ Includes \$20.0 million grant for operational costs relating to the Macquarie Point STP relocation project.

⁹ Includes \$20.0 million in decommissioning and asset write off costs for the Macquarie Point STP relocation project.

Cash flow statement (\$ million)

	FY2021-22 ACTUAL	FY2022-23 FORECAST	FY2023-24 FORECAST	FY2024-25 FORECAST	FY2025-26 FORECAST	FY2026-27 FORECAST	FY2027-28 FORECAST
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers	348.3	360.3	373.3	394.5	411.5	431.8	453.1
Payments to Suppliers & Employees	(246.5)	(245.4)	(267.1)	(268.0)	(287.8)	(289.5)	(293.2)
Government Grants	0.5	-	-	20	-	-	-
Interest Paid	(14.5)	(16.1)	(18.8)	(28.8)	(34.7)	(41.6)	(48.3)
GST Refund from the ATO	33.3	32.2	43.1	43.8	46.6	38.3	34.9
Net Cash Flows from Operating Activities	121.1	131.0	130.5	161.5	135.6	139.0	146.5
CASH FLOWS FROM INVESTING ACTIVITIES							
Payments for Property, Plant & Equipment	(253.7)	(215.6)	(286.4)	(346.8)	(318.4)	(270.2)	(244.9)
Government Grants	0.7	11.0	67.4	42.2	26.5	20.0	16.5
Equity Contributions	40.0	50.0	50.0	-	-	-	-
Proceeds from Property, Plant and Equipment	1.8	-	-	-	-	-	-
Net Cash Flows from Investing Activities	(211.2)	(154.6)	(169.0)	(304.6)	(291.9)	(250.2)	(228.4)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from Borrowings	115.1	48.2	63.5	168.1	181.3	137.2	107.9
Dividends Paid	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(25.0)	(25.0)
Special Dividends ¹⁰	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	-	-
Repayment of Lease Liabilities	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Net Cash Flows from Financing Activities	90.1	23.2	38.5	143.1	156.3	111.2	81.9
Net Movement in Cash for the Year	-	(0.4)	-	-	-	-	-
Opening Cash Balance	2.9	2.9	2.5	2.5	2.5	2.5	2.5
Closing Cash Balance	2.9	2.5	2.5	2.5	2.5	2.5	2.5

Balance sheet (\$ million)

	FY2021-22 ACTUAL	FY2022-23 FORECAST	FY2023-24 FORECAST	FY2024-25 FORECAST	FY2025-26 FORECAST	FY2026-27 FORECAST	FY2027-28 FORECAST
ASSETS							
Cash and Cash Equivalents	2.9	2.5	2.5	2.5	2.5	2.5	2.5
Receivables	36.9	41.5	42.9	46.1	52.1	58.0	67.8
Inventories	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Property, Plant & Equipment	2,483.2	2,642.5	2,874.0	3,142.1	3,396.2	3,597.6	3,769.5
Other	4.4	3.2	3.9	4.6	3.8	4.9	5.3
TOTAL ASSETS	2,536.0	2,698.3	2,931.9	3,203.9	3,463.2	3,671.6	3,853.7
LIABILITIES							
Borrowings	734.9	783.1	846.6	1,014.7	1,196.0	1,333.2	1,441.1
Employee Benefits	31.8	35.7	40.0	45.8	48.1	49.4	51.5
Payables	45.3	53.3	60.1	68.9	72.3	77.3	82.4
Unearned Income	36.7	46.5	112.7	151.6	170.9	183.7	193.1
Other	32.1	31.9	34.2	33.6	32.1	29.0	28.0
Total Liabilities	880.8	950.5	1,093.6	1,314.6	1,519.4	1,672.6	1,796.1
Net Assets	1,655.2	1,747.8	1,838.3	1,889.3	1,943.8	1,999.0	2,057.6
EQUITY							
Retained Earnings	(343.1)	(300.5)	(260.0)	(209.0)	(154.5)	(99.3)	(40.7)
Reserves	370.5	370.5	370.5	370.5	370.5	370.5	370.5
Contributed Capital	1,627.8	1,677.8	1,727.8	1,727.8	1,727.8	1,727.8	1,727.8
TOTAL EQUITY	1,655.2	1,747.8	1,838.3	1,889.3	1,943.8	1,999.0	2,057.6