



2020/21 Business Plan



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1 About VicWater

The Victorian Water Industry Association (VicWater) is the peak industry association for water corporations in Victoria. It is a not-for-profit industry association under the *Associations Incorporation Reform Act 2012*.

Better Together

Collaboration lies at the heart of VicWater’s value proposition. We know our members are better together, whether influencing government, promoting best practice and industry thought leadership, planning for future challenges, or generating shared value through the efficient use of resources.

We work closely with our members to provide effective forums of collaboration for Victorian water corporation boards and senior executives. We provide an effective vehicle for Victorian water corporations to benefit from shared learnings, commitments, investments, experimentation, risk-sharing, achieving real dollar industry efficiencies, and in developing a common voice with stakeholders on key industry issues.

1.1 Governance

Representation of the members of our association is established in the Council. The Council appoints a board of the management of the Association, currently comprising seven directors.

Board members at June 2020 are:

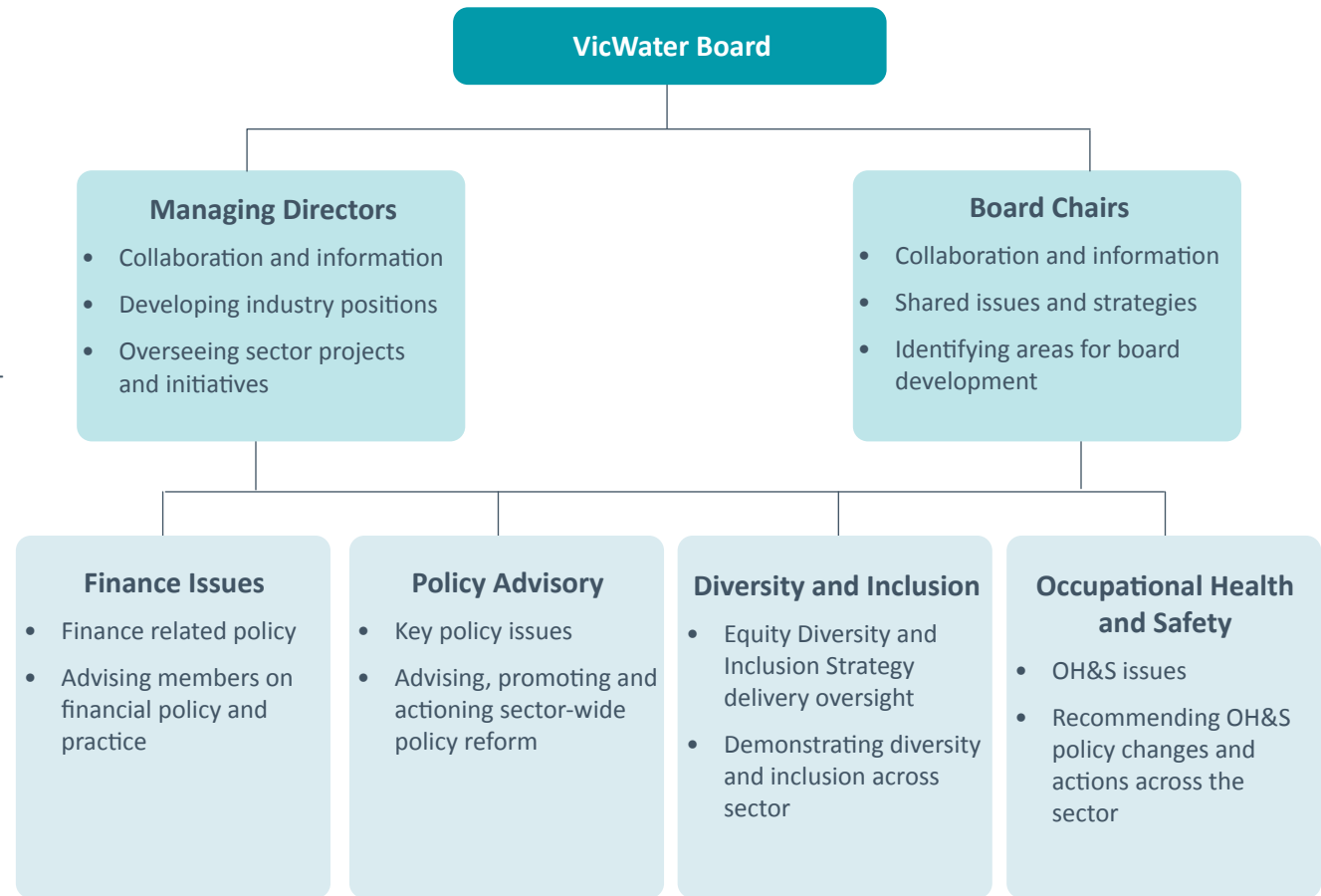
Chair	
Joanne Plummer	Chair, Barwon Water

Board Directors	
Gabrielle Bell	Director, South East Water
Naomi Cleary	Director, Southern Rural Water
Andrew Jeffers	Managing Director, Wannon Water
Robyn McLeod	Director, Melbourne Water
Peter Quigley	Managing Director, Westernport Water
David Schultz	Chair, South Gippsland Water

Supporting the work of VicWater is a consultative model that involves leadership forums and major task groups. The Managing Directors Forum and Board Chairs Forum meet regularly to identify and oversee operational and governance development opportunities, respectively.

Supporting these three leadership clusters are VicWater’s task groups: Finance Issues Steering Committee; Policy Advisory Committee; Diversity and Inclusion Steering Committee; and Occupational Health and Safety Steering Group. These groups work on policy, advocacy, improvement and innovation as representatives of our members.

In addition, a series of short-term working groups convened by VicWater operate to meet industry needs. Examples include carbon emissions reduction, asset valuation, and recycled water improvements.



VicWater External Stakeholder Communications

1.2 Success factors

We know we are succeeding when:

- we seek the best opportunities for our members and we put them into place
- we listen to our members and refine our offering
- we represent our members as the credible, efficient, and innovative businesses that they are.

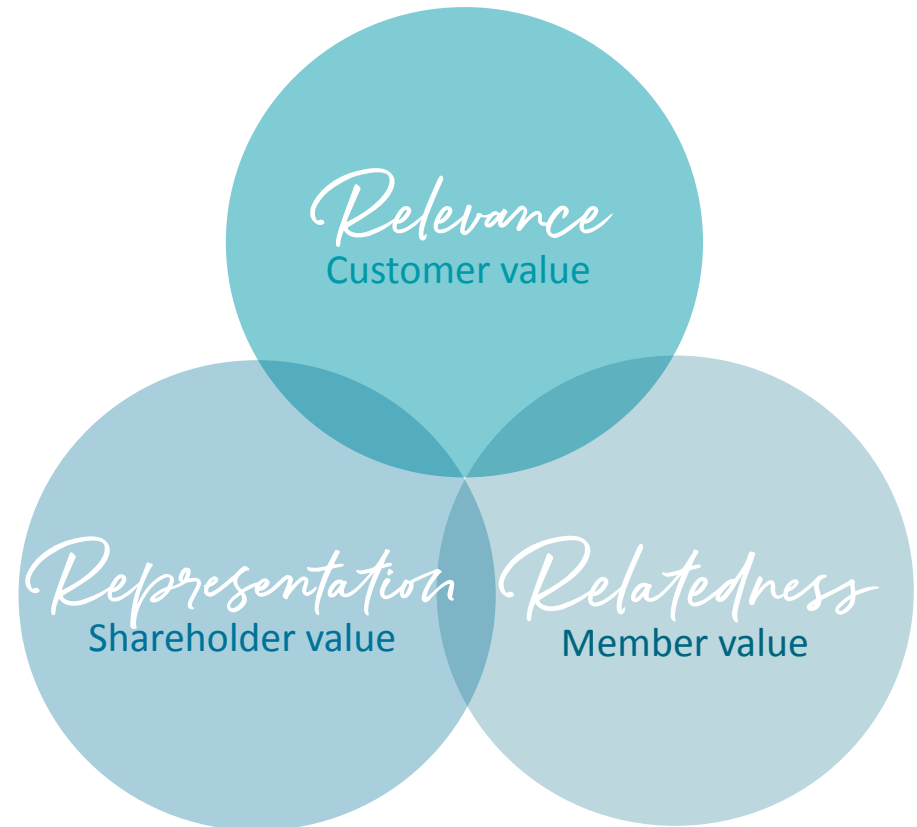
1.3 The three Rs of shared value

Shared value is generated for the water sector through **relevance**, **representation**, and **relatedness**.

Relevance generates customer value. Through thought leadership and identifying global trends, VicWater helps its members stay at the forefront of innovation, customer engagement and service delivery.

Representation generates shareholder value. VicWater leads members' engagement with the Victorian Government to create a policy and regulatory framework fit for a world-leading water industry.

Relatedness generates member value. VicWater-facilitated industry collaboration shares value through the lessons we learn from each other, from the market and from other industries.



2 Business Plan Context

Moving into our second year of Strategic Plan implementation, VicWater continues to focus on generating shared value through engagement with our members' director and executive cohorts.

We will uphold our industry's **relevance** by supporting our members to maintain contemporary and future thinking, growing the diversity and expertise of its profession and being visible and accessible to its customers. We will build on our work over the past 12 months with members to establish a Policy Advisory Committee, drive sector reform and innovation through the Diversity and Inclusion Steering Committee, and realign the agendas of the Finance Issues Steering Committee and Occupational Health and Safety Steering Group.

We will **represent** and assist our members so that they can provide reliable and efficient services while responding to the changes we face as an industry. We continue to facilitate cooperation across our membership and effective relationships with the industry's shareholder and regulatory stakeholders. The proof of these initiatives lies in growing credibility as a trusted advisor and advocate for the sector.

We will **relate** to our members, providing leadership for the industry that is distinctive and complementary to the work of the other water industry associations while engaging with stakeholders across the various platforms. Our member engagement and industry networking has brought about joint initiatives with peer associations such as Water Services Association of Australia (WSAA), the Institute of Water Administration (IWA), the Australian Water Association (AWA) and the Water Industry Operators Association of Australia (WIOA). Resultingly, our value proposition is clearer to members.

The coronavirus pandemic has caused us to re-evaluate the value that we offer our members. Our sector relevance is being enhanced as we continue to lead and foster critical strategic projects that bring the sector out of the

pandemic to maintain their essential services to Victorian customers. Our representation of the sector has grown as a trusted advisor on services and standards. And upholding our sector's relatedness, VicWater has rapidly pivoted to virtual platforms and an interactive website that assist members with an enhanced environment to locate the latest data.

2.1 Drivers

Beyond our Strategic Plan, the key drivers considered in developing this business plan include:

- Climate change
- Sector continuity and sustainability
- Supporting customers through change
- Growing governance complexity
- Continuing to deliver Water for Victoria
- Digital water services
- Our financial model
- Proactive policy

Climate Change

Climate change continues to present the greatest pressure to our members in their ability to maintain services. Having recently experienced record-breaking temperatures, bushfires, dust storms, hailstorms and ongoing drought across parts of the state, our members are constantly reminded of the vulnerabilities of our water resources to climate change.

With trending increases in average temperatures and decreases in streamflows across the state, our industry's attention continues to focus on demand management and investment in future water security and community liveability through integrated water management. WSAA's campaign for "all options on the table" registers the appetite of our members to pursue and expedite the engagement of a portfolio of sustainable water solutions that relate to the customers they serve.

Our members' ongoing commitment and progress to achieve carbon neutrality will make a positive difference to our collective ecological impact. While targets are in place to achieve net-zero emissions across the metropolitan area by 2030 and regional Victoria by 2050, some members expect to achieve these earlier. This is not easy. Despite strong commitments to both largescale and small-scale renewable energy projects using collaborative mechanisms such as Zero Energy Water and the Intelligent Water Networks, limits to the state's transmission capacity and restrictions on the use of carbon offsets have driven innovation in demand management, tailored technologies and business-to-business partnerships.

Sector continuity and sustainability

During the past financial year, our sector has experienced significant challenges associated with disasters and focusing events. Stimulated by climate change, unprecedented bushfires through December 2019 and January 2020 significantly impacted East Gippsland Water and North East Water to maintain services and provide support to their affected customers. At the time of writing, COVID-19 has caused unprecedented impacts on the Victorian economy and community. Our members faced challenges to their business continuity and successfully advocated for recognition of their critical role as providers of essential services. Their financial status was further challenged as customer hardship provisions increased in range and application. This was met with discussions on debt to maintain services against a highly volatile market.

VicWater has been able to rapidly respond to the pandemic on behalf of the sector. It has coordinated a uniform industry support package for customers experiencing hardship as a result of COVID-19 and promote this information to Government through DELWP and the Essential Services Commission. Media and public communications on customer support were also made consistent through VicWater's initiative.

COVID-19 also brought to light the issue of the sector's services not publicly recognised as essential. VicWater came to the members' support in defining the essential nature of the water industry's services to the community and the need for the Government and customers to support these services. Our initiative in partnership with WSAA invoked a necessary government response and recognition of our work.

How COVID-19 will manifest over the 2020-2021 financial year is partly unknown. Some members were already facing sobering economic outlooks without an uplift in prices against a tacit expectation of stable or declining prices. Coupled with the extreme conditions imposed through a changing climate, the economic sustainability of our members is a critical issue associated with the institutional composition and operational functionality of the sector.

Notwithstanding the challenges such focusing events have brought to the water industry, members have matured further in their collaborative and coordinating abilities. This was exemplified during the bushfires, where South East Water volunteered for the role of mutual aid coordinator, providing much-needed resources to the affected water corporations and refilling the water tanks of impacted customers. Building on their insights from the Black Saturday and related bushfires of 2008-09, East Gippsland Water and North East Water were able to perpetuate their water supply services through resilient systems, critical access provisions previously set in place and the coordinated support of their neighbouring businesses and South East Water. More is being learned from COVID-19 through the sector's collaboration on joint advocacy for essential services, consistent messaging for supporting affected customers, and a new form of mutual aid coordination associated with the supply of critical resources. While the period continues to test the sector, its adaptability to rapidly redeploy its workplace while protecting their health and safety and to deftly pronounce and increase support for customers in need provides early indications of its growing resilience.

Supporting customers through change

Customer populations and demographics continue to change rapidly across our state. Within Melbourne, ageing infrastructure is being tested through a growing customer base that has stimulated challenging augmentation and replacement programs for our metropolitan members. Across the axes linking the north to the southwest, continued population growth expands the conurbation beyond its originally conceived limits towards a mega-city while large regional towns continue to expand and densify. Other towns are shrinking, creating challenges for regional water corporations in their capacity to service their customers into the future.

Sixty percent of Victoria's population growth is attributed to migration while a similar proportion of the state's food is locally sourced. The increasing pressure on water and food supply draws an important nexus to our rural members who continue to identify management efficiencies while facing increasingly competitive markets.

The recent circumstances stimulated by the COVID-19 pandemic have impacted on the livelihoods of many of Victoria's customers. Hardship relief programs administered by our members have dramatically grown to help many Victorians get through a most difficult period. Our sector's altruism is evident as it earnestly adjusts these programs to meet local needs. The ongoing economic impact of the changes is yet to be fully felt as our members turn to modified totex allocations and increased borrowings for their services. Long term implications associated with the viability of our members reinforce VicWater's planned sector economics review.

Growing governance complexity

Our industry is experiencing a growing range and extent of government expectations on its statutory and public service obligations. The introduction of workplace manslaughter legislation on 1 July 2020 has focused the attention of non-executive and managing directors to their culture, systems and procedures for safety associated with all aspects of their operations.

Adding to the responsibilities of our members is the implementation of the new Environmental Protection Act, which shifts their responsibilities towards prevention and the related imposition of a general environmental duty.

With the combination of public interest disclosure and growing requirements for social and construction procurement, equitable and diverse employment and governance decisions, initiatives to advocate and to share valuable information and best practice across the sector are being taken. This is set against a context of unclear indemnity for board directors and central government control of customer communications and remuneration conditions for market-competitive executive employment.

VicWater is playing a key role in advocating for members across these issues and engaging subject matter expertise tailored to supporting the sector's needs. It has also focused energy on developing sector-wide safety leadership and industry-led reforms.

Continuing to deliver Water for Victoria

As the Victorian Government's water plan reaches its four-year anniversary, members can be proud of their achievements across the various initiatives set in place by Water for Victoria. It has continued to expand and interconnect the state's water grid, upgrade priority facilities, re-purpose assets, develop a diverse and inclusive sector and support Traditional Owners as we learn from their deep understanding of their country.

Engagement between members and with DELWP have strengthened water supply security across the state. However, progress on the Sustainable Water Strategies for the South-Central and Northern regions has lagged. VicWater's continued role in supporting our members as an advocate, conduit and facilitator remains critical to progressing these key projects.

Digital water services

The rapid evolution and adoption of digital technologies across society is pressing strongly into our sector. The development of Artificial Intelligence (AI) in operational systems, the application of the Internet of Things (IoT) to building the circular economy, the use of real-time data and predictive technologies for customer information, and the inclusion of Augmented Reality (AR), Virtual Reality (VR) and Mixed Reality (MR) in the field are key areas of growth.

VicWater and the Intelligent Water Networks (IWN) continue to pilot and test digital technologies while complementing the initiatives of WSAA through its Digital Strategy and Architecture Community of Practice. Our collective aim is to provide a common frame of reference for the use of digital technology in the water sector and, through effective partnerships, encourage the sharing of best practice approaches.

This trend in digital and automated services carries a risk to the security of our members' operating systems. Continued diligence in cybersecurity across the sector will prevent compromises to customer data and essential services.

Our financial model

With approximately 60% of revenue in a typical year derived from member subscriptions, VicWater continues to rely on alternative income sources to cover its operating expenses. Events and sponsorship complete the mainstay of income that supports our core expenses.

However, this is no typical year. The impacts of COVID-19 have been taken into account in VicWater's financial model. Events income is anticipated to significantly reduce with physical gathering restrictions and market saturation of online events.

The impact on projected event income meant that VicWater expected to post a loss for 2020/21, to be absorbed with retained earnings above the cash reserves (liquidity).

To potentially offset this loss, members were canvassed on the inclusion of an events subscription model that would be paid in advance for a guaranteed suite of events and included registrations. Members are supportive of this model. On this basis, the Board adopted the model, allowing VicWater to post a break-even bottom line for the end of financial year. Increases in office expenses due to increased IT requirements and insurance have been offset by cuts in policy papers and other ancillary costs to maintain our lean budget. We have also sought grants and other financial support to improve our bottom line.

Other income sources continue to be explored as we mature our member offering and grow our reputation as the industry's peak body.

In addition, we will continue to support member subscription projects, such as the IWN, where they are seen to deliver significant additional value for our members.

Proactive policy

Following the refinement of our organisational structure and the establishment of a senior Policy Advisory Committee, VicWater will continue to play a critical role as a voice for its members. Into the year, we expect to have formalised positions on key policy issues affecting our membership and related plans of action to drive the changes needed for the continuous improvement of our sector.

Our 2020-2021 business plan has been devised to harness these important drivers and clearly define the activities that VicWater will undertake to ensure that our members continue to grow — better together.

3 Our priorities for 2020-2021

In this plan, VicWater will focus on achieving three priorities, according to feedback from our members during the preparation of the Strategic Plan.

1

We will establish a policy platform on behalf of the sector.

We will support the Policy Advisory Committee in the developing a policy platform comprising the fundamental principles that direct VicWater's response to broad matters of importance to the sector and position statements of priority to our members' progress.

2

We will grow our Member Experience offering.

We will expand our portfolio of member interactions through a new website, and virtual channels that link all members regardless of geography.

3

We will focus thought leadership from and for our members.

We will execute our recently published Thought Leadership Strategy to improve community awareness of our industry and generate member value that corresponds with national initiatives.

While there are other activities that are planned to be undertaken in 2020-2021, we will concentrate on progressing the three priorities.

4 Our Plan for 2020-2021

Driven by our value proposition of 'Better Together' and pursuing an exceptional member experience outlined in our Strategic Plan, VicWater will continue to explore new channels, build relationships and maintain focus on our members' priorities.

Key to this work is VicWater's activities where we continue to:

1. Influence policy and regulation
2. Connect leaders and facilitate collaboration
3. Be a catalyst for thought leadership and action
4. Support the sector for the ever-changing future
5. Galvanise resources for collective value.

After transforming our capability in 2018-19 and consolidating our capabilities in 2019-20, we step into 2020-21 with a clear agenda to:

- build a policy platform that aligns with national initiatives and focuses on the needs of our Victorian membership base
- operate as an effective voice for our sector on matters that affect the majority of our members
- stimulate collaboration and impact for our director and executive cohorts through an accessible member experience offering that capitalises on virtual tools
- progress the work of our task groups in diversity and inclusion, safety leadership, and financial benchmarking and advocacy
- produce key publications and articles of thought leadership that improve the social licence and exemplify the hallmarks of our sector.

In addition to these funded activities, we will:

- evaluate and pursue additional funding streams through sponsorships, grants, and brokered services
- actively pursue industry secondments to VicWater for strategic project development and management
- build our relationship with VicCatchments for strategic project development that mutually benefits water corporations and catchment management authorities.

The following tables provide a detailed account of these activities aligned to the key result areas and outcomes of the Strategic Plan.

By July 2020, the VicWater team will have renewed its operational plan, which details the responsibilities and specific actions associated with each of the planned activities. This will ensure we progress and achieve our business plan objectives over the course of the year.

“WHAT WE WILL DO TO BE BETTER TOGETHER”

Key Result Area: Influence policy and regulation

Objectives	Strategies	2020/21 Key Actions	2019/23 Outcomes
<p>The policy and regulation environment is efficient and effective, balancing performance assurance and accountability with freedom to innovate and be future facing to deliver sustainable services to customers and returns to the Government.</p> <p>VicWater is the trusted partner of all Victorian Government regulators with close and early involvement in relevant reviews and activities. VicWater and water corporations shape future policy and regulatory reform.</p>	<p>Develop and validate members’ policy and regulatory priorities. Understand government and regulator policy priorities.</p> <p>Effective relationships with government, regulators and opinion leaders.</p> <p>Efficient and effective member policy development channels.</p> <p>Develop processes to learn about emerging policy and regulation from around the world.</p>	<p>Develop position statements for priority policy areas.</p> <p>Create a policy platform through the Policy Advisory Committee. Evaluate and confirm position statements in tandem with WSAA and members.</p> <p>Publish and disseminate position statements through a new VicWater Policy Hub.</p> <p>Utilise avenues of influence for policy action.</p>	<p>The policy and regulatory environment meets our members’ needs and is not an impediment for excellent performance.</p> <p>Red tape is reduced as far as possible. Water corporation priorities are embedded in policy and regulation.</p> <p>Policy and regulatory reviews are efficient and effective.</p> <p>Water corporations are not surprised by government policy or changes.</p> <p>VicWater continues to have a trusted place at the policy / regulation development and review table</p>

Key Performance Indicators 2020/21:

- Policy position statements are approved by members.
- Member recognition of VicWater’s policy profile.
- The negative impact of red tape is reduced.

“WHAT WE WILL DO TO BE BETTER TOGETHER”

Key Result Area: Connect leaders and facilitate collaboration

Objectives	Strategies	2020/21 Key Actions	2019/23 Outcomes
<p>Our members’ leaders connect and collaborate on industry priorities where the sum is greater than the individual outcomes.</p> <p>Our members share their innovations and experiences with each other.</p> <p>Our members’ capabilities are showcased.</p> <p>Our members are exposed to new insights and ways of thinking to assist their strategic planning.</p>	<p>Create, link and facilitate collaboration forums and events for directors and senior executives (digital and face to face).</p> <p>Deliver innovative events that stimulate new ways of thinking, engagement and collaboration.</p> <p>Showcase Victorian water sector capability and innovations to each other, stakeholders and new opportunities.</p>	<p>Diversify our events offering through the Member Experience Strategy.</p> <p>Build efficient member access through the VicWater website.</p> <p>Establish clear linkages with shared member portals – WSAA, IWN, IWA.</p> <p>Achieve strong stakeholder partnerships and support for events. Create an induction pack for new executive and non-executive directors.</p>	<p>Collaboration and engagement channels developed enabling more efficient and focused experiences.</p> <p>Expanded communication channels embedded in BAU.</p> <p>Our members capabilities and networks are easily accessible to stakeholders and external markets.</p> <p>New or emerging leaders are integrated into the industry quickly so they can be supported and quickly start contributing.</p>

Key Performance Indicators 2020/21:

- Proven relevance of events to contemporary issues experienced by members.
- Member ratings of forums and events in market research are very good or better.
- Our use of digital channels is effective and adds value to our members (according to time, cost and experience).

“WHAT WE WILL DO TO BE BETTER TOGETHER”

Key Result Area: Be a catalyst for thought leadership

Objectives	Strategies	2020/21 Key Actions	2019/23 Outcomes
<p>Thought leaders (internal and external) are engaged in exploring and setting the strategic context of the sector.</p> <p>Accessing and linking new ways of thinking to achieve greater performance.</p> <p>Gather, harness and deploy knowledge.</p>	<p>Identify and develop relationships with thought leaders (inside and outside of our members and the water industry).</p> <p>Create opportunities for thought leaders to connect with VicWater.</p> <p>Link with industry think tanks and thought leadership organisations in and outside the sector.</p>	<p>Engage all members’ communications staff to align and reinforce industry media content.</p> <p>Develop a thought leadership portal for exclusive access to members.</p> <p>Identify and catalogue thought leaders from within our membership.</p> <p>Differentiate thought leadership activities in consultation with affiliate associations.</p>	<p>Our members are accessing and contributing to the development of contemporary thought leadership in the water industry.</p> <p>Collective intellectual capacity provides a compelling voice to set the strategic context for the Victorian sector.</p> <p>We are better together from a thought leadership perspective.</p>

Key Performance Indicators 2020/21:

- Members involve VicWater in relevant thought leadership content.
- Thought leaders are identified and recognised by members.
- VicWater is recognised for its thought leadership program.

“WHAT WE WILL DO TO BE BETTER TOGETHER”

Key Result Area: Support the sector for the ever-changing future

Objectives	Strategies	2020/21 Key Actions	2019/23 Outcomes
<p>We are Better Together, our collaborative project outcomes exceed individual efforts.</p> <p>The sector is able to thrive in an uncertain future.</p> <p>The sector is equipped to determine its own pathway to success.</p> <p>Members are prepared to meet future challenges.</p> <p>Create the opportunity for our members to have an enquiring mindset</p>	<p>Support the development of agile capability in our members:</p> <ul style="list-style-type: none"> • plasticity in new and existing relationships to create insights and deliver outcomes • capability to move resources • anticipate future possibilities and pathways. <p>Create opportunities to experiment and learn new ways of doing things.</p> <p>Contribute and engage in future context-setting conversations.</p> <p>Connect members’ leaders with future-facing learning opportunities</p>	<p>Continue to map, identify, form and engage new relationships with leading research bodies and non-water industries to access innovative thinking for members.</p> <p>Work with members to interpret emerging key trends that will inform industry improvement and resilience.</p> <p>Deliver and sponsor projects that support the development of future sector capability.</p>	<p>The Victorian water industry and our members are considered world leaders in their thinking about future facing opportunities.</p> <p>Our members are engaged with a wide range of traditional and non-traditional organisations in developing future capability and opportunities.</p> <p>Industry scenario and other future facing tools are available to our members for planning and to set the strategic context with stakeholders.</p> <p>Novel and unique pathways to test thinking and opportunities are developed, used and accessible to our members.</p>

Key Performance Indicators 2020/21:

- The sector economics review is actioned.
- Member-supported projects are executed under supervision of the task groups.
- The planned outcomes of our member-endorsed strategic projects are delivered

“WHAT WE WILL DO TO BE BETTER TOGETHER”

Key Result Area: Aligning resources and deepening member value

Objectives	Strategies	2020/21 Key Actions	2019/23 Outcomes
<p>Deliver an outstanding and valued member experience.</p> <p>VicWater has the knowledge, skills and resources to deliver the strategic plan.</p> <p>Members’ resources are used efficiently to generate the greatest value.</p> <p>Members gain new skills and insights from working with VicWater.</p> <p>VicWater’s business model is sustainable and effectively governed.</p>	<p>Understand and create an outstanding member experience.</p> <p>Assess and develop a strategy to secure the skills, knowledge and expertise required to deliver the Strategic Plan.</p> <p>Short term member placements at VicWater to develop skills and deliver key projects.</p> <p>Eliminate duplicated and low value adding activities.</p> <p>Review and modernise VicWater’s governance framework to ensure it is contemporary and effective.</p> <p>Review member fees to ensure they are fair and sustainable.</p>	<p>Complete implementation of the Member Experience Strategy.</p> <p>Provide member placement opportunities in line with development and operational requirements.</p> <p>Create facilities that prove VicWater as a premier venue for member engagement.</p> <p>Calibrate the VicWater performance dashboard according to member input.</p>	<p>Member experience is outstanding and reinforces VicWater’s unique value proposition.</p> <p>Resources are used effectively with little or no duplication.</p> <p>Partnerships are developed efficiently deliver outstanding value.</p> <p>VicWater revenue and member fees are supported as being fair and sustainable.</p> <p>VicWater is a key member partner in helping members develop their political and industry perspectives.</p> <p>VicWater’s performance is clear and transparent.</p>

Key Performance Indicators 2020/21:

- A Member Experience Strategy is completely implemented for continuous operation.
- VicWater products and services are recognised by its members to be focused, efficient and distinctive.
- Member value is demonstrated and highly rated by members.

5 Resources

VicWater's core is maintained by six permanent staff (FTE 5.6):

- Chief Executive Officer
- Operations and Strategic Projects Manager
- Member Experience Manager
- Policy and Regulation Manager
- Events Coordinator
- Office Manager

Our staff provide the resources to fulfil our members' priorities. They cover the areas of policy, governance, member experience, events, thought leadership, innovation and administration for which VicWater is responsible in supporting our members. Through our core staff, we work closely with our members to develop and progress projects through various steering committees, working groups and forums. Our office is centrally located in Melbourne and provides large and small meeting facilities for our members and their stakeholders. We also are equipped with virtual meeting and webinar facilities to support members directly to their individual locations.

VicWater also acts as the employer body for staff under agreed governance arrangements put in place for member subscription projects. This year we continue to support the IWN Program Director under secondment.

VicWater deliberately maintains a financial position that is optimised to provide priority services to our members.

We continue to review our events to maximise the value to our members. The profit from our events has underpinned VicWater's financial sustainability, typically providing nearly 40% of its income. Because of the changes to social gatherings caused by COVID-19, we expect a significant reduction in profit from events which will cover 5% of our total core operating expenditure.

While it is uncertain to what extent the pandemic-related restrictions will endure, our organisation has pivoted quickly to an online format of events to support members through the incident and maximise collaboration. Regular webinars mixed around a virtual annual conference are planned to augment the online forums and committees in place for members.

Owing to support from members through subscriptions, we are able to break even while maintaining cash holdings above our minimum of \$458,043 in the event of winding up. This position is based on outstanding staff entitlements, office tenancy commitments, program data and capital outlay.

6 Financial Plan

The Business Plan for 2020-2021 continues recent past trends of maintaining a lean operating model. The greatest risk faced this year relates to the profitability of our member events in a current and post-pandemic context. We have adjusted our budget to account for this risk with a significantly lower event profit. With support from members, we are able to expect a break even result for the year.

6.1 Assumptions and features

The key features and assumptions made in determining this business plan are:

- Our current members and associate members are retained.
- Member fees are increased by CPI (December 2019).
- Projects are delivered on a subscription basis.
- The budget is conservative based on consolidating the priorities determined under the 2018-23 Strategic Plan.
- VicWater receives most of its revenue at the start of the financial year and draws down this money over the year. There is additional revenue during the year due to income from events, which have a corresponding increase in expenditure (see cash flow charts).
- Adjusted event income comprises 26% of VicWater's core revenue and is forecast to contribute \$250,006 to its bottom line.
- The sponsored project income and expenses relate only to office rental to the IWN program director.
- Director sitting fees are paid (as approved by members).
- Staff, chair and director remuneration increases are in line with metropolitan retail water corporations (2.0%).
- Unless otherwise known, costs are increased by CPI (December 2019).
- Any additional capital costs would be funded by retained earnings and prior-approved by the Board (excluding cash reserves; see liquidity, Section 6.7).
- VicWater and IWA share an Event Coordinator in VicWater (0.6 FTE).
- A minimum cash holding of \$458,043 is required based on VicWater's estimated costs to wind up the association, assuming a further year of lease payments by VicWater prior to subleasing it at current lease costs, and taking into consideration five years of capital expenditure.

6.2 Budgeted Income and Expenditure

VicWater Budget 2020/21	2019/20			Budget Changes	
	\$	Budget	Forecast	Budget	Budget to Forecast
Core Income					
Members Fees ¹	921,321	905,032	900,532	1.80%	2.31%
Events ²	333,806	485,500	398,729	-31.24%	-16.28%
IWA funding (events management) ³	25,244	24,798	24,798	1.80%	1.80%
Interest ⁴	9,213	16,000	8,000	-42.42%	-15.17%
Sundry Income	0	0	4,282		
Government Grants/Rebates	0	0	0		
Core Income	1,289,584	1,431,330	1,336,341	-9.90%	-16.98%
Additional Income					
Sponsored Projects ⁵	11,833	237,845	82,469	-95.02%	-85.65%
Total Income	1,301,418	1,669,175	1,418,810	-22.03%	-8.27%
Core Expenses					
Salaries ⁶	814,658	800,238	815,238	1.80%	-0.07%
Events ⁷	83,800	234,334	160,243	-64.24%	-47.70%
Office & Admin ⁸	258,426	231,000	207,242	11.87%	24.70%
Office Rental	72,774	72,774	72,774	0%	0%
Policy & Papers	0	20,000	3,300	-100.00%	-100.00%
Depreciation	50,000	50,000	56,752	0%	-11.90%
Payroll Tax	9,926	19,814	15,814	-49.90%	-37.23%
Core Expenses	1,289,584	1,428,160	1,331,363	-9.70%	-3.14%
Additional Expenses					
Sponsored projects ⁹	0	226,440	80,573	-100.00%	-100.00%
Total Expenses	1,289,584	1,654,600	1,411,936	-22.06%	-8.67%
Net Core	0	3,170	4,978		
Net Total	11,833	14,575	6,874		

¹ Adjusted for CPI (1.8% as at December 2019 quarter).

² According to approved member subscription model.

³ Adjusted service fee to IWA for event administration.

⁴ Reduced interest reflecting current market rates (April 2020).

⁵ IWN funding: Project Director office rental.

⁶ Salary increases capped at 2.0%.

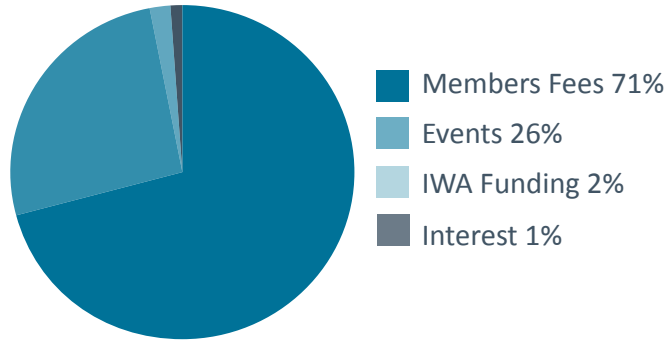
⁷ See note ²

⁸ Items \$20,000 or more include IT, meetings, cleaning and maintenance, travel and accommodation, sponsorships, professional development, insurance.

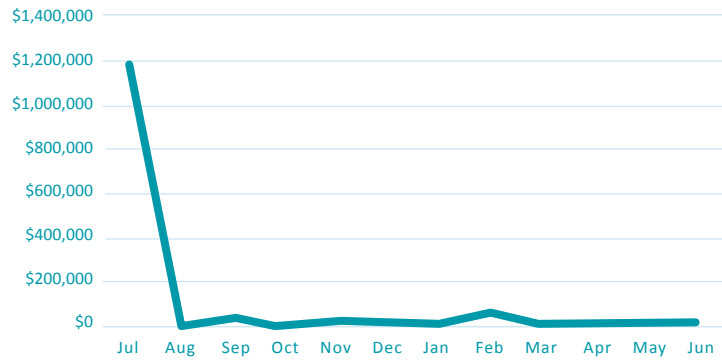
⁹ No direct IWN costs; Project Director seconded.

6.3 Revenue and Cash Flow

Core Revenue



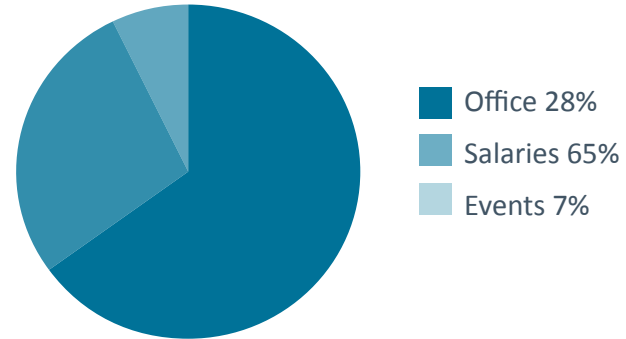
Total Revenue



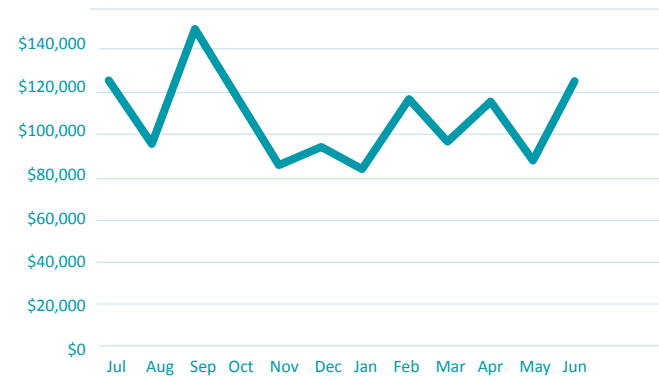
71% of VicWater’s core revenue for 2020-2021 will be from members fees, which are billed in July. Events income comprising 26% of our core revenue coincides with the conferences and events. Event revenue projections for this year account for an online program of the annual conference, webinars and a safety leadership course. This is associated with the work plan approved by the Events Committee.

6.4 Expenses and Cash Flow

Core Expenses

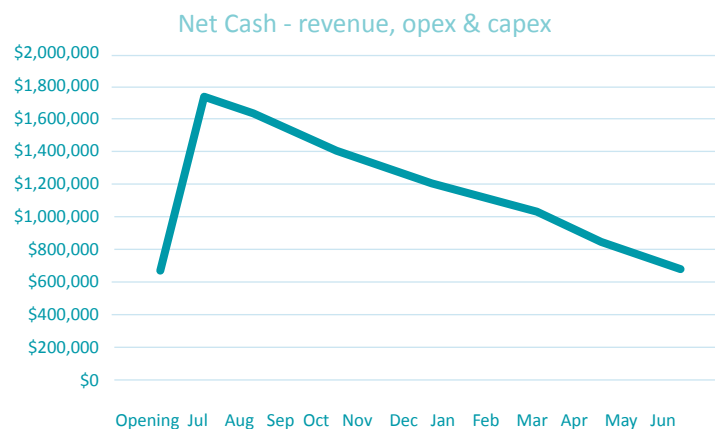


Total Expenses



While generally static across the year, expenses increase in September owing to the Annual Conference. Other variations relate to planned events and end-of-year administrative and legal costs.

6.5 Net Cash Flow



The net cash flow shows an opening balance of \$676,369 (29 February projection) and a closing balance of \$-5,167. Current retained earnings are being used to fund capital works (see below).

6.6 Capital Works

Capital Requirements	
Computers	\$7,000
Car	\$0
Office Equipment	\$5,000
Miscellaneous supplies	\$5,000
Total Required	\$17,000

VicWater's capital needs remain at a total of \$17,000 in 2020-2021 to fund the cyclical replacement of computers and office equipment. An allocation of \$5,000 ('miscellaneous supplies') is for meeting room technology improvements to enhance the member experience. This has been supplemented by a grant from the City of Melbourne.

6.7 Cash reserves needed in the event of VicWater winding up

Wind-up costs	
Staff entitlements	\$180,039
Office rental	\$72,774
Transitional administration	\$45,230
Miscellaneous	\$75,000
Total	\$373,043

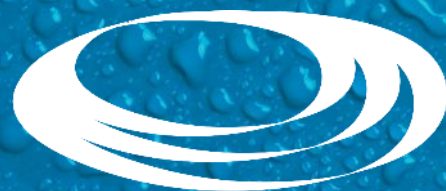
A minimum of \$373,043 is required in the event of VicWater winding up. This accounts for staff entitlements based on current contracts and leave liabilities, liabilities covered under the office lease agreement, administrative arrangements for transition and an allowance for contingency.

Minimum cash position	
Capex - 5 years	\$85,000
Wind-up costs	\$373,043
Total	\$458,043

Our estimated ordinary capital expenditure per year is \$17,000. With a forecast of five years of capex in addition to the wind-up costs, our minimum cash position is \$458,043.

Liquidity	
Cash holdings at 30 June 2021	\$671,203
Minimum cash position	-\$458,043
Liquidity	\$213,160

Our estimated end-of-year cash holdings is \$671,203. Allowing for a minimum cash position of \$458,043, our estimated available cash is \$213,160.



VicWater

vicwater.org.au

Information presented is considered to be true and correct at the date of publication
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