

BOARD BULLETIN

Summary of Meeting 290, held at SRW's office at Merrimu Reservoir on 1 August 2017



Boosting Southern Victoria's food, fibre and regional productivity through outstanding rural water management.

Present:

Mr Terry Burgi OAM, Chairman

Ms Diane James AM, Deputy Chairman

Ms Naomi Cleary, Director

Ms Kate Calvert, Director

Mr Michael Malouf, Director

Ms Naomi Pye, Director

Mr Terry Swingler, Director

Mr Clinton Rodda, Managing Director



In attendance:

Mr Stuart Wigglesworth, Chief Financial Officer and Corporate Secretary

Ms Elissa McNamara, Engagement Leader - Water Pricing Submission



OUR OUTCOMES

The Managing Director presented to the board the strategy scorecard report for 2016-17, and was pleased to highlight to the board some outstanding results.

Great service

For seven of our eight customer service indicators, our actual result for 2016-17 exceeded target by between 7 and 35%. This has meant that the SRW services that our customers rely upon to run their businesses have been provided consistently to a higher standard than we targeted, and well in excess of prior years.

While the applications service measure was 5% less than target, this result has improved across 2016-17 and the Managing Director expects continued improvement in 2017-18.

More water in production

The Managing Director reported the practical completion of the MID2030 1A project to the board. While there remains a small amount of works for channel tuning and integration of the new assets into existing systems, project works are now complete and the new assets are delivering improved service to customers and water savings. The \$32m project will deliver between 11.7 and 14.9GL of new water entitlements to customers in the Macalister Irrigation District.

Financial Planning

Affordable prices

Management updated the board that draft pricing outcomes from the Price Submission continue to remain within our affordability limit of no more than a 0.5% real price increase per annum, with some areas reducing in price.

Financial sustainability

The Chief Financial Officer reported to the board the preliminary financial result for the 2016-17 financial year, and was pleased to comment on:

- An operating profit before statutory adjustments of \$1.9m
- Operating cash surplus of \$6.9m

These results were consistent with the budget, and demonstrate a sound financial model that continues to give management and the board assurance that SRW is financially sustainable and resilient.

As part of discussing the work to complete the Price Submission, management were pleased to inform the board that SRW are targeting an Advanced PREMO rating from the Essential Service Commission. This assessment reflects the significant amount of customer consultation that has informed the price submission, our past performance to deliver service improvements and cost savings, as well as our plan for productivity and service improvements across the pricing submission period (2018-19 to 2022-23). Should the ESC accept this assessment, this will provide further validation of our sound financial planning framework.

OUR STRATEGIC FOCUS



Modernised service

The Managing Director reported to the board the largest ever program of capital works completed by SRW within a 12-month period. \$22 of capital expenditure occurred in 2016-17.

Of this amount, \$14m was spent on works to modernise our irrigation districts in Macalister, Werribee and Bacchus Marsh. This is a significant achievement for the staff involved, and keeps the business on track for our modernisation targets.

Some of the highlights of our 2016-17 capital works program:

- MID 2030 1A
 - MID – Opening of the \$6m Willang Yarn balancing storage.
 - MID – Completing the \$1m Maffra Weir bypass channel
 - MID – Enabling enhanced customer service outcomes from channel reconfiguration and outlet rationalisation works

- MID 2030 1B – Commenced the \$60m project
- WID 4/1 – Completed the \$3.6m replacement of channels with pipelines
- WID modernisation – Commence the \$30m project
- BMID modernisation
 - Completed stage 1 by partnering with Moorabool Shire to upgrade the Maddingley pump station, and decommission parts of the main channel.
 - Commenced the \$12m reconfiguration project
- Commenced the Werribee office redevelopment project



Willang Yarn balancing storage

Reduced cost

The Chief Financial Officer outlined to the board the status of the Reduced Cost objective, and in particular the financial outcome of the BOOST 2 project. Altogether, SRW has reduced operating costs by 11.6% since 2013-14, and ideas identified by the BOOST 2 project contributed \$0.6m of this total.

This excellent result was recently recognised at the annual staff workshop, and management provided the board with the same gift that was awarded to staff – a battery power bank with the slogan “Thanks for powering our future”.

ENABLING OUR STRATEGY

High Performance Culture

The board appreciated the work and feedback from staff, and was pleased to approve the new people trademark behaviour of ‘Respect’.

The Managing Director highlighted to the board that the recent appointment of Ms Joanna Giannini as Manager People and Culture had delivered some important initiatives. Mr Rodda is very encouraged that the reinvigorated approach to staff matters being led by Jo will provide an excellent basis to launch ‘Respect’ as a new trademark behaviour for the organisation.



MEETING WITH OUR COMMUNITY

The board met over dinner with a number of local customers and stakeholders, including representatives of Melton Shire, City West Water, Western Water and members of our Werribee Bacchus Marsh Customer Consultative Committee. We shared presentations on the role and functions of Southern Rural Water, the challenging water supply outlook, opportunities at local reservoirs and the modernisation of the Werribee Irrigation District.

VISITING OUR ASSETS

The following morning members of the board visited Lerderderg Weir – one of our most beautiful but isolated sites. Directors were briefed by engineering and operational staff on its role in harvesting water for Lake Merrimu and numerous safety and productivity improvement projects recently undertaken, and viewed the unique fish ladder at the site.



PRINCIPAL REPORTS CONSIDERED BY THE BOARD



The following reports were noted or approved by the board:

- Business performance dashboard
- Strategy scorecard
- Management report
- Annual financial statements
- 2018 price submission – PREMO assessment
- 2018 price submission – Form of regulation
- 2018 price submission – Financial model update
- 2018 price submission – customer engagement outcomes
- Trademark behaviours – Our people
- Gippsland Water Corporations Alliance
- Strategic opportunities in the Dilwyn aquifer
- National Water Infrastructure Development Fund
- Unregulated water sales program review
- Energy strategy



NEXT MEETING

The next meeting of the board will be held on 5 September 2017 at Colac.

