

Water Supply and Sewerage Strategic Business Planning and Financial Planning Check List – July 2014

The Strategic Business Plan (**SBP**) addresses 3 elements of the Best-Practice Management of Water Supply and Sewerage Framework¹ [Strategic Business Planning, Pricing and Drought Management]. The **SBP** and the **IWCM Strategy** need to be prepared in accordance with this Check List and the IWCM Check List respectively.

A Local Water Utility's (LWU's) **peak planning documents** for its water supply and sewerage businesses are its current **IWCM Strategy** and its current **SBP**. The IWCM Strategy and SBP need to be prepared every 8 years on a rotation of every 4 years, as shown in Figure 1 on page 3.

As noted in Figure 2 on page 4 of the IWCM Check List, the final IWCM Strategy needs to include a sound Financial Plan (items 10 to 20 on pages 13 to 15) for the adopted 30-year IWCM Scenario. A SBP and Financial Plan (FP) would then need to be completed 4 years after completion of the LWU's IWCM Strategy as shown in Figure 1.

This Check List² is essentially a road map and has been prepared to assist LWUs to quickly review and update the planned actions necessary to address the urban water services issues within a sound business and financial planning context as outlined in Reference 1 on page 15. LWU strategic business plans need to address each item in this Check List, which is based on and supersedes Appendix A of the NSW Government's *Best-Practice Management of Water Supply and Sewerage Guidelines, 2007* and Reference 1 (www.water.nsw.gov.au). The process for preparing a SBP and its interaction with the IWCM Strategy is shown in Figure 2 on page 4.

A current strategic business plan includes a 30-year total asset management plan (Item 7 on page 10) from the current IWCM strategy together with an evidence based renewals program and a financial plan (Item 20 on page 15).

This Check List is suitable for **defining the scope of work** for engaging a consultant to undertake preparation of a LWU's SBP. References used in this Check List are shown on page 15.

¹ The NSW Government's Best-Practice Management of Water Supply and Sewerage Framework was introduced in 2004 and updated in 2007, 2011 and 2014 (www.water.nsw.gov.au). The Framework through the 19 requirements addresses the key recommendations of the Productivity Commission's Report No. 55 on *Australia's Urban Water Sector, August 2011* (www.pc.gov.au) and the 9 National urban water requirements.

² In accordance with page 19 of the Planning and Reporting Manual for local government in NSW 2010, water supply and sewerage strategic business plans or IWCM Strategies prepared by a county council must also give due regard to the Community Strategic Plans of the constituent councils and must be developed in consultation with the constituent councils. In addition, Clause 219 (2) of the Local Government (General) Regulation 2005 indicates:

'Following an ordinary election of councillors of the constituent councils of a county council, the county council must review the business activity strategic plan before 30 June following the election. The council may endorse the existing plan, endorse amendments to the existing plan or develop and endorse a new business activity strategic plan, as appropriate to ensure that the council has a business activity strategic plan covering at least the next 10 years.'

The water supply and/or sewerage county council's business activity strategic plan with respect to Clause 219 (2) are its current **IWCM Strategy** or current **SBP**, whichever is the more recent.

When does a LWU need to undertake preparation of a SBP?

A LWU must undertake the preparation of its SBP under the following circumstances:

1. A utility which has completed the 8-year preparation of an IWCM Strategy needs to undertake preparation of the SBP and Financial Plan after a period of 4 years.
2. A utility whose SBP is 4 years old and whose IWCM Evaluation or IWCM Strategy is not more than 5 years old should undertake preparation of its SBP and Financial Plan. No action is required if the SBP is under 4 years old.
3. However, if the utility's IWCM Evaluation or IWCM Strategy is at least 6 years old and the SBP is 4 years old, the utility should undertake the 8-year preparation of an IWCM Strategy and Financial Plan.

IWCM Strategy:

- 'Right sizes'** any **projects** and **identifies the best-value 30-year** IWCM scenario and **Strategy** on a TBL basis. It includes a 30-year Total Asset Management Plan (**TAMP**) and **FP**.
- Identifies the lowest uniform level of stable typical residential bills (**TRBs**) to meet the levels of service negotiated with the community and the price path for the next 4 years in current dollars.
- The adopted 30-year IWCM scenario includes an **update** of the existing 30-year **renewals plan**, with only proven evidence based renewals included for the first 5 years. The renewals plan takes account of any avoided, re-sized, abandoned or re-prioritised works.
- An IWCM Strategy is prepared every 8 years (Figure 1 on page 3).
- NSW Office of Water (NOW) concurrence is needed to the IWCM Issues Paper, final IWCM Strategy and scenario and the Financial Plan prior to LWU implementation of the scenario.

SBP:

- Reviews and updates** the LWU's existing 30-year **TAMP**, identifies any opportunities to downsize or defer significant projects and includes a **FP** (Item 7 on page 10 and Item 20 on page 15).
- Analyses the renewals** component of the TAMP to **develop** a sound 30-year **renewals plan**, the first 5 years of which include only proven evidence based renewals that provide value for money (Item 7F on page 11).
- Identifies the lowest uniform level of stable **TRBs** to meet the levels of service negotiated with the community and the price path for the next 4 years in current dollars (Item 10 on page 13).
- A SBP is prepared every 8 years, ie 4 years after preparing the IWCM Strategy (Figure 1 on page 3).
- Provide to NOW for registration, your final SBP and FP (Note 4 on page 16).

The IWCM Strategy and SBP need to be prepared every 8 years on a rotation of every 4 years, as shown below. This involves preparing a TAMP and FP every 4 years, updating these plans annually, and including any necessary corrective action in your annual **Action Plan** to Council.

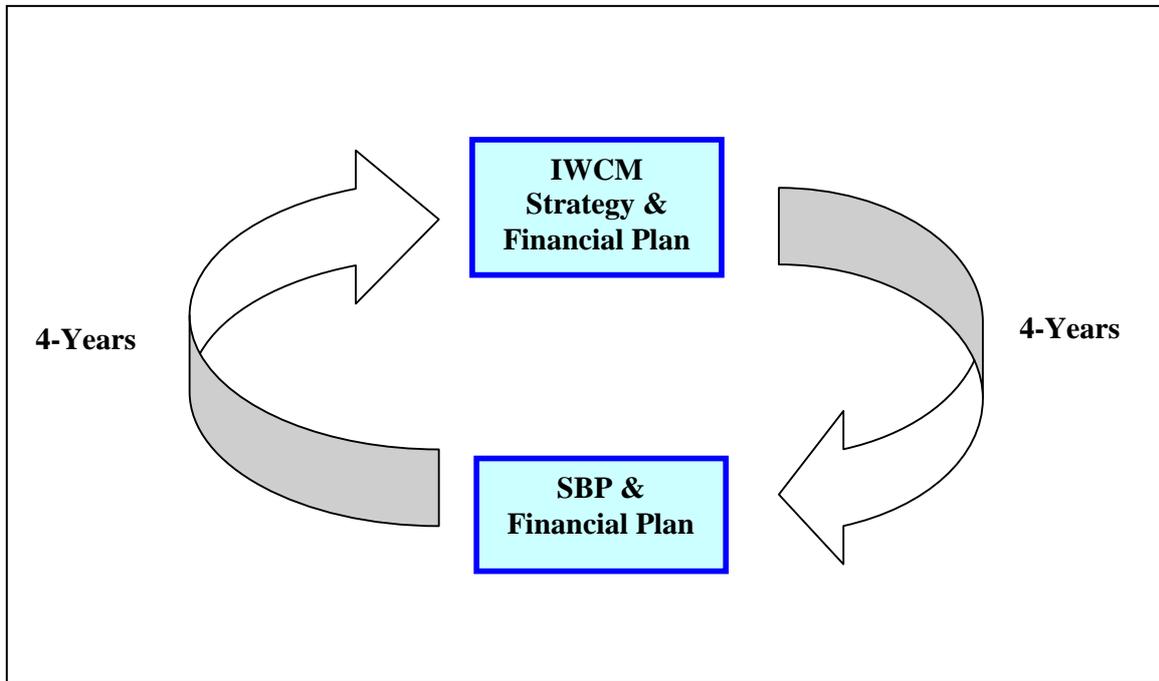


Figure 1: The IWCM Strategy and SBP

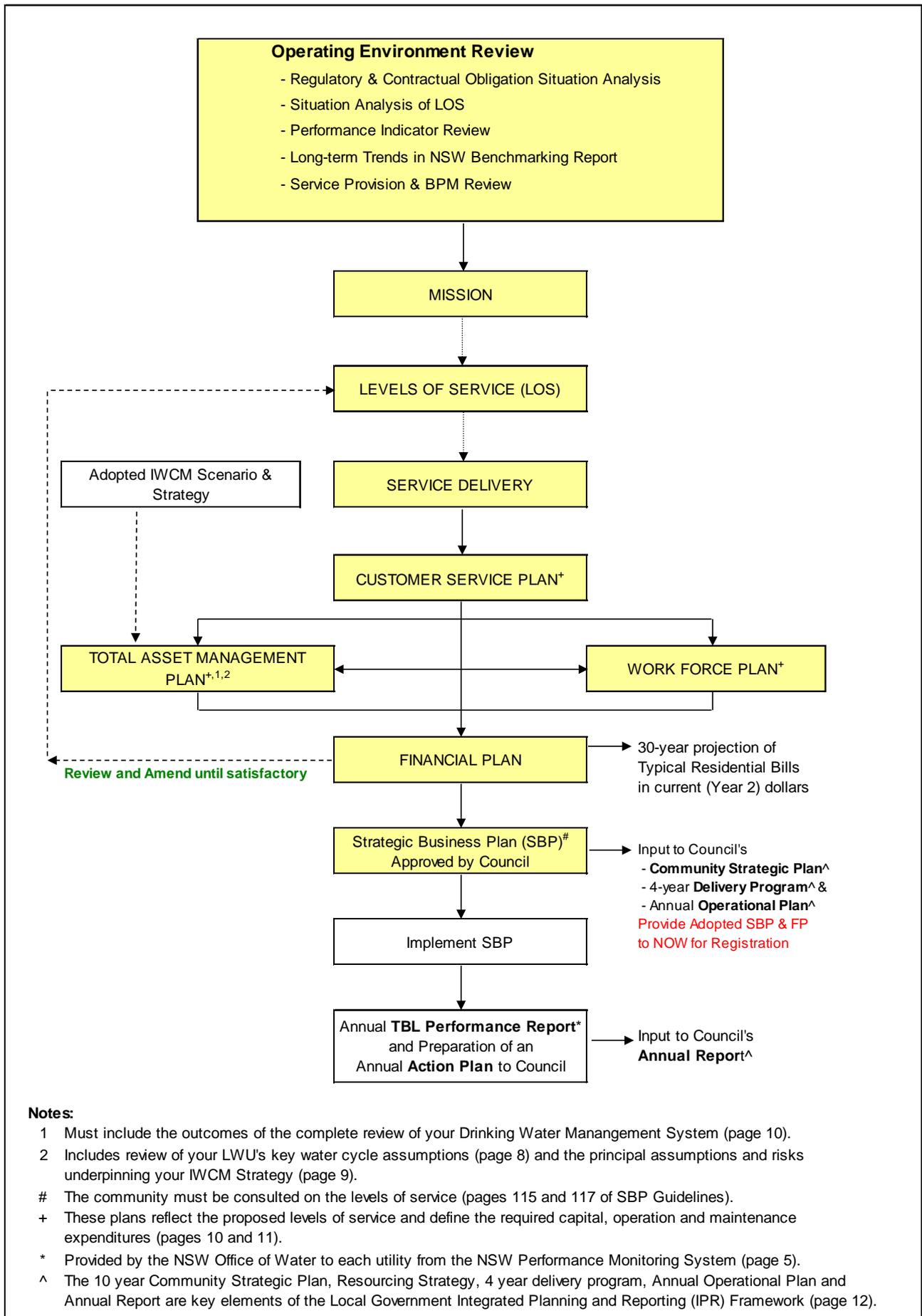


Figure 2: Process for Preparing a Strategic Business Plan (SBP)

Strategic Business Plan – Check List

Topic	Outcome Achieved
1. Executive Summary	<input type="checkbox"/> Covers all major issues, main actions, a summary of the Financial Plan Report (Item 20 on page 15), price path and a 30-year projection of the Typical Residential Bill in Year 2\$. <input type="checkbox"/> Includes a <i>plan</i> of the system.
2. Operating Environment Review (Figure 2 on page 4)	<input type="checkbox"/> A. Includes the mission statement with regard to your water supply and sewerage services (see Section 6 on page 19 of Reference 1) <input type="checkbox"/> B. All <i>principal issues</i> are <i>addressed</i> with appropriate strategy, actions and performance indicators in the Strategic Business Plan. <input type="checkbox"/> C. A compliance monitoring and reporting system is in place. <input type="checkbox"/> D. The regulatory and contractual compliance requirements have been identified. <input type="checkbox"/> E. Includes all issues from an operating environment compliance situation analysis (Refer to Section 5.2 of Reference 1 on page 15). <input type="checkbox"/> F. Includes a business and insurable risk profile analysis (Refer to Sections 5.2 and 13.8 of Reference 1 on pages 12 and 92) and a summary of the insurance policies.
3. Performance Monitoring	<input type="checkbox"/> A. LWU's latest TBL Performance Report and Action Plan included. <input type="checkbox"/> B. As noted on page 27 of Reference 3, in addition to addressing any areas of under-performance, the Action Plan 'closes the planning loop' with the utility's financial plan by: <ul style="list-style-type: none"> • Comparing the Typical Residential Bill (TRB) with the projection in the financial plan and documenting any necessary corrective action for implementation by the LWU. • Reporting results for the financial year for the key actions set out in the utility's strategic business plan or IWCM strategy, whichever is the more recent. Refer also to Item 7D on page 11.
4. Levels of Service (LOS) (Figure 2 on page 4)	<input type="checkbox"/> A. Are <i>clear, meaningful and measurable</i> . <input type="checkbox"/> B. Target LOS has been identified. These LOS are also to be used in the IWCM Strategy, Water Cycle Analysis and Projection and Development Servicing Plan. <input type="checkbox"/> C. Includes all issues from a LOS situation analysis (Refer to Section 5.2 of Reference 1 on page 15) <input type="checkbox"/> D. Community consultation is essential on the proposed levels of service* (LOS) in order to negotiate an appropriate balance between LOS and the resulting Typical Residential Bill (section 12.4 on page 85 of Reference 1). Refer also to Items 16, 18 and 19 on page 14 . * As noted in section 7.2 on page 35 of Reference 1, LOS refer only to operational levels of service such as

Strategic Business Plan – Check List

Topic	Outcome Achieved
	aesthetic drinking water quality (eg. colour – refer to section 12.1 on page 81 of Reference 1, water pressure, response times etc. Regulatory requirements such as complying with your utility’s sewerage treatment works licence and dam safety and work health and safety requirements cannot be negotiated down by a water utility. Similarly, utilities must meet the health related aspects of the Australian Drinking Water Guidelines 2011 (ADWG) such as microbiological and chemical water quality compliance, as well as preparation and implementation of a Drinking Water Management System (Reference 13) (refer to section 7.1.1 on page 31 of Reference 1).
5. Service Delivery (Figure 2 on page 4)	<input type="checkbox"/> A. Overall service delivery options examined and conclusions reported. <input type="checkbox"/> B. Includes examination of project specific service delivery options for the measures included in the Total Asset Management Plan (TAMP). <input type="checkbox"/> C. The utility is cognisant of ‘demand risk’ and avoids investing in assets which may become redundant, ‘stranded’ or oversized, e.g. as a result of a developer obtaining approval to provide water supply and/or sewerage services to a large release area (under the <i>Water Industry Competition Act 1994</i>).
6. Customer Service Plan (Figure 2 on page 4)	<input type="checkbox"/> Business objectives developed for each key result area.
6.1 Unserviced Areas	<input type="checkbox"/> A. All unserviced towns and villages listed showing the population, whether the present facilities are satisfactory and the priority ranking of each town/village for option implementation from the IWCM Strategy. <input type="checkbox"/> B. Proposals for serving unserviced towns and villages are included and discussed in your LWU’s strategic business plan and capital works program (Item 7F on page 11).
6.2 Regulation and Pricing of Water Supply, Sewerage and Trade Waste	
A. Full Cost Recovery	<input type="checkbox"/> Full cost recovery for each of the water supply and sewerage businesses (Reference 4, page 7). The total annual revenue should be consistent with the financial plan in Item 10 on page 13. This generally results in a positive economic real rate of return (ERRR). <input type="checkbox"/> As noted on page 46 of Reference 1 and page 12 of Reference 3, LWUs which have implemented all of the Best-Practice Management requirements are encouraged to pay an ‘efficiency dividend’ from the surplus of their water supply and sewerage businesses to the Council’s general revenue.

Strategic Business Plan – Check List

Topic	Outcome Achieved
B. Water Supply: Residential	<input type="checkbox"/> Pay-for-use: appropriate water usage ³ charge/kL with no water allowance; independent of land value. <input type="checkbox"/> At least 75% of residential revenue from water usage charges [for utilities with 4,000 or more connected properties]. If the 75% has not been achieved, will need to increase the water usage charge and reduce the access charge in accordance with Circular LWU11 of March 2011. This is a strategic measure which demonstrably provides great value to the community (page 5 of Reference 3). <input type="checkbox"/> At least 50% of residential revenue from water usage charges [for utilities with under 4,000 connected properties].
C. Sewerage: Residential	<input type="checkbox"/> Uniform annual sewerage bill per residential property, independent of land value (Reference 5, page 28).
D. Water Supply: Non-Residential	<input type="checkbox"/> Two-part tariff with appropriate water usage charge/kL and access charge.
E. Sewerage: Non-Residential	<input type="checkbox"/> Two-part tariff with appropriate sewer usage charge/kL and sewer discharge factor. Each LWU's operating cost /kL (OMA) is shown in column 2 on page 87 of Reference 3. The sewer usage charge/kL should approximate this OMA cost and the sewer access charge should be reflective of the cost of providing these sewerage services.
F. Liquid Trade Waste Pricing ⁴	<input type="checkbox"/> Appropriate trade waste fees and charges adopted and implemented for <u>all</u> liquid trade waste dischargers (Reference 5 on page 15). Such pricing is a requirement of paragraph 86(ii) of the National Water Initiative, 2004. <input type="checkbox"/> Appropriate trade waste usage charge implemented for dischargers with prescribed pre-treatment (Reference 5). <input type="checkbox"/> Excess mass charges and non-compliance excess mass charges implemented for large dischargers and industrial waste (Reference 5).
G. Trade Waste Regulation Policy and Approvals	<input type="checkbox"/> Trade Waste Regulation Policy in accordance with Reference 5 implemented. <input type="checkbox"/> Trade waste approval in accordance with Reference 5 issued to <u>each</u> liquid trade waste discharger. <input type="checkbox"/> Annual report provided to NSW Office of Water listing all of the trade waste dischargers approved by Council for the year (page 119 of Reference 5).
H. Developer Charges	<input type="checkbox"/> Development Servicing Plan ⁺ with commercial developer charges; disclosure of any cross-subsidies (Reference 6, page vi). + LWUs with a growth of under 5 lots/annum exempted.

³ Note that the NSW Government and the Productivity Commission recommend that utilities adopt a two-part tariff with one usage charge for all water use (Reference 3, page 6).

⁴ All items under this element must be reviewed when preparing the Strategic Business Plan.

Strategic Business Plan – Check List

Topic	Outcome Achieved
I. Dual Water Supplies	<input type="checkbox"/> LWUs with a dual water supply ie. a potable reticulated water supply for indoor uses and a separate non-potable supply reticulated for outdoor uses to over 50% of their residential customers need to comply with element 2(g) of Criterion 2 in Table 1 on page 25 of the Best-Practice Management Guidelines (Reference 14 on page 15).
6.3 Environmental Management	<input type="checkbox"/> Summary of LWU's Environmental Management achievements is included.
6.4 Water Cycle Analysis and Projection	<input type="checkbox"/> A. Includes a summary of the adopted water conservation program and the key assumptions underpinning the program measures. <input type="checkbox"/> B. For utilities with 4,000 or more connected properties, has 75%/25% split been achieved with water tariff? If not, update water supply tariff in accordance with Circular LWU11 of March 2011. Refer also to Item 6.2B on page 7. <input type="checkbox"/> C. Water & sewer pricing of all customer categories is best-practice, if not implement best-practice requirements. Refer also to Items 6.2A to 6.2D on pages 6 and 7.
Also include review of the key assumptions and commentary on its current status. Report outcomes in the strategic business plan. Address matters such as:	
	<input type="checkbox"/> D. Is bulk water extraction and production metered and recorded daily? If not, Implement daily metering and recording. <input type="checkbox"/> E. Do all free standing residential premises have separate meters? If not, implement. <input type="checkbox"/> F. Do all free standing and multi-unit residential developments (both strata and non-strata) built after July 2007 have separate meters? If not, implement, where cost effective. <input type="checkbox"/> G. Utilities are strongly encouraged to separately meter all new free standing and multi-unit residential and non-residential developments. In addition to encouraging efficient use of water services, this facilitates fair water supply, sewerage and trade waste pricing. Such metering is recommended by the August 2011 Productivity Commission Report No.55 (www.pc.gov.au). <input type="checkbox"/> H. Is customer water consumption billed at least three times a year? If not, implement. <input type="checkbox"/> I. Are all your LWU's premises (e.g., parks, ovals, toilets, cemetery, etc) metered and billed? If not, implement. <input type="checkbox"/> J. Review the effectiveness of the adopted demand management measures ⁵ and summarise the outcomes and planned corrective actions. <input type="checkbox"/> K. Review the effectiveness of any leakage reduction

⁵ A separate Water Conservation Plan with NOW concurrence will not be needed in the future. As noted in items 9A to 9E and 11A on pages 14 and 17 of the IWCM Check List, all available water conservation and water cycle management measures and programs should be evaluated within the IWCM Strategy and a suitable water conservation and management program adopted as part of the adopted 30-year IWCM Scenario. The implementation of the program and its effectiveness should be monitored and reported in the SBP (refer to items 6.4D to 6.4L above).

Strategic Business Plan – Check List

Topic	Outcome Achieved
	<p>program undertaken and summarise the outcome and the planned corrective actions. Refer also to your utility's results on pages 163 and 166 of Reference 17 on page 16.</p> <p><input type="checkbox"/> L. Review the effectiveness of any sewer flow management program undertaken and summarise the outcome and the planned corrective actions.</p> <p><input type="checkbox"/> M. Briefly review the demographic projection and update as appropriate.</p> <p><input type="checkbox"/> N. A scheme specific data collection and monitoring system and plan⁶ is in place.</p> <p><input type="checkbox"/> O. Review and update the adopted water cycle projection (water demands and sewer flows and loads) as appropriate.</p>
6.5 Integrated Water Cycle Management (IWCM)	<p><input type="checkbox"/> A. Includes a summary of the adopted IWCM scenario and the principal assumptions/risks underpinning the scenario</p>
<p>Also include review of the principal assumptions⁷ and risks underpinning the IWCM Strategy and report outcomes in the strategic business plan. Address matters such as:</p>	
	<p><input type="checkbox"/> B. Assumption 1 – potential unplanned increase in water demand due to a water intensive industry, large new development, etc.</p> <p><input type="checkbox"/> C. Assumption 2 – potential unexpected changes to existing water access/use licence regime.</p> <p><input type="checkbox"/> D. Assumption 3 – significant potential changes to raw water quality and/or non-compliance with ADWG 2011.</p> <p><input type="checkbox"/> E. Assumption 4 – unexpected major change in distribution system characteristics.</p> <p><input type="checkbox"/> F. Assumption 5 – unexpected extension/provision of water service to a new area/urban centre.</p> <p><input type="checkbox"/> G. Assumption 6 – potential unexpected increase in sewage load due to industry, large development, etc.</p> <p><input type="checkbox"/> H. Assumption 7 – unexpected changes in sewage transport system characteristics.</p> <p><input type="checkbox"/> I. Assumption 8 – potential unexpected changes to existing sewerage management licence regime.</p>

⁶ It should be noted that collecting and maintaining data/information on your system and its performance is mandatory, immaterial of the LWU size to comply with the *State Records Act* and for future planning and operational improvements.

⁷ Following such a review of IWCM assumptions and consideration of the outcomes of sections 6.4 and 6.5 above, it is expected that either the adopted IWCM Scenario will be found to remain a sound basis for the utility's planning or it may be necessary to develop modifications to the scenario in order to address changed circumstances; e.g., advance or defer the timing of projects in the total asset management plan (TAMP) and/or increase/decrease the size of projects. Such modifications of capital works and operational decisions in the TAMP need to be developed by a highly experienced water supply and sewerage system planner in order to avoid implementation of costly sub-optimal projects. The outcomes of the 4-year mid-term review of the IWCM Strategy must be documented in the strategic business plan.

However, if there are major changes to the assumptions underpinning the TAMP, then 'stop' the mid-term review of the IWCM Strategy, and prepare a new IWCM Strategy in accordance with the IWCM Check List (www.water.nsw.gov.au).

Strategic Business Plan – Check List

Topic	Outcome Achieved
	<input type="checkbox"/> J. Assumption 9 – unexpected extension/provision of sewerage service to new area/urban centre. Refer also to Item 6.4 above.
6.6 Drought Management ^{4,8}	<input type="checkbox"/> A. Are all water supply sources suitably monitored (eg. level, flow, relevant water quality) and recorded? If not, implement suitable monitoring and recording. <input type="checkbox"/> B. Includes a graph of the water demand over time with super-imposed restriction periods, storage/ground water level and relevant climatic data since the last SBP Update. <input type="checkbox"/> C. Includes a summary of water supply system performance since the last SBP Update and any management/emergency response actions undertaken. <input type="checkbox"/> D. Review the adopted drought management plan, especially the schedule of trigger points for drought water restrictions and the level of water restrictions, and the associated measures. Update where warranted and include as an Appendix.
6.7 Drinking Water Management System ⁹	<input type="checkbox"/> A. Includes a Report on the complete review of your Drinking Water Management Systems (page 30 of Reference 15). <input type="checkbox"/> B. The update items identified in the Report are included in the SBP with appropriate actions and performance indicators. <input type="checkbox"/> C. Community involvement and consultation has been undertaken in accordance with References 11 and 15.
6.8 Community Involvement	<input type="checkbox"/> Includes a summary of community involvement completed since the last SBP Update (Reference 11 on page 15).
6.9 Work Health & Safety	<input type="checkbox"/> A. Includes a summary of LWU's work health and safety achievements against the adopted performance indicators. <input type="checkbox"/> B. Includes a summary of completed audits and any planned corrective actions to achieve target.
6.10 Other Risk Management Measures	<input type="checkbox"/> Summary of other risk management measures implemented by your LWU
7. Total Asset Management Plan (TAMP) Review and update TAMP to identify opportunities to downsize or defer significant projects (Figure 2 on page 4)	<input type="checkbox"/> A. Summary of changes required to operation and maintenance (O & M) procedures (eg. to operate new facilities) are reported, including impact on OMA (operation, maintenance and administration) expenditures. <input type="checkbox"/> B. Summary of outstanding Development Consent Conditions relating to capital works projects identified and reported, including impact on costs. <input type="checkbox"/> C. Asset register completed and is up to date (Reference 13

⁸ A separate Drought Management Plan with NOW Concurrence will not be necessary in the future if these items are addressed in your SBP.

⁹ The Drinking Water Management System must be reviewed and updated every 4 years in accordance with the NSW Guidelines for Drinking Water Management Systems, 2013.

Strategic Business Plan – Check List

Topic	Outcome Achieved
	on page 15) and the assets are valued in accordance with Reference 16 on page 16.
	<p><input type="checkbox"/> D. Summary of best-practice operation plan is included (Reference 13 on page 15). Also report:</p> <ul style="list-style-type: none"> - Whether you failed to achieve microbiological compliance with ADWG in either of the last 2 financial years, the corrective action implemented and whether it was successful (refer to Item 1 on page 31 of Reference 1 on page 15). - Any 'boil water alerts' issued in the last 18 months, the corrective action implemented and whether it was successful (refer to Item 3 on page 31 of Reference 1 on page 15). - Whether the requirements of Circular LWU 18 of June 2014 have been addressed in order to assure the safety of your drinking water supplies. Refer also to Appendix E of Reference 17. <p><input type="checkbox"/> E. Summary of best-practice maintenance plan is included. Also report your LWU's implementation of any NSW Office of Water section 61 recommendations (Local Government Act 1993) for corrective action with respect to water and sewage treatment works, dams, water recycling systems or biosolids recycling systems.</p> <p><input type="checkbox"/> F. Review and update the existing TAMP in your IWCM Strategy/SBP. New TAMP to show your LWU's 30-year capital works program which nominates each proposed project and its annual capital expenditure, including an evidence based cost-effective asset renewals plan¹⁰. TAMP is integrated with the strategic business plan to meet the target levels of service. Template is available from NOW (page 16). Disclosure of the funding required for each of growth, improved standards and renewals is required for each project.</p> <p>TAMP has been updated in accordance with Items 6.4 and 6.5 on pages 8 and 9.</p> <p><input type="checkbox"/> G. All major projects in the TAMP are discussed in the SBP and are consistent with the adopted IWCM Scenario and business objectives.</p>
8. Work Force Plan	<p><input type="checkbox"/> Organisation Chart is included.</p> <p><input type="checkbox"/> Work force requirements to meet the needs of TAMP, including items 6.4 to 6.7 on pages 8 to 10 have been incorporated.</p>

¹⁰ A LWU must analyse renewals needs to develop a sound 30-year **renewals plan** for its existing assets as part of the strategic business planning process, but only 'proven' renewals should be included in the first 5 years of the TAMP. These should be based on documented evidence and 'value for money' (TBL) analysis, which should be reported in the SBP. The evidence basis and 'value for money' analysis should be supported by information collected from preventative maintenance monitoring programs, performance monitoring data, your complaints register, site audits, etc., together with levels of service compliance data and business risks and costs.

While it is important to renew existing assets when they have demonstrably exceeded their economic service life, prematurely replacing assets such as water mains, simply because they are over 80 years old would be wasteful 'gold plating', which would unnecessarily increase your TRBs.

Strategic Business Plan – Check List

Topic	Outcome Achieved
9. Input to Council's Integrated Planning and Reporting (IPR)	<input type="checkbox"/> In accordance with Figure 2 on page 4 and pages 99 and 100 of the SBP Guidelines (Reference 1 on page 15), provide water supply and sewerage inputs to your Council's: <ul style="list-style-type: none">○ Community Strategic Plan○ 4-year Delivery Plan○ Annual Operating Plan○ Annual Report.

Financial Plan – Check List

Topic	Outcome Achieved						
10. Financial Plan Objective	<input type="checkbox"/> A. The financial plan includes all foreseeable costs and income and achieves the lowest uniform level of stable typical residential bill (in Year 2\$) to meet the levels of service negotiated with the community. <input type="checkbox"/> B. Long-term financial sustainability is demonstrated to comply with National Competition Policy and the National Water Initiative.						
11. Financial Model	<input type="checkbox"/> LWUs using the FINMOD software for their financial plan have used the latest version (FINMOD 2.1 or FINMOD 4.0).						
12. Timeframe	<input type="checkbox"/> The financial plan covers a period of 30 years in accordance with the IWCM Strategy.						
13. Growth and Number of Assessments	<input type="checkbox"/> A. Input accurate numbers of existing residential and non-residential assessments ^{11,12} from the water cycle analysis and projection (refer to Item 6.4 on page 8). <input type="checkbox"/> B. New assessments for backlog water supply or sewerage projects are included in the growth projections. <input type="checkbox"/> C. Growth projection input into your LWU's financial planning is consistent with the demographic and water cycle analysis and projections and SBP document.						
14. Interest Rates	<input type="checkbox"/> Appropriate values have been used. Such rates in July 2014 ¹³ were: <table style="margin-left: 40px;"> <tr> <td>Inflation</td> <td>2.5% pa</td> </tr> <tr> <td>Investment</td> <td>5.5% pa</td> </tr> <tr> <td>Borrowing</td> <td>6.5% pa</td> </tr> </table>	Inflation	2.5% pa	Investment	5.5% pa	Borrowing	6.5% pa
Inflation	2.5% pa						
Investment	5.5% pa						
Borrowing	6.5% pa						
15. Grants	<input type="checkbox"/> No capital works grants under the CTWSS program are assumed after about 2016/17.						

¹¹ The total number of assessments for water supply and sewerage for each utility is shown in Tables 9 and 14 respectively of the annual NSW Benchmarking Report (www.water.nsw.gov.au). Special Schedules 3 and 5 of each utility's annual financial statement show the number of residential and non-residential assessments as well as the number of vacant and occupied lots for water supply and sewerage respectively. The data in the Special Schedules should be carefully reviewed to determine 'reliable' values for use in the analysis at Items 6.4, 6.5 and Item 13 above.

¹² Note that the key results for each LWU are reported in Tables 5 to 18 of the annual NSW Benchmarking Report (www.water.nsw.gov.au). From August 2014, results in these tables for each LWU since and including 2002/03 will be made available from the NSW Office of Water. This will provide the bulk of the required data on a 'whole LWU basis' and will need to be supplemented with data compiled by the utility on a 'scheme basis' where warranted.

¹³ The values shown in Item 14 are considered to reflect the circumstances that have applied in Australia over the last decade and are considered suitable for the long term financial planning undertaken in the financial plan.

However, your sensitivity analysis should include an investment rate of 3% pa and a borrowing rate of 4% pa, which are the rates which apply in July 2014. Refer also to Item 19 on page 14.

Financial Plan – Check List

Topic	Outcome Achieved
16. Forecast Data	<p><input type="checkbox"/> A. Forecast data, such as future operation, maintenance and administration (OMA) costs and the income split (between the annual residential revenue and the annual non-residential revenue), have been carefully considered as part of the LWU's total asset management planning (refer to Item 7 on page 10). Common errors are</p> <ul style="list-style-type: none"> • Neglecting to include increases in operation and maintenance costs associated with proposed capital works such as backlog sewerage or new water and sewage treatment works. • Neglecting to make appropriate provision for dividend and tax-equivalent payments (excluding income tax). • Neglecting to include future increases in non-residential water supply and sewerage income as a result of removing existing cross-subsidies. • Neglecting to include future increases in trade waste income from introducing appropriate trade waste fees and charges for all liquid trade waste dischargers. • Neglecting to include reduction in revenue from non-compliance trade waste usage charges and non-compliance excess mass charges mainly due to the installation of appropriate pre-treatment equipment by non-complying trade waste dischargers. • Neglecting to include future commercial developer charges. • Neglecting to include the cost of actions in the SBP. • Neglecting to exclude from your OMA expenses for activities undertaken on behalf of the Aboriginal Communities Water and Sewerage Program and income received from that Program (Item 4f and Item 11a of each of Special Schedules No. 3 and No. 5). <p><input type="checkbox"/> B. Increases or reductions to OMA costs have been discussed in the SBP document.</p>
17. Residential Bills	<p><input type="checkbox"/> The financial plan must provide a 30-year projection of Typical Residential Bills in Year 2\$.</p>
18. Results	<p><input type="checkbox"/> The input data, key output graphs and the full projected results and the annual financial statements (ie. Income Statement, Balance Sheet and Cash Flow Statement) are included for the preferred case. Results are presented in Year 2 dollars (ie. <u>not</u> in inflated dollars).</p>
19. Sensitivity Analysis	<p><input type="checkbox"/> A. Sensitivity Analysis (section 8.3 of the FINMOD User Manual) has been carried out and results are included.</p> <p><input type="checkbox"/> B. A description of the cases analysed, and the reasons for their selection have been included in the SBP document.</p>

Financial Plan – Check List

Topic	Outcome Achieved
20. Financial Plan Report and Price Path (Figure 2 on page 4)	<input type="checkbox"/> A. Financial Plan Report prepared to document your financial planning (example report provided in Appendix E of the FINMOD User Manual - Reference 2). A copy of Appendix E is available on request. <input type="checkbox"/> B. Price path adopted for the typical residential bill over the next 4 years in Year 2\$. This provides some price certainty to your LWU's customers.
21. Annual Update of Financial Plan	<input type="checkbox"/> A. Following the annual review of your TBL Performance Report (Item 3 on page 5), you should review and update your total asset management plan and your long-term financial plan. <input type="checkbox"/> B. Prepare a brief report ¹⁴ to Council on your update of the financial plan (example at Appendix H on page 131 of Reference 1).
22. Publication of SBP and FP	<input type="checkbox"/> LWU should publish the adopted Strategic Business Plan and Financial Plan on its website.

REFERENCES*

1. *NSW Water and Sewerage *Strategic Business Planning Guidelines*, NSW Office of Water, NSW, July 2011 (available on www.water.nsw.gov.au).
2. *FINMOD User Manual [Draft]*, NSW Office of Water, 2011.
3. *2012-13 NSW Water Supply and Sewerage Performance Monitoring Report*, NSW Office of Water/Local Government NSW (available on www.water.nsw.gov.au).
4. *Water Supply, Sewerage and Trade Waste Pricing Guidelines*, Department of Land and Water Conservation, NSW, 2002 (available on request).
5. *Liquid Trade Waste Regulation Guidelines*, Department of Water and Energy, NSW, April 2009 (available on www.water.nsw.gov.au).
6. *Developer Charges Guidelines for Water Supply, Sewerage and Stormwater*, NSW Office of Water, Consultation Draft, 2012 (available on www.water.nsw.gov.au).
7. *Environmental Management Systems – Specification with guidelines for use*, International Standard ISO 14001.
8. *Integrated Water Cycle Management Guidelines for NSW Local Water Utilities*, Department of Energy, Utilities and Sustainability, NSW, October 2004 (available on www.water.nsw.gov.au).
9. *Wise Water Management – A Demand Management Manual for Local Water Utilities*, Water Services Association of Australia, 1998 (available on request).
10. *Water Supply and Sewerage Management Guidelines*, NSW Government, 1991 (available on request).
11. *NSW Water and Sewerage Community Involvement Guidelines [Consultation Draft]*, NSW Office of Water, 2012 (available on request).
12. *Work Health and Safety Act 2011 and Work Health and Safety Regulation 2011*.
13. *NSW Water and Sewerage Asset Management Guidelines [Draft]*, NSW Office of Water, 2011.

¹⁴ This Report annually provides assurance to Council and the community of the continuing financial sustainability of your water supply and sewerage businesses on the basis of your latest annual financial statements (Special Schedules 3 to 6) and your Total Asset Management Plan (Item 7 on page 10). In addition, the updated financial plan enables you to address any emerging issues or changes in circumstances.

* Except for References 3 and 17, LWUs should use the latest edition of each reference.

14. *Best-Practice Management of Water Supply and Sewerage Guidelines*, NSW Government, 2007 (available on www.water.nsw.gov.au).
15. *NSW Guidelines for Drinking Water Management Systems*, NSW Health and NSW Office of Water, 2013 (available on www.health.nsw.gov.au/publichealth/environment/water).
16. *NSW Reference Rates Manual for Valuation of Water, Sewerage and Stormwater Assets*, 2014 (available on www.water.nsw.gov.au).
17. *2012-13 NSW Water Supply and Sewerage Benchmarking Report*, NSW Office of Water/Local Government NSW (available on www.water.nsw.gov.au).

NOTES

1. Full achievement of the required outcome for item 6.2G on page 7 is required for meeting the trade waste policy requirements in Table 1 on page 24 of the *Best-Practice Management Guidelines* (Reference 14 above).
2. LWUs with a dual water supply need to comply with item 6.2I on page 8 in order to meet the requirements in element 2(g) of Criterion 2 in Table 1 on page 25 of the *Best-Practice Management Guidelines* (Reference 14 above).
3. For further information, assistance and copies of the reference documents, please contact Sam Samra, Senior Manager Water Utility Performance on 8281 7435 or Sam.Samra@water.nsw.gov.au
4. LWUs should continue to email their adopted strategic business plan and financial plan to NOW for registration (Sam.Samra@water.nsw.gov.au).

If you also wish to provide a 'hard copy', please forward to:

Senior Manager Water Utility Performance
NSW Office of Water
Level 18
227 Elizabeth Street
Sydney NSW 2000

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Disclaimer: The information contained in this publication is based on knowledge and understanding at the time of writing (July 2014). However, because of advances in knowledge, users are reminded of the need to ensure that information upon which they rely is up to date and to check currency of the information with the appropriate officer of the Department of Primary Industries or the user's independent adviser.

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