



Operational plan

2016-17



Performance agreement

Board statement and agreement of responsible Ministers

The Seqwater Operational Plan (Plan) for the financial year 2016-17 is presented in accordance with Part 4 of the *South East Queensland Water (Restructuring) Act 2007* (Restructuring Act).

This Plan is the performance agreement between the Seqwater Board and its responsible Ministers, the Honourable Curtis Pitt, Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport, and the Honourable Mark Bailey, Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply. The plan sets out Seqwater's financial and non-financial performance targets for the year, together with the major activities, objectives, undertakings, policies, investments and borrowings of Seqwater for 2016-17.

This Plan aligns with Seqwater's Strategic Plan 2016-2021. Seqwater agrees to take all reasonable steps to implement the plan and to provide accurate and timely progress reports to the responsible Ministers.

Seqwater will promptly advise the responsible Ministers of any major changes to the key assumptions and outcomes detailed in this Operational Plan. These changes will be dealt with in accordance with the requirements in the Restructuring Act.

This Operational Plan is signed by the Chairman of the Board on behalf of all members in accordance with a unanimous decision of the Board of Seqwater.



Dan Hunt

Chairman

Date: 31.5.16

The Honourable Curtis Pitt MP

Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport

Date:

The Honourable Mark Bailey MP

Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply

Date:

Message from the Chair and CEO

'Water for life' is our commitment and promise to the people of South East Queensland. Seqwater and our supply chain partners provide this essential service to meet both daily demands and the future needs of 3.1 million South East Queenslanders. As a regional business, Seqwater is an integral part of the cities, towns and rural communities in which we operate.

Our catchments, dams, water treatment plants and pipeline network supply the drinking and irrigation water that underpins our region's health and prosperity and support a diverse range of recreation activities for locals and visitors. Seqwater provides jobs for 634.5 permanent full time equivalent roles, and many more contractors and suppliers. Knowing the importance of the role we play, we seek to partner with government, industry and communities to deliver on our promise.

Seqwater operates in a dynamic and rapidly changing environment. This environment presents challenges and opportunities as we work to provide safe, secure and cost-effective water and catchment services for our communities today and into the future, delivering on our promise 'Water for life'. Our Operational Plan 2016-17 responds to these challenges and details our objectives, work program, and financial and non-financial targets, in line with the priorities set out in our Strategic Plan 2016-2021.

In 2016-17, we will continue to identify and realise operational efficiencies that will set us on the path to financial sustainability and make water more affordable for our customers. We will invest in natural and built asset improvement projects that support our business strategy and create economic prosperity. Our capital investment this financial year will total \$112.5 million. Key work programs include the Dam Improvement Program, water treatment plant upgrades and catchment improvement initiatives to protect our source water.

To secure our long-term water future, *Water for Life - South East Queensland's Water Security Program 2015-2045*, was published in July 2015 as a starting point for maintaining water security in our region in a climate of extremes.

We will continue to engage with government, the South East Queensland water service providers, industry and our communities to inform the next version of South East Queensland's 30-year water plan to be delivered in March 2017.

Our aim is to build on the strong foundation of the July 2015 version, further developing an adaptable plan that reflects the views and values of our stakeholders and communities.

South East Queenslanders rely on us to deliver safe water every day. We will maintain our focus on incident and flood management, reviewing and testing our plans and training our people for emergencies and weather extremes to be ready for any eventuality. We will continue to work with government agencies and councils to implement the recommendations of the Inspector-General of Emergency Management's review of dam warnings and communication. We will collaborate with councils to engage and educate communities about living near our dams, plants and pipelines, with a particular focus on growing the public understanding of how dams operate and dam releases.

In support of our goal to build knowledgeable and engaged communities, we will extend our existing education program by establishing a major partnership to increase community understanding of the water cycle – from catchment to tap. Our award-winning *Play it safe* public education campaign will continue to encourage visitors to our dams, lakes and parks to plan ahead and keep safety top of mind. We will deliver further improvements to our diverse range of recreation facilities, supporting a healthier community.

We understand the importance of limiting increases to the cost of living. To deliver greater value for our customers, we will drive efficiency in all facets of our business and work with our water supply chain partners to constrain price escalation in water supply services. Joint initiatives include connecting more customers to the South East Queensland Water Grid (enabling the decommissioning of ageing off-grid assets) and a disinfection optimisation study across the supply system.

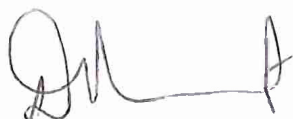
This year, we will begin planning for the next bulk water price path, with the clear objective of keeping future bulk water price increases at a minimum.

In achieving our vision of *Healthy communities, prosperous region*, Seqwater's employees are our greatest asset. We will build the capability and diversity of our workforce and develop our future water industry workers by implementing initiatives such as our Capability Framework, multiskilling, and our Next Generation program.

We will also continue to foster a strong safety culture through our Safe for Life behavioural program, and the ongoing enhancement of our Work Health and Safety Management System.

Seqwater is streamlining our business processes, controls and system performance. A new collaborative maintenance model, partnering with the private sector to drive efficiencies and innovation in asset maintenance, will be in place by the end of 2016. Asset optimisation is underway, including the first phase of a project to centralise bulk water treatment and transport infrastructure monitoring and consolidate performance and asset data to achieve efficiencies.

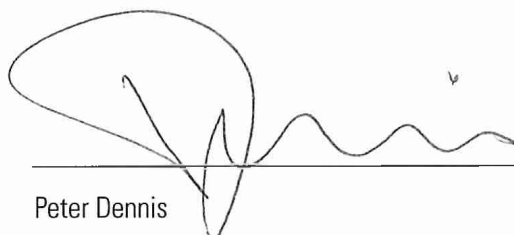
Implementation of this plan will meet legislative requirements and comply with whole of Government policies and our governance framework. We will keep Government informed on our progress in delivering the plan, as well as emerging risks at regular intervals. We look forward to an exciting and successful year ahead.



Dan Hunt

Chairman

Date: 31.5.16



Peter Dennis

Chief Executive Officer

Date:

Contents

Performance agreement.....	1	Part five - Business plan.....	22
Message from the Chair and CEO.....	2	Service delivery.....	23
Part one - Our role.....	5	People and culture, our industrial relations and employment plan.....	24
About us.....	6	Safety leadership.....	25
Part two - Operating environment.....	9	Stakeholders, customers and communities.....	25
Water demand planning.....	10	Path to financial sustainability.....	26
Operating environment trends and opportunities...	11	Systems and processes.....	26
Part three - Strategies and objectives.....	12	Performance measures.....	26
Vision, purpose and values.....	13	Capital program.....	29
Our 2021 strategy.....	13	Capital asset expenditure.....	30
Seqwater's story in 2021.....	13	Notification of capital projects.....	31
Our strategic roadmap to achieving our goals.....	14	Financial performance.....	32
Enterprise risks.....	15	Financial statements.....	34
Stakeholder, customer and community engagement.....	16	Sponsorship, advertising, corporate entertainment and donations.....	37
Engagement programs.....	17	Five year financial outlook.....	39
Part four - Governance.....	18	Community service obligations.....	42
Governance structure.....	19	Other undertakings.....	42
Key policies.....	21		

Part one

Our role

Seqwater is the Queensland Government statutory authority responsible for ensuring a safe, secure and cost-effective bulk drinking water supply for 3.1 million people across South East Queensland.

We also provide irrigation water to 1,200 rural customers in seven water supply schemes, as well as essential flood mitigation services. Our operations extend from the New South Wales border to the base of the Toowoomba ranges and north to Gympie. This makes us one of Australia's largest water businesses, with the most geographically spread and diverse asset base of any capital city water authority.

On behalf of our communities, we manage and maintain \$11.9 billion of water supply assets, including dams, weirs, conventional water treatment plants, reservoirs, pumps and pipelines, as well as climate-resilient water sources, such as the Gold Coast Desalination Plant and the Western Corridor Recycled Water Scheme.

We also manage parts of the region's natural water supply catchments. Our dams, lakes and parks in the catchments are generally open for recreation. This is very different to other capital city water supplies, where the public cannot access the water or the catchments surrounding them. This presents us with multiple challenges in balancing the ongoing health of the catchments and quality of the region's drinking water supply.

The responsible Ministers have set standards of performance for us through a Statement of Obligations. The Statement outlines our core business activities which are:

- water supply
- water security
- water quality
- asset management
- environmental management
- recreation management
- flood mitigation.

About us

Source

Water treatment begins in catchments. We aim to partner with neighbours, all levels of government, water service providers and the broader community, to care for catchments so we can reliably produce safe water. The South East Queensland region covers an area of around 1.2 million hectares, with about 60,000 hectares making up the region's drinking water supply catchments, which are some of the most open catchments in Australia. Our dams and catchments also form an important part of the region's playground, providing more than 50% of the green space in South East Queensland, outside of national parks.

Store

On behalf of the community, we own and operate 26 dams, 51 weirs and two bore fields that supply as much as 90% of the region's drinking water. The remaining 10% is supplied from small dams, bores and rainwater tanks on private property. The two largest dams in the region, Wivenhoe and Somerset, have flood water storage compartments over and above their drinking water storage capacity to help mitigate floods. Gates on these dams are used to control the release of water. North Pine Dam also has gates but does not have additional floodwater storage capacity. The remaining 23 dams are un-gated. These dams are designed to spill once full, so that excess water continues its journey through the waterway system.

Supply









Our infrastructure includes 37 water treatment plants, 22 bulk water pump stations and 18 bulk water reservoirs, 600 kilometres of bulk water supply pipelines, the Gold Coast Desalination Plant and the Western Corridor Recycled Water Scheme. Due to the current high level of water security, the recycled water scheme has been placed in care and maintenance mode.

The South East Queensland Water Grid enables us to move water to where it is needed in the region - from Noosa in the north to Coolangatta in the south. About 53,000 people living in smaller communities are supplied by 16 off-grid water treatment plants. On average, we move about 600 ML of water through the supply network daily. This would fill 240 Olympic-sized swimming pools.

In 2014-15, dams and bores supplied the region with 291,354 ML of drinking water, with the Gold Coast Desalination Plant contributing 1,258 ML to the water grid. We also supply untreated water to 1,200 rural irrigator customers. This water is used to support a wide variety of agriculture, such as orchards, vegetable and fodder crops, dairying and grazing. We supplied 31,131 ML of untreated water to irrigators in 2014-15.

South East Queensland Water Grid

Legend

- | | | | |
|--|---|---|--|
|  | Northern Pipeline Interconnector |  | Local government boundary |
|  | Western Corridor Recycled Water Scheme |  | Water treatment plants |
|  | Southern Regional Water Pipeline |  | Western Corridor Recycled Water Scheme |
|  | Eastern Pipeline Interconnector |  | Desalination plant |
|  | Network Integration Pipeline |  | Reservoirs |
|  | Other bulk water pipelines connecting South East Queensland | | |

Water Treatment Plants (WTP)

- | | | | |
|----|--------------------------------|----|--|
| 1 | Amity Point WTP ² | 23 | Linville WTP ² |
| 2 | Atkinson Dam WTP ¹ | 24 | Lowood WTP ² |
| 3 | Banksia Beach WTP | 25 | Maroon Dam WTP ¹ |
| 4 | Beauesert WTP ² | 26 | Molendinar WTP |
| 5 | Boonah Kalbar WTP ² | 27 | Moogerah Dam WTP ¹ |
| 6 | Borumba Dam WTP ¹ | 28 | Mudgeeraba WTP |
| 7 | Canungra WTP ² | 29 | Noosa WTP |
| 8 | Capalaba WTP | 30 | North Pine WTP |
| 9 | Dayboro WTP ² | 31 | North Stradbroke Island WTP |
| 10 | Dunwich WTP ² | 32 | Petrie WTP |
| 11 | East Bank (Mount Crosby) WTP | 33 | Point Lookout WTP ² |
| 12 | Enoggera WTP | 34 | Rathdowney WTP ² |
| 13 | Esk WTP ² | 35 | Somerset Dam (Township) WTP ² |
| 14 | Ewen Maddock WTP | 36 | West Bank (Mount Crosby) WTP |
| 15 | Hinze Dam WTP ¹ | 37 | Wivenhoe Dam WTP ¹ |

Western Corridor Recycled Water Scheme

- 38 Bundamba Advanced Water Treatment Plant (AWTP)
- 39 Gibson Island AWTP
- 40 Luggage Point AWTP

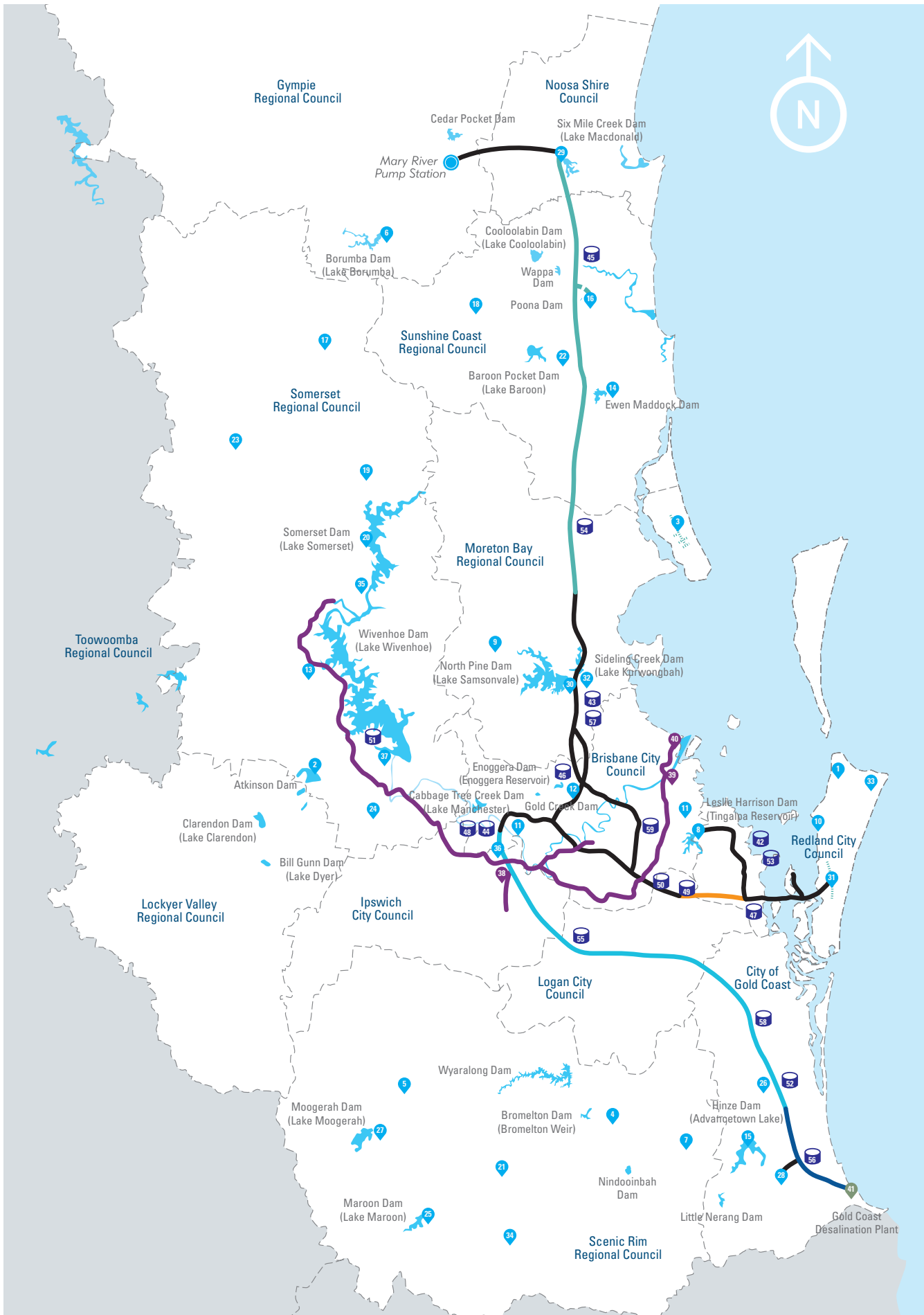
Desalination Plant

- ## 41 Gold Coast Desalination Plant

Reservoirs

- 42 Alexandra Hills Reservoirs
- 43 Aspley Reservoir
- 44 Camerons Hill Reservoir
- 45 Ferntree Reservoir
- 46 Green Hill Reservoirs
- 47 Heinemann Road Reservoirs
- 48 Holts Hill Reservoir
- 49 Kimberley Park Reservoirs
- 50 Kuraby Reservoir
- 51 Lumley Hill Reservoir
- 52 Molendinar Reservoir
- 53 Mt Cotton Reservoir
- 54 Narangba Reservoirs
- 55 North Beaudesert Reservoirs
- 56 Robina Reservoir
- 57 Sparkes Hill Reservoirs
- 58 Stapylton Reservoir
- 59 Wellers Hill Reservoirs

¹ Recreation water treatment plant² Off-grid community water treatment plant



Part two

Operating environment

As the region's bulk water supply authority, we are charged with delivering safe, secure and cost efficient water to our customers and community today and in the future. In our region, we experience both drought and flood and we need to plan for a sustainable water future that meets the needs of all South East Queenslanders.

Water demand planning

We recently developed two demand projections that enable us to manage the system efficiently and effectively for daily consumption demands in the short term, and planning for the long term water security to meet regional growth needs. Over short timescales, demand can fluctuate significantly because of variables such as rainfall patterns and population growth.

We have adopted a conservative low demand growth projection in the short term to best manage the revenue risks associated with our financial position. Over longer time periods, demand growth is predicted to align with longer term population growth projections and a minor increase in future per capita consumption. This longer term demand growth projection is used to forecast when supply augmentations might be needed.

Key components of the demand projection include population increase (based on median series population forecast information sourced from the Queensland Government Statistician's Office), forecast per capita consumption, system losses, power station and Toowoomba demand.

South East Queensland's Water Security Program projects demand to 2045. Under current planning assumptions, the bulk water supply system will continue to meet level of service objectives set by the Government through to 2030 in all but higher than normal consumption scenarios or severe drought.

Beyond 2030, and after augmentations to existing assets are complete, there will be a need to identify and develop new source augmentation options. Community feedback will be central to ensuring future versions of the Water Security Program reflect community views and values.

Historically, we have reported water storage drawdown against the millennium drought model. Through the development of the Water Security Program we have developed a sophisticated model of storage drawdown sequences to allow better tracking and reporting against many different drawdown scenarios covering years that are wet, average, drought and severe drought.

South East Queensland demand projections

Figure 1: South East Queensland demand projections (budget assumptions)

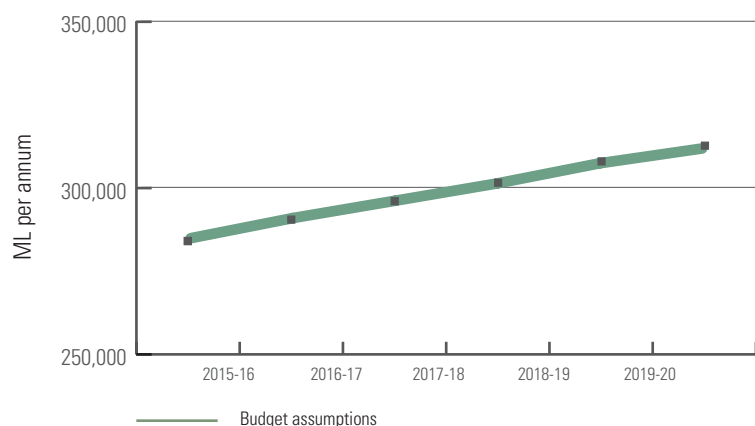
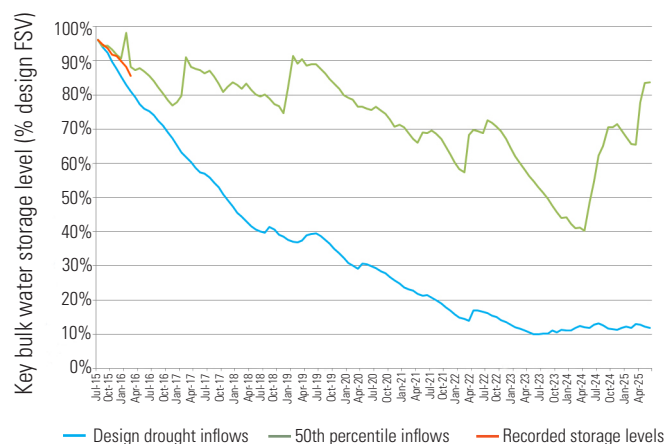


Figure 2: Design drought and 50th percentile drawdowns



Note: the drawdown curve covers the period when Wivenhoe and Somerset Dams were lowered as part of the Somerset Dam Improvement Program.

Operating environment trends and opportunities


Water supply is under increasing pressure from a range of local and global factors. As populations grow in major urban centres, water and all other natural resources become increasingly scarce and more expensive to obtain, process and distribute. Australia's ageing population, the increasing pace of technological change, and the demand from younger generations for more flexibility and mobility, have implications for the future industrial landscape.

The following trends have been identified as having the most significant impact on our future and will be subject to ongoing review, monitoring and scenario planning.

Trend	Implication for Seqwater
Changes in land-use patterns	Increased risk to raw water quality and quantity through greater activity in industrial and agricultural sectors, including increased urbanisation and peri-urbanisation.
Changing regulatory environment	Changes in the complexity of economic, environmental and health regulation may lead to increased compliance costs and greater capital investment.
Changing workforce demographics	The style of leadership and workplace culture will need to adapt to manage a diverse, technology-enabled workforce seeking greater flexibility and mobility.
	Risk of losing valuable specialist knowledge through an ageing workforce.
Climate variability	Hotter, drier climate and more extreme weather events compounding impacts of droughts (longer and drier) with impacts on water supply and water quality during extreme events.
	Potential to influence the community appetite for alternative water sources.
Consumer demand and expectations	The rate of population growth in South East Queensland impacts demand for water and ultimately water revenue. Current growth is lower than predicted and the consumption rebound has not occurred as anticipated. An information-enabled community has greater expectations of meaningful engagement and involvement in decision-making.
Economic uncertainty	Increasing cost of living is driving community expectations for more affordable water.
Technological advancements	The increasing number of viable options available for individual sustainability as water management technology improves may decrease the demand for bulk treated water.

Part three

Strategy and objectives



Seqwater will achieve its vision of *Healthy communities, prosperous region*, by building an organisation with a business model that delivers **sustainable financial performance** through a **skilled and committed workforce** which supplies **optimised water and catchment services** to **knowledgeable and engaged communities** and operates as a **trusted and respected partner** to government, customers and stakeholders.

Vision, purpose and values

Our vision

Healthy communities, prosperous region.

Our purpose

Partnering to deliver safe, secure and cost effective water and catchment services to our customers and communities.

Our promise

Water for life.

Our values

- We work safe
- We work together
- We continually improve
- We deliver
- We each make a difference

Our 2021 strategy

In 2021, our strategic objective is to achieve these five outcomes:

- skilled and committed workforce
- knowledgeable and engaged communities
- trusted and respected partner
- optimised water and catchment services
- sustainable financial performance.

Seqwater's story in 2021

In 2021, our customers are at the heart of everything we do. We are trusted and respected by customers, communities, government and industry.

Our skilled and committed workforce is driving improvement. We are recognised as a high performing business and a great place to work.

We are continuing to work proactively with our partners to deliver safe, secure and more cost-effective water and catchment services and we have shaped our long-term water future. We are an industry leader in water source management, storage, treatment and supply with a deep understanding of the economic value and impact of our services.

We are actively searching to improve operational efficiency to ensure water supply at least cost for South East Queensland. Our expertise is actively sought by the broader water industry, which we are leveraging to deliver profitable, unregulated revenue streams.

Water is valued – customers understand and value the water we provide and we understand our customers' expectations and are delivering the services they require.

By 2021, we are at the table as a trusted advisor to inform regional planning and regulatory decisions. Our smart, competitive business is contributing to a healthier, more prosperous South East Queensland.

Our strategic roadmap to achieving our goals

Our strategic roadmap establishes the tactical approach to delivering on our strategy over three planning horizons. Following the restructures of recent years, the first planning horizon, Simplify and Stabilise, will strengthen the foundation to build upon in pursuit of our vision.

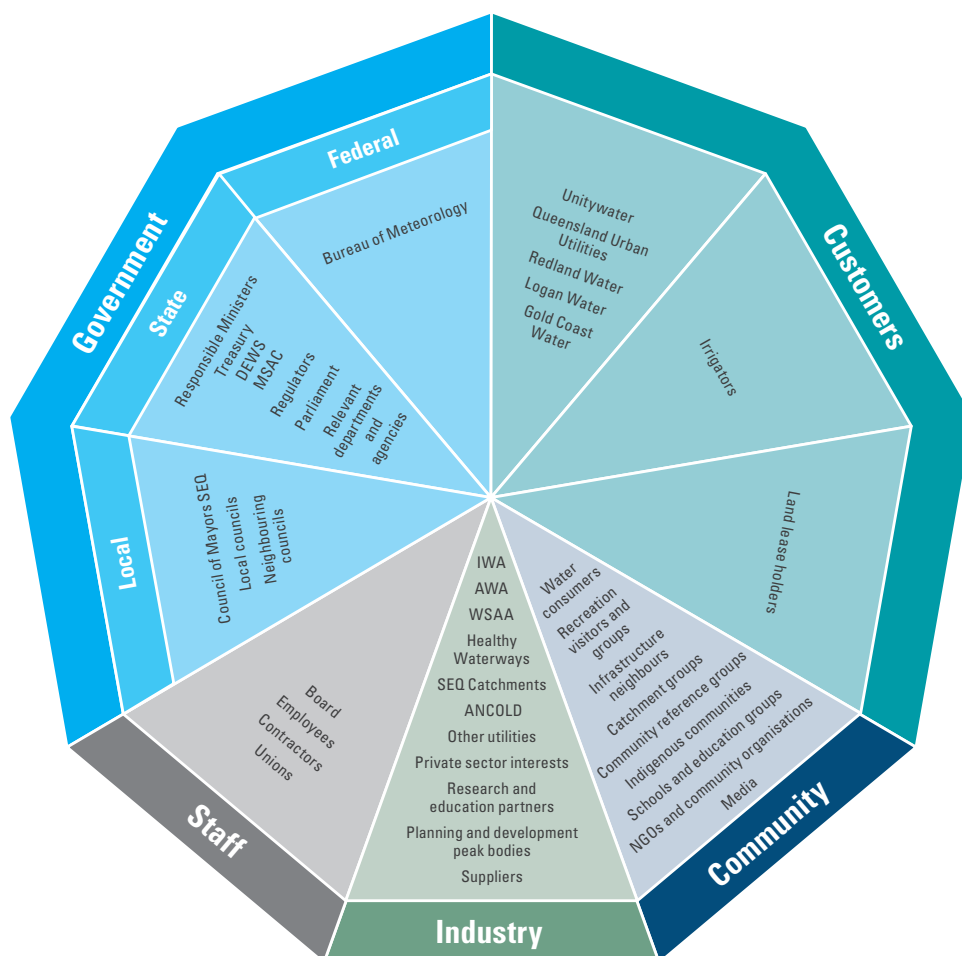


Enterprise risks

Risk	Key mitigation strategies
Fatality or serious injury to an employee or contractor	Our Work Health and Safety Management System is certified under AS/NZS 4801:2001 and is reviewed to ensure we meet legislative requirements and identify opportunities for continuous improvement. There is clear and regular reporting of safety issues to the Board and the executive leadership team through the support of the Work Health and Safety Steering Committee. Our Safety Culture and Behaviour Program is the cornerstone of our approach to develop and reinforce positive safety behaviours in the workplace to prevent unsafe acts by addressing worker attitudes. This is supported by our Health and Wellbeing Program, which focuses on prevention and assisting injured workers to return to work.
Fatality or serious injury to a member of the public	We have implemented the <i>Play it safe</i> public education campaign to encourage visitors to our dams, lakes and parks to plan ahead and practice safe behaviours when recreating. We maintain recreation assets in accordance with schedules and actively work with enforcement agencies in relation to on-water activities and illegal access. We actively monitor and respond to public feedback about recreational areas and provide public information through a range of communication channels including on site signage.
Failure to maintain an efficient sustainable business	Effective Board and business governance is in place to ensure long term financial planning and future pricing support balance sheet management.
Unable to attract and retain capable people	We have a cultural alignment program to drive a workplace culture that engages and empowers employees. We conduct an annual employee survey and develop formal improvement plans to respond to opportunities for improvement. Our succession planning helps build the skills and capability of our workforce.
Failure to establish and maintain effective relationships with customers and other stakeholders	Our Customer Relationship Management Policy guides Seqwater's management of stakeholder, customer and community enquiries, feedback, compliments and complaints and is in line with ISO 10002:2006 – Customer Satisfaction. Our Brand, Reputation and Relationship Management Framework sets out our goals to achieve our strategic vision. Our targeted engagement programs for key activities identify and manage risks to our relationships and identify future opportunities. Research into stakeholder, customer and community awareness, attitudes and perceptions is conducted to measure the effectiveness of our engagement efforts and the changing environment.
Failure to deliver a long term economic water supply for South East Queensland	We are committed to engaging with stakeholders and our communities in the development of the Water Security Program. As part of our consultation and engagement program, we work with an independent review panel of industry experts, who provide feedback on the Program.
Unable to maintain water quality and / or continuity of water supply	Our Drinking Water Quality Management Plan and supporting programs are mature and are comprehensively applied. We are aware of our vulnerabilities and continue to reduce risk through asset planning, contingencies and our response framework.
Lack of understanding of legislative, regulatory and other government obligations	Our Compliance Framework ensures regular oversight and understanding of our legislative and regulatory obligations.
Failure to prevent fraud and corruption in the business	Our Fraud and Corruption Control Framework outlines behavioural expectations, and the mechanisms for monitoring and assessing ongoing compliance.
Major asset failure	We routinely review relevant operational procedures and maintenance schedules. We have an integrated asset management plan, dedicated to the detection and treatment of risks to our asset base. Our dam improvement program addresses identified risks through prioritising improvement works and risk assessments.
Failure to effectively manage an emergency situation	Our emergency management capability is predicated on a philosophy of continual improvement. Using a combination of emerging risk identification and lessons learned from actual disruption events, plans and procedures are reviewed and updated to increase organisational resilience. Establishment of integrated Emergency Control Centres in dual locations (linking our Flood Operation Centre, Network Control Room and Emergency Management Centre) has further reinforced our response preparedness and resilience.

Stakeholder, customer and community engagement

We recognise the importance of engaging with stakeholders, customers and our communities to achieve our vision and purpose, meet our obligations, and deliver on our promise of water for life. Responsibility for engagement rests with all of our employees, who are ambassadors for the Seqwater brand and values.



Legend

Government, State section:

Treasury
DEWS Department of Energy and Water Supply
MSAC Ministerial Strategic Advisory Committee (water)

Regulators:

Queensland Competition Authority
Dam Safety Regulator
Department of Health
Workplace Health and Safety Queensland
Electrical Safety Office
Workers Compensation Regulator

Parliament:

South East Queensland Members of Parliament

Relevant departments and agencies:

Building Queensland
Queensland Treasury Corporation
Department of Natural Resources and Mines
Department of Environment and Heritage Protection
Department of National Parks, Sport and Racing
Department of Agriculture and Fisheries
Department of Infrastructure, Local Government and Planning
Department of Education and Training
Department of State Development
Queensland Audit Office
Crown Law
Queensland Fire and Emergency Services/Rural Fire Service

Industry section:

IWA International Water Association
AWA Australian Water Association
WSAA Water Services Association of Australia
ANCOLD Australian National Committee on Large Dams

Private sector interests:

Property developers
Water businesses

Planning and development peak bodies:

Urban Development Institute of Australia
Commerce Queensland
Infrastructure Queensland
Property Council of Australia

Community section:

NGOs Non-Governmental Organisations

Engagement programs

We engage across all aspects of our work, from planning to project delivery, to community consultation and broad scale community education campaigns. Our principles for partnering and working with our stakeholders, customers and communities are:

- understanding stakeholder, customer and community needs
- proactively sharing information about our role and work
- partnering and working cooperatively
- identifying and resolving issues
- building trust through transparency and delivering on our promises
- tracking the effectiveness of our engagement.

Our stakeholder, customer and community engagement is informed by a targeted strategy which includes the following key programs for 2016-17:

- 30-year water security plan
- dam improvement program (including flood storage)
- infrastructure and catchment improvement capital projects and maintenance
- next generation and multi-skilled workforce programs
- dam release and emergency engagement and communication program

- Water Service Providers Partnership whole-of-supply system efficiency initiatives
- South East Queensland Water Grid operations and optimisation
- recreation services
- catchment services
- drinking water quality program
- bulk water price path submission preparation
- irrigator and land leaseholders engagement program
- school and community education program
- community grants program
- corporate social responsibility partnership
- *Play it safe* public education campaign
- research program
- enterprise bargaining agreement negotiations.

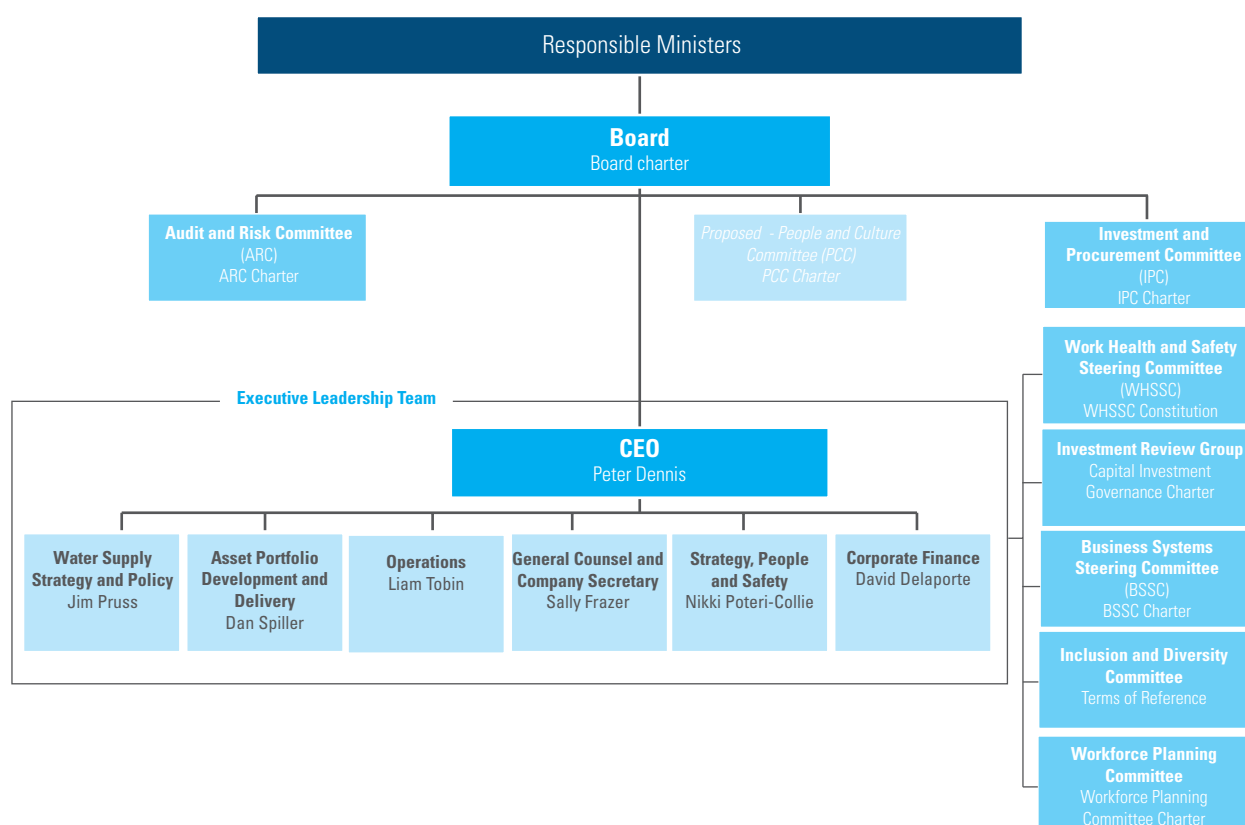
Part four

Governance

As a Government-owned statutory authority, Seqwater has Board-approved governance arrangements, which reflect the requirements in relevant legislation and government guidelines. We work cooperatively with relevant departments and provide quarterly and annual performance reports to responsible Ministers.

Governance structure

The Board



The Board is responsible for how Seqwater performs its functions and exercises its powers under the *South East Queensland Water (Restructuring) Act 2007*. Its role is to:

- set strategy and direction, and provide the governance framework for the organisation through establishing high level policies
- ensure Seqwater performs its functions and exercise its powers in a proper, efficient and effective way
- ensure strategic and operational planning objectives are achieved
- be accountable to the responsible Ministers for its performance
- review the performance of the Chief Executive Officer.

Board standing committees

The Board has formed three standing committees that meet at regular intervals:

- Audit and Risk Committee
- Investment and Procurement Committee
- People and Culture Committee (proposed).

Audit and Risk Committee

The Audit and Risk Committee provides independent assurance and assistance to the Board on governance, risk and compliance frameworks and external accountability responsibilities, as prescribed in the *Financial Accountability Act 2009* and Accounting Policy Standards.

The Committee's duties and responsibilities encompass oversight of compliance with all mandatory requirements of our corporate governance, including:

- financial statements
- risk management
- performance management
- external audit
- compliance.

Investment and Procurement Committee

The Investment and Procurement Committee reviews capital and operational investment and procurement decisions. The Committee ensures we meet strategic, corporate and technical aspects of asset delivery and operational performance objectives, while managing the associated business risks and ensuring risk management systems are in place.

The Committee's role, functions and duties include:

- ensuring the assessment, and overseeing implementation, of a high quality asset investment plan consistent with the strategic plan
- overseeing the development and implementation of asset delivery and non-infrastructure capital programs and maintenance program operations, in line with the strategic plan
- ensuring strategic procurement objectives are developed and implemented through an annual strategy
- ensuring compliance with the Queensland Procurement Policy
- overseeing the establishment and monitoring of appropriate operations and service delivery targets for any long standing contracts.

People and Culture Committee (proposed)

It is proposed the Board establish a People and Culture Committee to provide advice and assistance on matters relating to:

- diversity and inclusiveness
- leadership and culture
- attraction and retention.

The executive leadership team

Executives provide leadership and direction to employees and ensure strategic priorities and legislative responsibilities are met.

The executive leadership team has five advisory committees:

- Work Health and Safety Steering Committee
- Investment Review Group
- Business Systems Steering Committee
- Inclusion and Diversity Committee
- Workforce Planning Committee.

Advisory committees

Work Health and Safety Steering Committee

The Work Health and Safety Steering committee (WHSSC) provides oversight of the work health and safety consultative framework within Seqwater. The committee monitors compliance against the Workplace Health and Safety Management System to ensure it is implemented and effective, and Seqwater's emergency preparedness as detailed in the Work Health and Safety Emergency Preparedness and Response Procedure.

Investment Review Group

The Investment Review Group (IRG) reviews and endorses all proposed capital investments that exceed General Manager approval level before their progression through the asset management project lifecycle and associated approvals.

Consistent with delegations, the review threshold for projects are \$1 million for the General Manager – Operations, General Manager – Asset Portfolio Development and Delivery and the Chief Financial Officer and \$500,000 for all other General Managers, including General Counsel and Company Secretary.

As at the end of May 2016 the charter of the IRG is in the process of being expanded to include operational projects greater than relevant General Manager thresholds where the projects are reviewed based on value and risk.

Business Systems Steering Committee

The Business Systems Steering Committee (BSSC) governs and ensures the investment we make in technology is aligned with organisational strategy and priorities.

Inclusion and Diversity Committee

The Seqwater Inclusion and Diversity Committee (IDC) takes a proactive role in improving all aspects of Seqwater's long term business performance, through the development of a diverse and inclusive workforce.

The aim of the IDC is to leverage the power of diversity to improve employee engagement, serve Seqwater's stakeholders more effectively, and increase Seqwater's innovation capabilities and agility.

Workforce Planning Committee

The Workforce Planning Committee works with the business to develop a blueprint for our future workforce and assists Seqwater leaders to develop annual workforce plans.

The primary role of the committee is to provide direction and governance in people resourcing across Seqwater.

Key policies

Our treasury policy

We have policies in place to minimise any risk of investments and borrowings that may adversely affect our financial stability. Our Treasury Policy has been implemented to ensure a prudent, orderly and efficient approach to the management of assets and liability associated with the financing of the business.

Our recreation management framework

Our Recreation Management Framework (the Framework) has been established to guide decision making based on seven key principles:

- minimise risks to water quality
- ensure environmental sustainability
- offer diversity in the range of recreation activities, locations and settings
- ensure all use is consistent with our land management practices
- facilitate sustainable recreation
- engage with external regulating agencies
- meet financial management outcomes.

A key element of the implementation of the Framework is the development of site specific recreation management plans. Following extensive consultation with South East Queensland communities, we released recreation guides and associated management plans for 20 lakes as part of our Recreation Review.

A recreation policy is under development and will be implemented in 2016-17.

Part five

Business plan

This year, our Simplify and Stabilise focus will deliver core services and strengthen our foundation by continuing to build a strong safety culture, developing our people, improving our systems and processes, engaging with our stakeholders, customers and communities, and defining our path to financial sustainability.



Service delivery

As the region's bulk water supply authority, our role is to source, store and supply water from catchments and other sources. We work in partnership with South East Queensland water service providers, Unitywater, Queensland Urban Utilities, and the water operations of the Redland, Logan and City of Gold Coast councils, to deliver a safe, secure and cost-effective water supply to South East Queensland.

Delivering our core services to South East Queensland communities remains our key objective by:

- providing safe, secure and cost-effective water supply
- providing raw water to irrigators
- contributing to flood mitigation through the Somerset and Wivenhoe system
- providing access to water and land based recreation in and around our lakes
- partnering for a whole-of-catchment approach to source water protection
- long-term water security planning.

Undertakings

- Transition and implement the collaborative maintenance contract.
- Produce the Water Security Program version 2 in line with stakeholder expectations and Department of Energy and Water Supply guidelines.
- Investigate and plan the Somerset Dam improvement project.
- Deliver the Wivenhoe Dam augmentation study in accordance with the agreed program.
- Upgrade key water treatment assets.
- Continue to implement the recommendations of the Inspector-General of Emergency Management's review of dam warnings and communications.
- Continue to partner with stakeholders on catchment health to improve catchment health and source water quality.
- Continue to partner with the South East Queensland water service providers to achieve savings and deliver whole-of-supply-system improvements, including:
 - Beaudesert pipeline
 - Petrie Water Treatment Plant decommissioning
 - disinfection optimisation study.
- Implement the Bulk Meter Assurance Framework and program improvement actions and develop the bulk water metering standard.

To ensure we are resilient to and prepared for emergencies, we will undertake the following activities:

Activity	Completed by
Seqwater Emergency Management Manual annual review	July 2016
Bulk Authority Emergency Response Plan biennial review	August 2016
Annual statement of preparedness including: <ul style="list-style-type: none"> ensure responsible persons contact details are accurate and current employee training and assessment assessment of communication equipment flood forecasting system assessment including: <ul style="list-style-type: none"> flood monitoring network data collection systems modeling platform and dam operations model 	September 2016
Ensure flood manuals are reviewed and current	October 2016
Flood scenarios	October 2016
South East Queensland water supply system emergency response exercise	December 2016
Seqwater emergency management desktop exercise	December 2016
Selected emergency management team annual update training	December 2016
Selected incident controllers annual update training	May 2017

People and culture

Our industrial relations and employment plan

We remain committed to an open, consultative approach with our employees. Our employment arrangements are based on the vision, purpose and values of the business, with a desired culture that supports strategy execution. Our focus is on creating an environment where employees are able to perform to the best of their abilities and encouraged to develop and extend their skills.

As at 1 July 2016, our workforce consists of 634.5 permanent full time equivalent (FTE) roles. This represents an additional 33.4 permanent FTE positions. The increase in salary expenses will be offset by a reduction in consulting and labour hire costs presenting an overall budget saving.

We engage employees under two employment arrangements:

- an Seqwater contract of employment (where the wage rate is determined by a work evaluation and falls outside the EBA classification structure)
- an Seqwater certified agreement. The certified agreement that will apply from 2016-17 is currently under negotiation.

Seqwater is committed to complying with the State Government Owned Corporations wages and industrial relations policies.

Undertakings

- Improve capability development and career pathways.
- Deliver the Next Generation workforce program for 2016-17.
- Deliver the Decision Making Framework project to streamline Seqwater's decision framework, define decision rights for the top 10 critical decisions and align with the Delegations and Authorisations Manual.
- Develop a Human Resource Strategy
- Build workforce diversity.

Employment category	2016-17 Full time equivalent positions
Directly employed workforce	
Permanent – full time	614.0
Permanent – part time	20.5
<i>Total permanent FTEs</i>	<i>634.5</i>
Temporary – full time	110.0
Temporary – part time	2.9
Trainees	19.0
Graduates	11.0
Total directly employed workforce	777.4
Indirectly employed workforce	
Apprentices	7.0
Labour hire	13.5
Total indirect workforce	20.5
TOTAL WORKFORCE	797.9

Safety leadership

We are committed to the health, safety and wellbeing of everyone in the workplace. We will continue to progress and improve our work health and safety framework and systems, with a focus on behavioural programs.

Undertakings

- Design and deliver the 'Safe for life' culture program.
- Continue to embed and refine the Work Health and Safety Management System.
- Undertake audits across the asset portfolio to identify areas where safety standards require improvements and prioritise opportunities to improve site safety.

Stakeholders, customers and communities

We engage with stakeholders, customers and communities to achieve our objectives. We aim to be a trusted and valued partner in the communities in which we operate and to play a key role in supporting a liveable and productive South East Queensland.

Undertakings

- Establish a major education partnership to increase community understanding of the water cycle.
- Lead stakeholder, customer and community engagement on the Water Security Program version 2.
- Ensure local communities are engaged about projects and community impacts are considered in project delivery.

Path to financial sustainability

Undertakings

- Commence planning for the next bulk water price path and submission to the Queensland Competition Authority (QCA) in 2017-18.
- Implement the asset management improvement program to support the next QCA submission, including operationalising the Strategic Asset Management Plan and implementing internal asset performance standards and performance indicators.
- Develop a 'path to financial sustainability plan' detailing how to take Seqwater to the desired end state financial structure.
- Streamline corporate processes and procedures.
- Implement the Enterprise Risk Management system to the risk integrated stage.
- Deliver monitor and control system improvements scheduled for 2016-17, as part of a multi-year program of monitoring and control system improvements due for completion in 2021.
- Implement further certification of key management systems.
- Further improve cyber security for operational systems – deliver on agreed 2016-17 actions of the Cyber Security Strategy.

Systems and processes

Following our establishment in January 2013, we acquired a host of legacy and depreciated systems from predecessor organisations. In 2016-17, we will undertake a range of activities to improve business processes, controls and system performance.

Undertakings

- Implement maintenance and management systems improvement
- Deliver phase 1 improvements to our enterprise resource planning system known as CIS (Corporate Information System) including:
 - CIS roadmap initiatives
 - strategic asset management
 - procure to pay process.
- Implement business process management repository standards and governance and business intelligence projects.
- constrain price escalation in water supply services
- consistently provide safe, secure, cost effective water services
- operate without injuries, illness or incident
- be an employer of choice, recognised as an industry leader in employee engagement and alignment.

Performance measures

We are committed to delivering safe secure and cost effective water and catchment services to our customers every day and to the health, safety and wellbeing of everyone in the workplace.

Our goal is to:

Performance targets for 2016-17 have been established to support the pursuit of achieving our goals.

Performance measures

KPI	Measure	2016-17 targets				
		Q1	Q2	Q3	Q4	Full year
Skilled and committed workforce						
Voluntary permanent workforce turnover	12 month rolling average	≤10%	≤10%	≤10%	≤10%	≤10%
Employee survey improvements	“Seqwater cares about and is committed to its employees”	Improvement on previous pulse survey	N/A	Improvement on previous pulse survey	Improvement on previous year’s survey	Improvement on previous year’s survey
Lost Time Injury Frequency Rate (LTIFR) ¹	Employee lost time injuries over rolling 12 month period, per million hours worked					≤4.0
Safety lead indicator score	Average performance against target across work health and safety lead indicators ²	>95%	>95%	>95%	>95%	>95%
Knowledgeable and engaged communities						
Community awareness	Unprompted awareness of Seqwater	N/A	N/A	N/A	N/A	29%
Community water knowledge	Unprompted awareness of the South East Queensland Water Grid	N/A	N/A	N/A	N/A	Establish baseline
Trusted and respected partner						
Partner engagement	Partner engagement rating	N/A	N/A	N/A	N/A	75%
Optimised water and catchment services						
Zones compliant with Australian Drinking Water Guidelines	Percent of zones compliant over rolling 12 months ³	100%	100%	100%	100%	100%
Compliance with bulk water agreements	Number of breaches	0	0	0	0	0

¹LTIFR reported monthly and quarterly against annual target

²Overall safety lead indicator score includes WHS inspections, management safety walks, WHS compliance training and rolling 12 month corrective action close out rate.

³Number of zones compliant with the *Australian Drinking Water Guidelines 2011* (ADWG) values based on the 95th percentile for health parameters, 98% for microbiological parameters and arithmetic mean for aesthetic parameters (with impacts downstream)

KPI	Measure	2016-17 targets				
		Q1	Q2	Q3	Q4	Full year
Statutory notifications for environmental harm	Number of notifications	0	0	0	0	0
Scheduled maintenance tasks delivered on time	Complete to schedule	≥95%	≥95%	≥95%	≥95%	≥95%
Sustainable financial performance						
Variable cost ⁴ of water from base load WTPs ⁵	\$/ML	≤\$75	≤\$75	≤\$75	≤\$75	≤\$75
Completion of enterprise risk treatment plans ⁶	Complete to cumulative schedule	≥80%	≥80%	≥80%	≥80%	100%
Completion of internal audit actions ⁷	Complete to schedule	100%	100%	100%	100%	100%
EBITDA margin %	EBITDA/Revenue	73%	73%	72%	71%	72%
Operational expenditure to budget	Expenditure to budget	95 -100%	95 -100%	95 -100%	95 -100%	95 -100%
Infrastructure capital expenditure to budget	Cumulative budget variance	\$0-\$2 M	\$0-\$3 M	\$0-\$4 M	\$0-\$5 M	\$0-\$5 M
Infrastructure capital project efficiencies ⁸	Cumulative \$ against approved business case estimates	\$0	\$0	>\$500 k	>\$2.5 M	>\$2.5 M

⁴ Variable costs include variable energy (as defined in energy supply contracts), chemical and sludge management costs.

⁵ Base load WTPs are Landers Shute, North Pine, Molendinar, Mount Crosby East Bank, Mount Crosby West Bank, Mudgeeraba and North Stradbroke Island water treatment plants.

⁶ High and extreme risks.

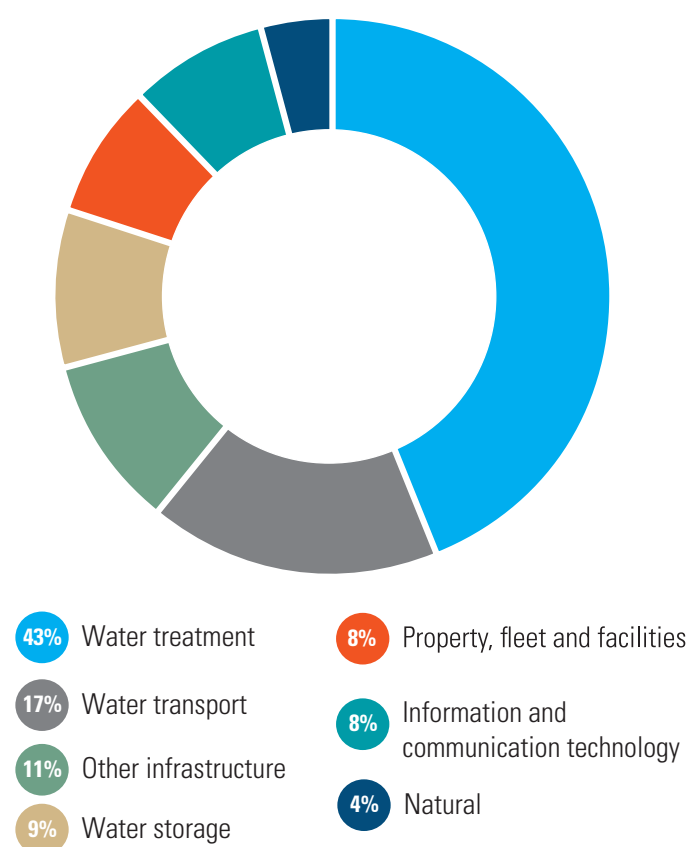
⁷ Medium risk or above.

⁸ Driven by innovation, design, bundling and procurement efficiencies in delivery.

Capital program

Our 2016-17 capital program comprises projects valued at \$120.0 million with a budgeted spend of \$112.5 million after applying a capital efficiency reduction allowance of \$2.5 million and unforeseen conditions reduction factor of \$5 million. The forecast value of the program in the five years to 2020-21 is \$816.3 million.

The 2016-17 program has the largest portion of committed and continuing projects or programs of any recent capital works budget at approximately \$63 million. This includes continuation of upgrades at several treatment plants, land compensation for resumed land and dam safety upgrades. The graph below provides a breakdown of the capital program.



Our capital investment for 2016-17 comprises:

- Water treatment program (\$52 M) consists of upgrades of some off-grid water treatment plants, driven by growth and reliability requirements. Also upgrades to larger grid-connected plants, driven by the need to supply water under adverse operating conditions.
- Water transport program (\$20 M) includes continuation and commencement of partnership projects with South East Queensland water service providers to establish new bulk water connections to several water supply zones, such as the Petrie area, driven by growth and renewals.
- Other asset investment (\$13.7 M) includes investment in monitoring and control systems (MCS), capitalisable planning costs, recreation, irrigation, Western Corridor Recycled Water Scheme and laboratory data systems.
- Water storage program (\$10.7 M) comprises continued implementation of the dam improvement program projects, with work including design and construction activities to comply with dam safety regulations.
- Property, fleet and facilities (\$9.6 M) consists of continuation of land compensation program and renewals of fleet.
- Information and communication technology (ICT) program (\$9.3 M) includes adapting and upgrading business systems to support business strategy and changing business needs, driven by renewals and improvements.
- Natural assets program (\$4.5 M) is the continuation of riparian restoration projects and partnerships with landholder groups in multiple areas of high priority catchments.

Capital asset expenditure

Asset group	2016-17 budget
	(\$000)
Infrastructure capital	
Water treatment	\$51,996
Water transport	\$20,089
Water storage	\$10,723
Purified recycled water	\$94
Recreation	\$276
Irrigation	\$860
Natural	\$4,506
Other infrastructure	\$12,059
Efficiencies target	(\$2,500)
Unforeseen factors	(\$5,000)
Total infrastructure capital	\$93,102
Non infrastructure capital	
Building	\$2,005
Fleet	\$1,611
Information Communication and Technology	\$9,252
Laboratory data systems	\$505
Land	\$6,000
Total non-infrastructure capital	\$19,373
TOTAL CAPITAL	\$112,475⁹

⁹Rounding has been used in calculations.

Notification of capital projects

Notification of capital projects between \$10 million and \$40 million will be reported through the quarterly report to responsible Ministers. Correspondence will be sent to the responsible Ministers seeking approval for capital projects of \$40 million or greater. Seqwater will advise of projects nearing the \$10 million and \$40 million thresholds through quarterly reporting. Seqwater will also comply with relevant Building Queensland requirements.

Project	Details	Status	Project completion	2016-17 budget (M)	Total project cost (M)
Projects over \$10 million					
Lake Macdonald dam upgrade	Upgrade to comply with dam safety regulations	Continuing	2020-21	\$1.0	\$83.5
Beaudesert water supply zone upgrade	Upgrade proposed as a pipeline connection to the water grid to secure long-term water supply to the area	New	2026-27	\$0.3	\$79.1
Somerset Dam upgrade	Upgrade to comply with dam safety regulations	New	2021-22	\$0.2	\$47.0
Mount Crosby Water Treatment Plant filtration upgrade	Refurbishment and upgrade of the 20 filters at the Mount Crosby Water Treatment Plant to address supply reliability	Continuing	2019-20	\$4.2	\$34.0
Leslie Harrison Dam upgrade	Upgrade to comply with dam safety regulations	Continuing	2022-23	\$0.8	\$24.7
Lowood Water Treatment Plant stage 1 A and B upgrade	Upgrade to address plant capacity deficiencies, compliance and water supply reliability	Continuing	2017-18	\$4.8	\$17.4
North Pine sludge handling upgrade	Upgrade to reduce capacity constraints	Continuing	2017-18	\$3.6	\$13.0
Somerset hydro refurbishment	Refurbishment to allow the plant to resume operations and provide renewable energy	Continuing	2016-17	\$5.5	\$11.5
Non-infrastructure projects and infrastructure projects under \$10 million					
Land compensation payments	Payments for land acquired for water grid projects. All payments are processed by the Office of the Coordinator-General	Continuing	N/A	\$6.0	N/A
Petrie water supply zone upgrade	Seqwater contribution to partnership project with Unitywater for the installation of new bulk water connection to secure future supply to zone	Continuing	2017-18	\$7.9	\$9.9
ICT Program	Delivery of business facing systems focus on leveraging CIS, key business process improvements and renewal of ICT assets	N/A	N/A	\$9.3	N/A

Financial performance

We have budgeted water revenue growth of 6% for 2016-17, compared to 2015-16 Q2 full year forecast. The majority of this projected increase relates to the Queensland Competition Authority (QCA) price path regional increases year on year. The remainder is a 2.3% increase in volumes compared to the 2015-16 Q2 full year forecast.

Our operating budget for 2016-17 is \$229.2 million. The 2016-17 budget is lower than that of the 2013-14 and 2014-15 actuals and \$2.0 million more than 2015-16 Q2 full year forecast.

Excluding variable costs, which are projected to increase from the 2015-16 Q2 full year forecast, due to higher production and industry regulated price increases, there has been a real reduction in operating costs of 0.4% in 2016-17 against Q2 full year forecast.

No additional state borrowings are planned for 2016-17.

Our financial performance targets for 2016-17 are detailed in the following tables. Rounding applies to all financial tables.

Financial summary

	2016-17 budget				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Statement of comprehensive income					
Operating revenue	206,194	219,363	204,736	196,415	826,708
EBITDA	149,808	160,421	148,210	139,034	597,473
EBIT	81,931	92,543	78,748	68,931	322,153
Finance/borrowing costs	138,985	138,985	135,965	137,474	551,409
Profit (loss) before income tax	(57,054)	(46,442)	(57,217)	(68,543)	(229,256)
Statement of financial performance					
Total net assets	2,031,596	1,985,153	1,927,937	1,928,171	1,928,171
Statement of cash flows					
Net increase (decrease) in cash held	(25,359)	(11,255)	(7,421)	(25,965)	(70,000)

Ratios

	2016-17 budget				
	Q1	Q2	Q3	Q4	Full year
Current ratio	2.0	2.0	1.8	1.4	1.4
Debt to equity ratio	4.6	4.7	4.9	4.9	4.9
Time interest earned	0.59	0.67	0.58	0.50	0.58
Debt ratio	0.77	0.77	0.78	0.78	0.78
Return on assets	(0.48%)	(0.39%)	(0.48%)	(0.58%)	(1.93%)
Equity ratio	17%	16%	16%	16%	16%
Return on equity	(3%)	(2%)	(3%)	(4%)	(12%)
EBITDA margin	73%	73%	72%	71%	72%

Our financial performance outcomes in 2016-17 are based upon the following assumptions:

Assumptions	
Economic indices	
CPI	2.5% (less 2.5% efficiency)
Wage growth	Annual market adjustment of 3% is estimated for Enterprise Bargaining Agreement (EBA) and common law contract staff
Long term interest rates	As per Queensland Treasury Corporation (QTC) projected interest rates 31 December 2015
Revenue	
Water sales	Distribution/retail revenue is calculated using the Queensland Competition Authority (QCA) final report. South East Queensland Bulk Water Price Path 2015-2018 for 2016-17 year and forward year estimates
Demand	Queensland Government Statistian's Office 2013 series Low Population and no increase in per capita consumption over a five year period
Operating expenses	
Seqwater	The operational forecast using a zero baseline

Financial statements

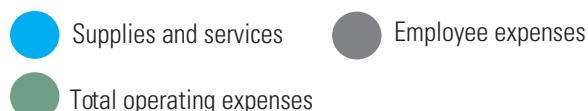
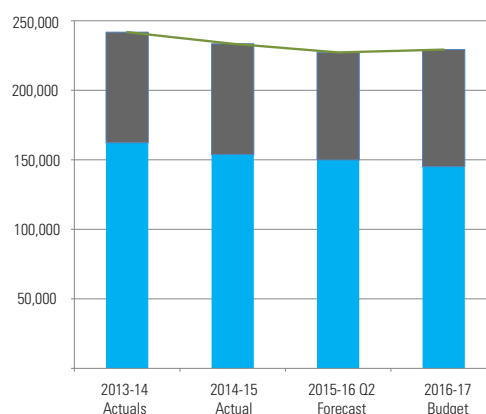
Statement of comprehensive income

	2016-17 budget				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Operating revenue					
Water services	200,790	214,034	199,451	191,218	805,493
Interest income	301	227	184	95	807
Other revenue	972	972	972	973	3,889
Irrigation/CSO revenue	1,198	1,198	1,198	1,198	4,792
Hydro revenue	87	86	86	86	345
Grant revenue	2,846	2,846	2,845	2,845	11,382
Total operating revenue	206,194	219,363	204,736	196,415	826,708
Operating expenses					
Employee expenses	19,692	22,594	19,503	22,399	84,188
Supplies and services	36,694	36,348	37,023	34,982	145,047
Total operating expenses	56,386	58,942	56,526	57,381	229,235
EBITDA	149,808	160,421	148,210	139,034	597,473
Depreciation and amortisation	67,877	67,878	69,462	70,103	275,320
Other asset revaluations, losses, and write downs	0	0	0	0	0
EBIT	81,931	92,543	78,748	68,931	322,153
Finance/borrowing costs	138,985	138,985	135,965	137,474	551,409
Profit (loss) before income tax	(57,054)	(46,442)	(57,217)	(68,543)	(229,256)

Total expenses 2016-17



Operating expenses comparison



Statement of financial position

	2016-17 budget				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Current assets					
Cash and cash equivalent	64,641	53,386	45,965	20,000	20,000
Trade and other receivables	135,599	141,475	131,220	127,197	127,197
Inventories	7,070	7,070	7,070	7,070	7,070
Other current assets	3,402	3,402	3,402	3,402	3,402
Total current assets	210,712	205,333	187,657	157,669	157,669
Non current assets					
Property, plant and equipment	11,816,706	11,774,526	11,732,346	11,690,954	11,690,954
Other non-current assets	153,311	154,577	155,843	157,132	157,132
Total non-current assets	11,970,017	11,929,103	11,888,189	11,848,086	11,848,086
TOTAL ASSETS	12,180,729	12,134,436	12,075,846	12,005,755	12,005,755
Current liabilities					
Trade and other payables	40,508	41,744	42,968	45,521	45,521
Employee benefits	10,198	10,198	10,198	10,198	10,198
Interest payable	45,379	46,889	46,888	45,379	45,379
Other current liabilities	9,046	6,201	3,355	11,892	11,892
Total current liabilities	105,131	105,032	103,409	112,990	112,990
Non-current liabilities					
Employee benefits	9,390	9,639	9,888	10,141	10,141
Interest bearing liabilities	9,385,595	9,385,595	9,385,595	9,385,595	9,385,595
Deferred tax liabilities	321,099	321,099	321,099	252,322	252,322
Other non-current liabilities	327,918	327,918	327,918	316,536	316,536
Total non-current liabilities	10,044,002	10,044,251	10,044,500	9,964,594	9,964,594
TOTAL LIABILITIES	10,149,133	10,149,283	10,147,909	10,077,584	10,077,584
NET ASSETS	2,031,596	1,985,153	1,927,937	1,928,171	1,928,171
Equity					
Contributed equity	(715,888)	(715,888)	(715,888)	(715,888)	(715,888)
Asset revaluation reserve	2,908,114	2,908,114	2,908,114	2,908,114	2,908,114
Accumulated profit (loss)	(160,630)	(207,073)	(264,289)	(264,055)	(264,055)
TOTAL EQUITY (DEFICIENCY)	2,031,596	1,985,153	1,927,937	1,928,171	1,928,171

Statement of cash flow

	2016-17 budget				
	Q1	Q2	Q3	Q4	Full year
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cash flow from operating activities					
Inflows					
Receipts from water services	189,304	208,158	209,706	195,853	803,021
Receipts from leases, rentals and other	1,493	1,493	1,492	1,493	5,971
Interest received	301	227	184	95	807
Outflows					
Payments to suppliers and employees	(59,434)	(57,706)	(55,302)	(52,928)	(225,370)
Interest paid	(129,530)	(137,475)	(135,966)	(138,983)	(541,954)
Net operating cash flows	2,134	14,697	20,114	5,530	42,475
Cash flow from investing activities					
Inflows					
Proceeds from sale plant and equipment	0	0	0	0	0
Outflows					
Payments for acquisition of property, plant and equipment	(27,493)	(25,952)	(27,535)	(31,495)	(112,475)
Net investing cash flows	(27,493)	(25,952)	(27,535)	(31,495)	(112,475)
Cash flow from financing activities					
Inflows					
QTC borrowings/capitalised interest	0	0	0	0	0
Outflows					
QTC borrowings - redemption	0	0	0	0	0
Net financing cash flows	0	0	0	0	0
Net increase (decrease) in cash held	(25,359)	(11,255)	(7,421)	(25,965)	(70,000)
Cash and cash equivalents at the beginning of the financial period	90,000	64,641	53,386	45,965	90,000
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	64,641	53,386	45,965	20,000	20,000

Sponsorship, advertising, corporate entertainment and donations

		2016-17 budget				
		Q1	Q2	Q3	Q4	Full year
Benefit note		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Sponsorship						
Healthy Waterways Awards	a.	13.0	0	0	0	13.0
World Water Congress	b.	0	5.0	0	0	5.0
Total over \$5,000		13.0	5.0	0	0	18.0
Other (total) below \$5,000	c.	2.5	5.5	2.5	2.5	13.0
TOTAL SPONSORSHIPS		15.5	10.5	2.5	2.5	31.0
Advertising						
Public education (e.g. <i>Play it safe</i>)	d.	187.5	187.5	187.5	187.5	750.0
Dam release notification service	e.	0	20.0	0	0	20.0
Weir safety	f.	0	6.0	0	0	6.0
Community grants	g.	0	0	5.0	0	5.0
Total over \$5,000		187.5	213.5	192.5	187.5	781.0
Other (total) below \$5,000	h.	1.3	1.3	1.3	1.3	5.0
TOTAL ADVERTISING		188.8	214.8	193.8	188.8	786.0
Corporate entertainment						
Total over \$5,000		0	0	0	0	0
Other (total) below \$5,000		2.5	2.5	2.5	2.5	10.0
TOTAL CORPORATE ENTERTAINMENT		2.5	2.5	2.5	2.5	10.0
Donations						
Total over \$5,000		0	0	0	0	0
Other (total) below \$5,000		0	0	0	0	0
TOTAL DONATIONS		0	0	0	0	0

Rounding has been used in calculations.

Term	Definition
Sponsorship	The association of our name with a sponsored organisation's service, product or activity, in return for negotiated and specific benefits.
Advertising	Messages paid for by us intended to educate or inform the people who receive them (excludes recruitment advertising).
Corporate entertainment	Seqwater hospitality offered to corporate customers, key stakeholder and interest groups.
Donations	A voluntary transfer of money or property by us that we receive no material benefit or advantage for. We do not make monetary donations.

Benefit notes

- a. We will continue to support and recognise community contributions to catchment improvement in the region through sponsorship of the Healthy Waterways Awards.
- b. In 2016, Brisbane will host the International Water Association's World Water Congress. As the region's bulk water authority, we will contribute to the Queensland Government's sponsorship of this event.
- c. We will provide financial support to a range of water industry events, such as the Australian Water Association's QWater Conference, the Water Industry Operators Association of Australia Awards, the Australian National Committee on Large Dams forums and conferences, and WaterAid Australia events. These events provide learning and development opportunities for our employees, recognise outstanding achievement in the water industry and enable the Australian water industry to support improvements in water and sanitation in developing countries.
- d. The *Play it safe* public education campaign promotes visitor safety at our dams and recreation assets. Our research shows many people do not have the same level of awareness about safety around lakes as they do in pools or at the beach. More than a third of all drowning deaths (35%) in Australia are on inland waterways – rivers, creeks and dams; that is more than beaches and pools combined (31%).
- e. The dam release notification service public education campaign will encourage the community to register for Seqwater's dam release notification service to be advised when gated dams are releasing water and un-gated dams are spilling. This advertising to raise public awareness of the service supports the Inspector-General of Emergency Management's dam warning review recommendations.
- f. The weir safety campaign will educate the public, especially young people, to be aware of the potentially fatal consequences of swimming in weirs and flooded waterways.
- g. We will advertise our Water for Life Community Grants, which support community organisations to encourage community involvement in improving catchment health and protecting source water quality, educate and engage children and young people about the water cycle, and build community understanding of the water cycle and water-related issues.
- h. Other advertising includes public notices to advise the community of our events.

More than 100 people drowned in Queensland last year. Public education includes television, radio, online and outdoor advertising to remind the 2.6 million people who visit Seqwater's lakes, dams and parks each year to plan ahead and follow safety rules.

Five year financial outlook

Statement of comprehensive income

	2016-17	2017-18	2018-19	2019-20	2020-21
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Operating revenue					
Water services - distribution/retail revenue	782,993	824,024	865,530	911,055	948,135
Water services - power stations/ Toowoomba Regional Council sales	22,500	23,063	5,439	5,575	5,592
Interest income	807	100	100	100	100
Other revenue	3,889	300	609	471	461
Irrigation/CSO revenue	4,792	4,864	4,931	4,998	5,065
Hydro revenue	345	354	362	371	380
Grant revenue	11,382	11,382	11,382	11,382	11,382
Total operating revenue	826,708	864,087	888,353	933,952	971,115
Operating expenses					
Employee expenses	84,188	84,743	87,255	89,839	92,476
Supplies and services	145,047	148,240	149,247	144,883	141,729
Total operating expenses	229,235	232,983	236,502	234,722	234,205
EBITDA	597,473	631,104	651,851	699,230	736,910
Depreciation and amortisation	275,320	299,405	280,153	281,751	281,217
Other asset revaluations, losses and write downs	0	0	0	0	0
EBIT	322,153	331,699	371,698	417,479	455,693
Finance/borrowing cost	551,409	509,776	484,084	465,568	452,740
Profit (loss) before income tax	(229,256)	(178,077)	(112,386)	(48,089)	2,953
Taxation (expense) benefit	68,777	53,423	33,716	14,427	(886)
Net profit (loss) after income tax	(160,479)	(124,654)	(78,670)	(33,662)	2,067

Statement of financial position

	2016-17	2017-18	2018-19	2019-20	2020-21
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Current assets					
Cash and cash equivalent	20,000	10,000	10,000	10,000	10,000
Trade and other receivables	127,197	137,337	144,255	151,843	158,023
Inventories	7,070	7,070	7,070	7,070	7,070
Other current assets	3,402	3,402	3,402	3,402	3,402
Total current assets	157,669	157,809	164,727	172,315	178,495
Non-current assets					
Property, plant and equipment	11,690,954	11,563,322	11,463,685	11,404,426	11,304,853
Other non-current assets	157,132	160,581	159,482	153,678	148,475
Total non-current assets	11,848,086	11,723,903	11,623,167	11,558,104	11,453,328
TOTAL ASSETS	12,005,755	11,881,712	11,787,894	11,730,419	11,631,823
Current liabilities					
Trade and other payables	45,521	48,438	50,507	54,024	52,986
Employee benefits	10,198	10,198	10,198	10,198	10,198
Interest payable	45,379	41,878	39,759	38,238	37,046
Interest bearing liabilities	0	65,000	95,000	95,000	70,000
Other current liabilities	11,892	11,892	11,892	11,892	11,892
Total current liabilities	112,990	177,406	207,356	209,352	182,122
Non-current liabilities					
Employee benefits	10,141	11,141	11,141	11,141	11,141
Interest bearing liabilities	9,385,595	9,385,595	9,385,595	9,385,595	9,322,658
Deferred tax liabilities	252,322	198,899	165,183	150,756	151,642
Other non-current liabilities	316,536	305,154	293,772	282,390	271,008
Total non-current liabilities	9,964,594	9,900,789	9,855,691	9,829,882	9,756,449
TOTAL LIABILITIES	10,077,584	10,078,195	10,063,047	10,039,234	9,938,571
NET ASSETS	1,928,171	1,803,517	1,724,847	1,691,185	1,693,252
Equity					
Contributed equity	(715,888)	(715,888)	(715,888)	(715,888)	(715,888)
Asset revaluation surplus	2,908,114	2,908,114	2,908,114	2,908,114	2,908,114
Accumulated profit (loss)	(264,055)	(388,709)	(467,379)	(501,041)	(498,974)
TOTAL EQUITY	1,928,171	1,803,517	1,724,847	1,691,185	1,693,252

Statement of cash flow

	2016-17	2017-18	2018-19	2019-20	2020-21
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cash flow from operating activities					
Inflows					
Receipts from water services	803,021	840,074	867,245	912,304	950,875
Receipts from leases, rentals and other	5,971	2,391	2,709	2,580	2,579
Interest received	807	100	100	100	100
Outflows					
Payments to suppliers and employees	(225,370)	(229,066)	(234,435)	(231,205)	(235,244)
Interest paid	(541,954)	(513,277)	(486,202)	(467,090)	(453,932)
Net operating cash flows	42,475	100,222	149,417	216,689	264,378
Cash flow from investing activities					
Inflows					
Proceeds from sale of plant and equipment	0	0	0	0	0
Outflows					
Payments for acquisitions of property, plant and equipment	(112,475)	(175,222)	(179,417)	(216,689)	(176,441)
Net investing cash flows	(112,475)	(175,222)	(179,417)	(216,689)	(176,441)
Cash flow from financing activities					
Inflows					
QTC borrowings/capitalised interest	0	65,000	30,000	0	0
Outflows					
QTC borrowings - redemptions	0	0	0	0	(87,936)
Net financing cash flows	0	65,000	30,000	0	(87,936)
Net increase (decrease) in cash held	(70,000)	(10,000)	0	0	0
Cash and cash equivalents at the beginning of the financial period	90,000	20,000	10,000	10,000	10,000
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	20,000	10,000	10,000	10,000	10,000

Community service obligations

The Community Service Obligations (CSO) Agreement for the period 7 July 2014 to 28 August 2017 has been agreed between Seqwater and the State of Queensland.

The CSO applies to water supply schemes operated and managed by Seqwater, where the price received for water provided for irrigation purposes is, by direction, less than the cost of the provision of the water. The table below sets out the CSO payments by tariff group that the Department of Energy and Water Supply (DEWS) will pay to us for the period 1 July 2016 to 30 June 2017.

Tariff group	CSO payment
Cedar Pocket Dam	\$137,280
Central Brisbane River	\$21
Central Lockyer Valley	\$393,418*
Logan River	Nil
Lower Lockyer Valley	\$853,894
Mary Valley	Nil
Morton Vale Pipeline	\$83,415
Pie Creek	\$269,850 + (\$116 x water usage)

In the case of the CSO for Central Lockyer Valley, the amount of \$393,418 was predicated on the expectation that volumetric water allocations would be granted to irrigators in the scheme by 30 June 2016. Volumetric water allocations are meant to replace the current area-based water licences which do not have an attributed volumetric limit. The project will not be completed by 30 June 2016.

*We have written to DEWS requesting supplementation for the expected shortfall in CSO funding to \$732,062. Subject to receiving budget approval from Queensland Treasury, DEWS will amend the CSO agreement for 2016-17 for Central Lockyer Valley.

Other undertakings

As part of our performance agreement with our responsible Ministers, we provide the following additional undertakings.

Prudent financial information

The CEO, subject to the direction of the Board, takes full responsibility to ensure that prudent financial practices will be applied both within Seqwater and within its subsidiary, the Australian Water Recycling Centre of Excellence Ltd.

Capital structure

We will prudently manage within the capital structure parameters approved by the government.

Weighted Average Cost of Capital

We adopt the price path set by the government for charging distributor retailers. However, we will also set a Weighted Average Cost of Capital (WACC) for use as a discount rate in project assessment, and to enable a Maximum Allowable Revenue cap to be calculated for comparative purposes, and to allow a reconciliation of the price path revenues to the Maximum Allowable Revenue. The price path calculation is based on the Queensland Treasury Corporation Cost of Debt.

We also use WACC calculations for fair value (using the income based approach) and for annual impairment testing. The WACC calculations are provided by an independent expert.

Further details on the breakdown of the WACC assumptions can be provided upon request.

Annual return policy

Pursuant to section 53 of the *South East Queensland Water (Restructuring) Act 2007*, we are required to pay the State an annual return as determined by the responsible Ministers within six months of the end of each financial year.

To determine the amount to be paid, between 1 and 15 May 2017, we must give the responsible Ministers an estimate of our net profit for the year, and a recommendation on the amount of annual return to be paid.

By the end of the financial year, the responsible Ministers must either accept the recommendation, or direct us to pay another amount (though not more than the estimate of net profit).

Corporate governance

We will continually monitor and review our corporate governance arrangements to reflect good practice having regard to the Government Owned Corporations guidelines as directed by the responsible Ministers.

In conjunction with the responsible Ministers' departments, we will continue to review existing governance arrangements to streamline processes, and to deliver improved effectiveness and efficiency.

Compliance with Government policies

We will comply with all relevant government policies and guidelines. In particular, we will comply with the approval, notification and other requirements of those policies and guidelines.

Risk management

We will implement and maintain an Enterprise Risk Management System based on the *Australian/New Zealand Standard AS/NZS ISO 3100: Risk Management Principles and Guidelines*. Our enterprise risk management system comprises a Risk Management Policy Statement and Risk Management Framework. The system outlines a process for the identification, analysis, evaluation, treatment and monitoring of risks, with the intention of providing stakeholders with a high level of confidence that we have a reliable basis for decision-making that improved loss prevention and maximises relevant business opportunities.

Bulk water pricing

We will continue to implement bulk water pricing as determined by the Minister for the price path period 2015-2018. Preparation for an assumed Queensland Commission Authority pricing review will commence in 2016-17 and we will continue to support Government in understanding future bulk water prices and price impacts on customers.

Irrigation Pricing

In December 2015, the Board Chairman received a proposal from the responsible Ministers to delay the Queensland Competition Authority (QCA) pricing review by two years, meaning that the current price path may be extended to 30 June 2019.

The Government has now confirmed this will be the case and has written to irrigators to advise of this decision. We will work with Government to implement the continuation of the current price path arrangements and ensure efficiencies are achieved in the absence of a QCA review.

We will provide advice and input into the broader economic regulatory and pricing framework as required.

Network service plans

We will continue to prepare and publish network service plans for each of our irrigation water supply schemes and to consult annually with customers.

Attachment A

Strategic Plan 2016-2021



Strategic Plan 2016 - 2021



Our vision

Healthy communities. Prosperous region.

Our purpose

Partnering to deliver safe, secure and cost-effective water and catchment services to our customers and communities.

Partnering – working collaboratively with customers, communities, governments and industry.

Safe, secure and cost effective – continuing to ensure water security, meeting regulated standards and minimising costs for businesses and communities.

Water services – effectively managing our catchments and infrastructure to source, store and supply water that is fit for purpose.

Catchment services – providing water source improvement, flood mitigation, recreation and land management services.

Our values

- We work safe
- We work together
- We continually improve
- We deliver
- We each make a difference.

Our role in the water sector

We are part of South East Queensland's regional water supply network, which includes council-owned water entities, local governments and private sector agencies. Our role is to source, store and supply treated water from catchments and alternative sources, ensuring a high quality and reliable water supply for our customers.

We work with our industry partners to achieve the best whole-of-system solutions and provide industry leadership in our region.

The Queensland Government has set performance standards for our business through a Statement of Obligations. This provides a comprehensive framework for performance, requiring us to:

- Focus on core business (safe, secure, resilient and reliable water supplies)
- Be an effective and efficient business
- Communicate, consult and collaborate
- Achieve long-term business sustainability
- Be innovative
- Support government objectives and directions.

Our contribution to regional prosperity

Water is fundamental to regional prosperity. By providing safe, secure and cost-effective water and catchment services, we fuel the economy and enhance the lives and livelihoods of the people living and working in the region.

We work with our customers, communities, governments and industry to understand their needs and to assist us in meeting those needs.

The affordability of water is a key issue for our customers. We continue to reduce our costs by:

- Maximising the productivity of our existing water supply infrastructure
- Taking a whole-of-water-cycle approach
- Working with our industry partners to meet customer needs in the most cost-effective way.

We support the ongoing growth and prosperity of our region by planning for the future. We develop long-term water supply plans that seek to meet community expectations and needs in the most efficient way possible.

Critical issues for regional water supply

The issues most critical to our long-term business performance include:

- Affordable water for our customers
- Attraction and retention of a skilled and committed workforce
- A customer focused workforce that understands and meets customer expectations
- Planning and operating water supply assets in a variable climate and during extreme weather events
- Collaborative whole-of-water-cycle management
- Partnering to improve catchment health
- Influencing the long-term regional planning agenda.

Seqwater in 2021

Our customers are at the heart of everything we do. We are trusted and respected by customers, communities, government and industry.

Our skilled and committed workforce is driving improvement.

Seqwater is recognised as a high performing business and a great place to work.

We are continuing to work proactively with our partners to deliver safe, secure and more cost-effective water and catchment services, and we have shaped our long-term water future. We are an industry leader in water source management, storage, treatment and supply.

Water is valued – customers understand and value the water we provide and we understand our customers' expectations and are delivering the services they require.

We are at the table as a trusted advisor to inform regional planning and regulatory decisions. Our smart, competitive business is contributing to a healthier, more prosperous South East Queensland.

OUTCOME AREAS	Skilled and committed workforce	Knowledgeable and engaged communities	Trusted and respected partner	Optimised water and catchment services	Sustainable financial performance
PRIORITIES	<p>A safe workplace</p> <ul style="list-style-type: none"> Continuously improve our safety management system Drive workforce behaviours that support a strong safety culture Foster workforce health and wellbeing. <p>Organisational framework</p> <ul style="list-style-type: none"> Implement new operations and maintenance delivery models Enhance performance management. <p>Positive organisational culture</p> <ul style="list-style-type: none"> Attract and retain the right people Build an effective leadership team Strengthen skills in leadership, empowerment and accountability Invest in the skills and capability of our people to build an agile, proactive, engaged and customer-focused workforce Develop a baseline for our organisational culture Recognise and reward performance. <p>An information-enabled business</p> <ul style="list-style-type: none"> Implement technology solutions to make our workforce more efficient and responsive Enhance our information, tools and processes to support decision making Leverage geographic information system capability to support our field workforce. 	<p>Engaging customers and communities</p> <ul style="list-style-type: none"> Proactively engage and listen to customers and respond to their needs Strengthen community partnerships Implement our customer engagement framework and develop a long-term customer engagement plan Engage with customers about service level expectations and longer term water supply plans Explore opportunities to engage with customers and communities through traditional and digital communication channels Develop a customer service benchmark so we can measure our performance. <p>Supporting outdoor recreation</p> <ul style="list-style-type: none"> Provide a range of recreation opportunities at our water supply lakes. <p>Improving access to information</p> <ul style="list-style-type: none"> Increase customer access to information about their water, and water and catchment services. 	<p>Addressing community priorities</p> <ul style="list-style-type: none"> Work with customers and partners to understand customer expectations and develop demand management strategies Coordinate integrated whole-of-water-grid emergency and flood management planning Develop an industry-wide drought management approach. <p>Optimising industry performance</p> <ul style="list-style-type: none"> Drive South East Queensland's water service providers' partnership to improve whole of supply management processes and efficiency. <p>Maximising influence</p> <ul style="list-style-type: none"> Shape and influence our external environment through stakeholder engagement Secure appropriate influence at state and national levels Contribute to long-term local and state government regional planning through enhanced relationships with South East Queensland councils and government agencies Partner to advocate for and improve catchment health and source water quality Collaborate to deliver 30-year water security program. <p>Building our brand</p> <ul style="list-style-type: none"> Increase our understanding of customer, community, government and industry needs and expectations Continue to implement brand strategy Undertake targeted public information campaigns. 	<p>Achieving operational excellence</p> <ul style="list-style-type: none"> Provide a safe, secure and cost effective water supply that meets customer and community requirements Optimise the use of energy, chemicals and other resources to reduce the cost of producing water Understand expectations and acceptable risk levels for water quality and reliability Invest in real-time, best appropriate practice monitoring and control systems for water supply infrastructure and process operations and performance. <p>Enhancing catchment services</p> <ul style="list-style-type: none"> Continue to enhance recreation opportunities Understand how catchment improvement initiatives can contribute to source water risk reduction Advocate and secure investment for catchment improvement Build relationships with landholders to improve catchment health. <p>Excelling in flood mitigation</p> <ul style="list-style-type: none"> Grow our expertise in dam management and flood mitigation Continue to support a skilled flood operations team that uses international best practice models and processes, and operates our dams in accordance with flood manuals . 	<p>Improving commercial performance</p> <ul style="list-style-type: none"> Achieve efficient operating costs Develop organisational commercial capability and accountability Optimise cashflow management, including reporting Ensure effective risk management processes Benchmark operating and maintenance costs against other utilities. <p>Optimising asset performance</p> <ul style="list-style-type: none"> Drive the most value out of our water supply infrastructure through leading edge asset management and strategic optimisation of asset use Improve asset management processes and systems Optimise asset renewal and maintenance programs Ensure asset investments are prudent and efficient Invest in long-term asset planning Develop certified and integrated management systems Develop a sustainable capital structure. <p>Achieving economic regulation objectives</p> <ul style="list-style-type: none"> Lead the way in driving value for customers Develop sustainable bulk water price path proposals Work with agencies to achieve a regulatory environment that drives value for customers.
KPIs	<ul style="list-style-type: none"> WHS incident performance Proactive WHS management Workforce engagement 	<ul style="list-style-type: none"> Community knowledge Community satisfaction 	<ul style="list-style-type: none"> Regulatory compliance Environmental performance Water industry partnership outcomes Stakeholder engagement 	<ul style="list-style-type: none"> Asset reliability Asset utilisation Optimisation of production consumables Emergency readiness Catchment condition Service standards Water quality 	<ul style="list-style-type: none"> Financial sustainability Cost of water Asset portfolio management Risk management